BEFORE THE
COMPETITION COMMISSION OF PAKISTAN

IN THE MATTER OF

FIRST PHASE REVIEW

ACQUISITION OF CAMERON INTERNATIONAL INC
BY SCHLUMBERGER HOLDINGS CORPORATION

CASE: 784/Merger-CCP/16

Commission

Ms. Vadiyya Khalil
Chairperson

Mr. Shahzad Ansar
Member

Mr. Ikram Ul Haque Qureshi
Member

ORDER

I BACKGROUND

1 On 20 January 2016, the Competition Commission of Pakistan (the "Commission") received a pre-merger application pursuant to Section 11 of the Competition Act 2010 (the "**Act**") and Regulation 5 of the Competition (Merger Control) Regulations 2007 (the "Merger Regulations") by which Schlumberger Holdings Corporation ("Schlumberger Holdings" or the "Acquirer") intends to acquire Cameron International Inc ("Cameron" or the "Target"). The Commission's review of the intended transaction is as under:

II MERGER PARTIES

2 **ACQUIRER**
Schlumberger Holdings, incorporated in Delaware, United States is an indirect, wholly owned subsidiary of Schlumberger Limited, which is incorporated in Willemstad, Curacao as Schlumberger N.V. ("Schlumberger Limited"). Through its subsidiaries, Schlumberger Holdings provides oil field products and services supplying technology, information solutions, and integrated project management for oil and gas customers. The company has its principal offices in Houston, Paris, London and The Hague and is organized into three business segments: (i) Reservoir Characterization, (ii) Drilling and (iii) Production in Pakistan and globally. Seven Schlumberger Holding entities have branches in Pakistan, out of which four branches are active, which are as under:

- Schlumberger Seaco, Inc.; (active)
- M-I Overseas Limited; (active)
- Sea and Land Drilling Contractors, Inc.; (active)
- Flopetrol International S.A.; (active)
- Aandril International S.A; (dormant);
- Western Geco International Limited (dormant); and
- Dowell Schlumberger (Western) S.A.; (dormant)

3 Sea and Land Drilling Contractors, Inc (SLDC) is incorporated in Panama and has a branch in Pakistan. SLDC owns four (4) oil rigs (an oil platform with facilities to drill wells, to extract and process oil and natural gas, or to temporary store product until it can be brought to shore for refining and marketing) in Pakistan, out of four (4), three (3) oil rigs are operational. Schlumberger Holdings does not hold any title assets in Pakistan. Its total assets for the year 2014 remained and its consolidated turnover remained for the same period.

4 **TARGET**
Cameron, incorporated in Delaware, United States, directly and through its subsidiaries, provides drilling and production systems, valves management, and topside process systems used by the oil, gas and process industries. The company is headquartered in Houston and is organized into four business units: Subsea, Surface, Drilling, and Valve Management.

The company does not have physical presence in Pakistan and holds no title assets in Pakistan. Its total assets for the year 2014 remained and its world-wide turnover remained for the same period.

III TRANSACTION

4 Pursuant to the terms of Agreement and Plan of the Merger signed on 25 August 2015 ("Merger Agreement"), the Transaction is among Schlumberger Holdings, Rain Merger Sub LLC, a direct wholly owned subsidiary of Schlumberger Holdings ("Merger Sub"), the Schlumberger Limited and Cameron. Under the terms of Merger Agreement, Schlumberger Holdings will acquire Cameron in a transaction in which **Merger Sub** will merge with and into **Cameron**, with **Cameron as the surviving entity**. Schlumberger Holdings will acquire all the outstanding and issued voting securities of Cameron (the "**Transaction**"). The estimated value of the Transaction is stock-and-cash deal between the merging entities.

IV THRESHOLDS

5 The Intended Merger meets the notification thresholds prescribed in Regulations 4(2) (a) (b), (c) and (d) of the Merger Regulations. The Acquirer's assets exceed PKR 300 million and combined assets of the merging entities exceed PKR 1 billion. While, the Acquirers' turnover exceeds PKR 500 million, and combined turnover of the merging entities exceeds PKR 1 billion. The Transaction value exceeds PKR 100 million and the voting share to be acquired also exceeds 10% of the total shares of Cameron.

V RELEVANT MARKET

Relevant product market

6 The relevant product market for the Acquirer includes reservoir and oil well drilling technology with the Target's Wellhead and surface technology, further enabled by the Acquirer's strength in instrumentation, software, and automation leading to the launch of complete drilling and production system performance.

Relevant geographic market

7 The Transaction is foreign-to-foreign merger. The Acquirer has seven branches in Pakistan out which only four are active. The relevant geographic market for merging entities is determined to be global in terms of its exploration and production (E&P) services.

VI FINDINGS OF THE PHASE-I INVESTIGATION ON THE COMPETITION ASSESSMENT

The competition assessment in Phase-I have resulted in the following findings:

8 The competition assessment in Phase-I has resulted in the following findings:

a. The Acquirer provides oil field products and services supplying technology, information solution and integrated project management for oil and gas customers. The Target provides drilling and production systems, valves and measurement, and topside process systems used on oil, gas and process platforms above sea level. Cameron's stakes in OneSubsea (currently a joint venture between the merging entities), is also part of the Transaction. OneSubsea was formed in 2013 and is active in the development and supply of products and services of subsea oil and gas production.

b. The merging entities activities present limited overlap in the market of produced water treatment (de-oiling and sand management), as well as on the market of drilling chokes. The Transaction will combine the complementary business lines of the Acquirer and the Target, generating a number of significant pro-competitive synergies, including substantial cost savings, the development of innovative new offerings, and other direct benefits to E&P customers.

c. In Pakistan, the merging entities' limited activities between one another over the past few year include:

i. the purchase from Schlumberger Seaco Inc., by Cameron in 2011 and 2012, amounting to the total of and
ii. a purchase from Cameron by Schlumberger (Sea and Land Drilling Contractors, Inc.) over the period of 2011 and 2015, amounting to a total of

d. Thus, the market share of the Acquirer in Pakistan is negligible. While Cameron does not have any physical presence or assets in Pakistan. As noted above, there are no horizontal or vertical overlaps between Schlumberger Holding and Cameron in Pakistan. The merging entities offer complementary product lines. The antitrust/competition agencies in the United States, European Commission, Canada, Brazil, Russia, among others, have granted unconditional clearance to the merging entities.

e. Post merger, Cameron will operate as a discrete business unit within Schlumberger Holdings. The Intended Merger would raise no competition concerns, given the very limited overlaps between the merging entities' activities and the modest increment (below 20% and 30% in terms of horizontal and vertical relationships) in market share brought about by the Transaction. In addition, there is no likelihood to raise any competition concerns that could push up prices for oil and gas exploration in Pakistan. There will be no change in the market share of the merging entities in Pakistan. The Intended Merger does not meet the presumption of dominance as is envisaged under section 2(1)(e) read with section 3 of the Act.

VII Conclusion

9 In conclusion, it has been observed that the Intended Merger involves foreign-to-foreign transaction and on a thorough examination it is evident that the Intended Merger is not likely to result in substantial lessening of competition by creating or strengthening of dominant position in the relevant market. The intended merger may be authorized under Section 31(1) (d) (i) of the Act.

10 It is so ordered.

(Shahzad Ansar)
Member

(Ikram Ul Haque Qureshi)
Member

(Vadiyya Khalil)
Chairperson

Islamabad 22nd February 2016.