

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): NOVEMBER 30, 2000

BAKER HUGHES INCORPORATED  
(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction  
of incorporation)

1-9397  
(Commission File Number)

76-0207995  
(I.R.S. Employer  
Identification No.)

3900 ESSEX LANE  
HOUSTON, TEXAS  
(Address of principal executive offices)

77027-5177  
(Zip Code)

Registrant's telephone number, including area code: (713) 439-8600

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ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

On November 30, 2000, Baker Hughes Incorporated, a Delaware corporation (the "Company"), consummated the transactions contemplated by the Master Formation Agreement dated September 6, 2000 (the "MFA"), among the Company, Schlumberger Limited, a Netherlands Antilles corporation ("Schlumberger"), and certain wholly owned subsidiaries of Schlumberger. Under the terms of the MFA, the Company and Schlumberger created a venture by transferring the seismic fleets, data processing assets, exclusive and nonexclusive multi-client surveys and other assets of the Company's Western Geophysical division and Schlumberger's Geco-Prakla. The Company and Schlumberger respectively own 30% and 70% of the venture, which will operate under the name Western GECO. Other than the Western GECO venture, neither the Company nor any of its affiliates, directors or officers or any associates of any its directors or officers has any material relationships with Schlumberger.

Pursuant to the MFA, the Company received \$493.4 million of cash from Schlumberger for the transfer of a portion of the Company's ownership in Western GECO and the sale of certain assets. The Company contributed \$15.0 million in working capital to Western GECO, consisting of a \$6.6 million cash credit from Schlumberger and \$8.4 million of accounts receivable. The consideration received by the Company was negotiated at arms' length. In the transaction, the Company retained certain working capital and other assets of its Western Geophysical division, valued at approximately \$100 million. The Company disposed of a portion of such assets prior to closing and expects to liquidate the balance to further reduce the Company's outstanding debt. The Company's cash proceeds from the transaction were used to reduce debt.

As soon as practicable after November 30, 2004, the Company or Schlumberger will make a cash true-up payment to the other party based on a formula comparing the ratio of the net present value of sales revenue from each

party's contributed multiclient seismic libraries during the four year period ending November 30, 2004 and the ratio of the net book value of those libraries on the date of closing. The maximum payment that either party is required to make as a result of this adjustment is \$100.0 million.

The Company does not expect to recognize any gain or loss resulting from the initial formation of the venture due to the Company's material continued involvement in the operations of Western GECO. The Company is expected to incur fees and expenses of approximately \$6 million to \$12 million in connection with the transaction.

Regulatory approval of the transaction is currently pending in certain jurisdictions, including the United Kingdom.

The description of the MFA set forth herein does not purport to be complete and is qualified in its entirety by the provisions of the MFA, which is filed as Exhibit 2.1 hereto and is incorporated herein by reference. The related Shareholders' Agreement, Closing Agreement and the press release announcing the completion of the transactions contemplated by the MFA are filed as Exhibits 10.1, 10.2 and 99.1, respectively, hereto and are hereby incorporated by reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(b) Pro Forma Financial Information.

Unaudited Pro Forma Consolidated Condensed Statement of Operations for the Year Ended December 31, 1999

Unaudited Pro Forma Consolidated Condensed Statement of Operations for the Nine Months Ended September 30, 2000

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Unaudited Pro Forma Consolidated Condensed Statement of Financial Position as of September 30, 2000

Notes to Unaudited Pro Forma Consolidated Condensed Financial Statements

(c) Exhibits.

2.1 Master Formation Agreement dated September 6, 2000, among Schlumberger, the Company and certain wholly owned subsidiaries of Schlumberger (incorporated by reference to Exhibit 2.1 of the Current Report of the Company on Form 8-K dated September 7, 2000, SEC File No. 1-9397).

10.1 Shareholders' Agreement dated November 30, 2000, among Schlumberger, the Company and the other parties listed on the signature pages thereto.

10.2 Closing Agreement dated November 30, 2000, among Schlumberger, the Company and certain wholly owned subsidiaries of Schlumberger.

99.1 Press Release of the Company dated November 30, 2000.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BAKER HUGHES INCORPORATED

By: /s/ Daniel J. Churay

-----  
Daniel J. Churay  
Assistant Secretary

Date: December 14, 2000

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BAKER HUGHES INCORPORATED

UNAUDITED PRO FORMA CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

On November 30, 2000, the Company and Schlumberger created a venture by transferring the seismic fleets, data processing assets, exclusive and nonexclusive multi-client surveys and other assets of the Company's Western Geophysical division and Schlumberger's Geco-Prakla. The Company and Schlumberger respectively own 30% and 70% of the venture, which will operate under the name Western GECO. In conjunction with the transaction, the Company received \$493.4 million of cash from Schlumberger in exchange for the transfer of a portion of the Company's ownership in Western GECO and the sale of certain assets. The Company contributed \$15.0 million in working capital to Western GECO, consisting of a \$6.6 million cash credit from Schlumberger and \$8.4 million of accounts receivable. In the transaction, the Company retained certain working capital and other assets of its Western Geophysical division, valued at approximately \$100 million. The Company disposed of a portion of such assets prior to closing and expects to liquidate the balance to further reduce the Company's outstanding debt. The Company's cash proceeds from the transaction were used to reduce debt.

The Company does not expect to recognize any gain or loss resulting from the initial formation of the venture due to the Company's material continued involvement in the operations of Western GECO. The Company is expected to incur fees and expenses of approximately \$6 million to \$12 million in connection with the transaction.

The accompanying unaudited pro forma consolidated condensed financial statements illustrate the effects of the disposition of assets of Western Geophysical on the Company's results of operations and financial position. The unaudited pro forma consolidated condensed statements of operations for the year ended December 31, 1999 and the nine months ended September 30, 2000 are based on the historical statements of operations and assume that the disposition had occurred as of the beginning of the periods presented. The unaudited pro forma consolidated condensed statement of financial position as of September 30, 2000 is based on the unaudited historical statement of financial position of the Company and assumes that the disposition took place on that date.

The accompanying unaudited pro forma consolidated condensed financial statements are intended to present only the disposition of the assets of the Company's Western Geophysical division and the related receipt of cash and its use. Provision of unaudited pro forma consolidated condensed financial statements depicting the venture formation is impracticable because financial statements of the business contributed by Schlumberger are currently not available. The Company will file unaudited pro forma consolidated condensed financial statements in an amendment to this Current Report on Form 8-K to reflect the formation of the venture as soon as practicable, but not later than 60 days after this Report is required to be filed.

Certain information normally included in the financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The unaudited pro forma consolidated condensed financial statements should be read in conjunction with the historical consolidated financial statements of the Company and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Company's Annual Report on Form 10-K and its Quarterly Reports on Form 10-Q previously filed with the SEC.

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BAKER HUGHES INCORPORATED

UNAUDITED PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 1999  
(IN MILLIONS)

	HISTORICAL			
	BAKER HUGHES INCORPORATED	WESTERN GEOPHYSICAL DIVISION	PRO FORMA ADJUSTMENTS	PRO FORMA
Revenues	\$ 4,546.7	\$ 947.4	\$ -	\$ 3,599.3
Costs and expenses:				
Costs of revenues	3,677.7	929.2	-	2,748.5
Selling, general and administrative	655.0	50.6	-	604.4
Merger related costs	(1.6)	-	-	(1.6)
Unusual charge (credit)	8.8	42.9	-	(34.1)
Total	4,339.9	1,022.7	-	3,317.2
Operating income (loss)	206.8	(75.3)	-	282.1
Interest expense	(159.0)	-	25.7 (a)	(133.3)
Interest income	5.0	0.6	-	4.4
Unrealized gain on trading securities	31.5	-	-	31.5
Income (loss) from continuing operations before income taxes	84.3	(74.7)	25.7	184.7
Income taxes	(32.0)	(1.9)	(9.2) (b)	(39.3)
Income (loss) from continuing operations Loss from discontinued operations, net of tax	52.3 (19.0)	(76.6) -	16.5 -	145.4 (19.0)
Net income (loss)	\$ 33.3	\$ (76.6)	\$ 16.5	\$ 126.4
Basic earnings per share:				
Income (loss) from continuing operations	\$ 0.16			\$ 0.44
Discontinued operations, net of tax	(0.06)			(0.06)
Net income (loss)	\$ 0.10			\$ 0.38
Diluted earnings per share:				
Income (loss) from continuing operations	\$ 0.16			\$ 0.44
Discontinued operations, net of tax	(0.06)			(0.06)
Net income (loss)	\$ 0.10			\$ 0.38

See notes to unaudited pro forma consolidated condensed financial statements.

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BAKER HUGHES INCORPORATED

UNAUDITED PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS  
NINE MONTHS ENDED SEPTEMBER 30, 2000  
(IN MILLIONS)

	HISTORICAL			
	BAKER HUGHES INCORPORATED	WESTERN GEOPHYSICAL DIVISION	PRO FORMA ADJUSTMENTS	PRO FORMA
Revenues	\$ 3,605.3	\$ 577.3	\$ -	\$ 3,028.0
Costs and expenses:				
Costs of revenues	2,781.0	520.8	-	2,260.2
Selling, general and administrative	511.7	35.1	-	476.6
Unusual credit	(20.1)	(14.9)	-	(5.2)
Total	3,272.6	541.0	-	2,731.6

Operating income	332.7	36.3	-	296.4
Interest expense	(126.0)	(3.8)	23.0 (a)	(99.2)
Interest income	1.9	0.4	-	1.5
Gain on trading securities	14.1	-	-	14.1
	-----	-----	-----	-----
Income from continuing operations before income taxes	222.7	32.9	23.0	212.8
Income taxes	(76.7)	(18.0)	(8.3) (b)	(67.0)
	-----	-----	-----	-----
Income from continuing operations	146.0	14.9	14.7	145.8
Loss from discontinued operations, net of tax	-	-	-	-
	-----	-----	-----	-----
Net income	\$ 146.0	\$ 14.9	\$ 14.7	\$ 145.8
	=====	=====	=====	=====
Basic earnings per share:				
Income from continuing operations	\$ 0.44			\$ 0.44
Discontinued operations, net of tax	-			-
	-----			-----
Net income	\$ 0.44			\$ 0.44
	=====			=====
Diluted earnings per share:				
Income from continuing operations	\$ 0.44			\$ 0.44
Discontinued operations, net of tax	-			-
	-----			-----
Net income	\$ 0.44			\$ 0.44
	=====			=====

See notes to unaudited pro forma consolidated condensed financial statements.

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BAKER HUGHES INCORPORATED

UNAUDITED PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2000  
(IN MILLIONS)

	BAKER HUGHES INCORPORATED	DISPOSAL OF CERTAIN ASSETS OF WESTERN GEOPHYSICAL DIVISION	PRO FORMA ADJUSTMENTS	PRO FORMA
	-----	-----	-----	-----
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 53.2	\$ -	\$ 493.4 (c)	\$ 53.2
			(493.4) (e)	
Accounts receivable, net	1,128.4	(5.6)	(8.4) (d)	1,114.4
Inventories	833.0	(0.7)	-	832.3
Net assets of discontinued operations	218.1	-	-	218.1
Other current assets	212.5	(14.2)	-	198.3
	-----	-----	-----	-----
Total current assets	2,445.2	(20.5)	(8.4)	2,416.3
Investment in Western GECO	-	1,274.4	(493.4) (c)	789.4
			8.4 (d)	
Property, net	1,909.6	(423.0)	-	1,486.6
Goodwill and other intangibles, net	1,641.4	(261.2)	-	1,380.2
Multiclient seismic data and other assets	1,005.9	(692.0)	-	313.9
	-----	-----	-----	-----
Total assets	\$ 7,002.1	\$ (122.3)	\$ (493.4)	\$ 6,386.4
	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Accounts payable	\$ 399.1	\$ (8.6)	\$ -	\$ 390.5
Short-term borrowings and current portion of long-term debt	8.9	(0.5)	-	8.4
Accrued employee compensation	261.4	(11.9)	-	249.5
Other current liabilities	275.0	(12.0)	-	263.0
	-----	-----	-----	-----
Total current liabilities	944.4	(33.0)	-	911.4
Long-term debt	2,640.6	(0.3)	(493.4) (e)	2,146.9
Deferred income taxes	73.1	-	-	73.1
Deferred revenue and other long-term liabilities	268.0	(89.0)	-	179.0
Stockholders' equity:				
Common stock	331.9	-	-	331.9
Capital in excess of par value	3,025.0	-	-	3,025.0
Accumulated deficit	(19.5)	-	-	(19.5)
Accumulated other comprehensive loss	(261.4)	-	-	(261.4)
	-----	-----	-----	-----
Total stockholders' equity	3,076.0	-	-	3,076.0
	-----	-----	-----	-----
Total liabilities and stockholders' equity	\$ 7,002.1	\$ (122.3)	\$ (493.4)	\$ 6,386.4
	=====	=====	=====	=====

See notes to unaudited pro forma consolidated condensed financial statements.

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BAKER HUGHES INCORPORATED

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

The following pro forma adjustments have been made to the historical financial statements of the Company:

- (a) To reduce interest expense using the weighted average interest rate for the Company's commercial paper of 5.20% for the year ended December 31, 1999 and 6.23% for the nine months ended September 30, 2000 as a result of the assumed repayment of outstanding indebtedness as of the beginning of the periods presented.
- (b) To provide for additional U.S. income taxes at the statutory rate of 36% for the reduction in interest expense for the periods presented.
- (c) To record cash received in exchange for the transfer of a portion of the Company's ownership in Western GECO and the sale of certain assets.
- (d) To record the contribution of required working capital by the Company to Western GECO.
- (e) To record the application of cash received to repay outstanding indebtedness.

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INDEX TO EXHIBITS

- 2.1 Master Formation Agreement dated September 6, 2000, among Schlumberger, the Company and certain wholly owned subsidiaries of Schlumberger (incorporated by reference to Exhibit 2.1 of the Current Report of the Company on Form 8-K dated September 7, 2000, SEC File No. 1-9397).
- 10.1 Shareholders' Agreement dated November 30, 2000, among Schlumberger, the Company and the other parties listed on the signature pages thereto.
- 10.2 Closing Agreement dated November 30, 2000, among Schlumberger, the Company and certain wholly owned subsidiaries of Schlumberger.
- 99.1 Press Release of the Company dated November 30, 2000.

SHAREHOLDERS' AGREEMENT

by and among

SCHLUMBERGER LIMITED,  
BAKER HUGHES INCORPORATED

and

THE OTHER PARTIES LISTED

ON THE

SIGNATURE PAGES HERETO

Effective as of November 30, 2000

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SHAREHOLDERS' AGREEMENT

This SHAREHOLDERS' AGREEMENT (this "AGREEMENT") dated as of November 30, 2000, is entered into by and between Schlumberger Limited, a Netherlands company ("SLB"), Schlumberger Technology Corporation, a Texas corporation ("STC"), Schlumberger Plc, a United Kingdom limited liability company ("SPLC"), Schlumberger B.V., a Netherlands limited liability company ("SLBV"),

Schlumberger Oilfield Holdings Limited, an International Business Company of the British Virgin Islands ("SOHL"), Baker Hughes Incorporated, a Delaware corporation ("BHI"), Western Atlas International, Inc., a Delaware corporation ("WAI"), Baker Hughes (UK) Limited, an English company ("BHL"), Baker Hughes International Branches Incorporated, a Delaware corporation ("BHIB"), and Western Sea Holdings Limited, a Cayman Islands company ("WSHL" and, together with STC, SPLC, SLBV, SOHL, WAI, BHL and BHIB, the "SHAREHOLDERS").

#### RECITALS

WHEREAS, SLB and BHI own, directly or through various subsidiaries, the Shareholders; and

WHEREAS, STC and WAI own 70% and 30% ownership interests, respectively, in GECO Holdings L.L.C., a Delaware limited liability company ("US VENTURE ENTITY"); and

WHEREAS, SPLC and BHL own 70% and 30% ownership interests, respectively, in GECO-PRAKLA (UK) Limited, a United Kingdom company ("UK VENTURE ENTITY"); and

WHEREAS, SLBV and BHIB own 70% and 30% ownership interests, respectively, in Delft Geophysical B.V., a Netherlands company ("DUTCH VENTURE ENTITY"); and

WHEREAS, SOHL and WSHL own 70% and 30% ownership interests, respectively, in Schlumberger Seismic Holdings Limited, an International Business Company of the British Virgin Islands ("BVI VENTURE ENTITY" and, together with US Venture Entity, UK Venture Entity and Dutch Venture Entity, the "VENTURE ENTITIES"); and

WHEREAS, STC and WAI own 70% and 30% ownership interests, respectively, in GECO Resources, Inc., a Delaware corporation ("US EMPLOYCO"); and

WHEREAS, the parties believe that it is in their best interests to provide for, among other things, a Shareholders Representatives Committee with respect to the Venture Entities and US EmployCo;

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

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#### ARTICLE I SHAREHOLDERS REPRESENTATIVES COMMITTEE

##### SECTION 1.1. Shareholders Representatives.

(a) Each of SLB and BHI shall appoint two senior representatives (the "REPRESENTATIVES") to serve on a Shareholders Representatives Committee (the "COMMITTEE"), to discuss the overall policies, procedures and directions of the Venture Entities and US EmployCo in accordance with the provisions of this Agreement. In connection therewith, the parties agree to cause the Venture Entities and US EmployCo to effect the decisions made by the Committee.

(b) One of the Representatives appointed by SLB shall be designated by SLB to serve as the Chairman of the Committee (the "CHAIRMAN"). The Chairman shall preside at all meetings of the Committee and shall do and perform such other duties as from time to time may be assigned to him by the Committee. The Chairman may not be removed as Chairman except by the request of SLB, which may appoint a successor Chairman. To facilitate the orderly conduct of meetings of the Committee, the Chairman shall preside at such meetings, and in his absence the other Representative appointed by SLB shall preside.

(c) Except as otherwise provided, the Committee shall act at meetings thereof duly convened and held as provided in this Agreement. Except as otherwise provided in Section 1.1(h), a quorum shall exist for the transaction of business by the Committee if at least one Representative of each of SLB and BHI is present. The Representatives shall vote according to the ownership percentages of their respective appointees, such that the Representatives appointed by SLB, individually and collectively, shall have a 70% vote and the Representatives appointed by BHI, individually and collectively, shall have a



30% vote. Except as otherwise provided in Section 1.3, the vote of a majority of the ownership percentages of SLB and BHI shall constitute the act of the Committee.

(d) The Representatives may participate in a meeting thereof by means of conference telephone or similar communications equipment allowing all participants to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

(e) Any action required or permitted by this Agreement to be taken at a meeting of the Committee may be taken if the requisite number of Representatives consent in writing to the taking of such action.

(f) The Committee may hold meetings, both regular and special, in any agreed upon location.

(g) Regular meetings of the Committee may be held without notice at such time and at such place as shall from time to time be determined by unanimous consent of the Representatives, but no less frequently than twice each calendar year.

(h) Special meetings of the Committee may be called by any Representative on seven days' notice to the other Representatives in accordance with Section 2.2. A Representative may waive notice of a meeting either before or after a meeting. Any Representative attending a

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meeting, unless he attends for the specific purpose of objecting to the transaction of any business at the meeting because he in good faith believes that the meeting has not been properly called or convened, shall be deemed to have received proper notice. Notwithstanding anything to the contrary contained in this Agreement, if (i) (A) an SLB-appointed Representative provides at least 30 days' notice to the BHI-appointed Representatives with respect to the calling of a special meeting or (B) a regular meeting is convened at its usually scheduled date, time and place and (ii) at least one SLB-appointed Representative is present at such meeting, a quorum shall be deemed to exist regardless of whether one or both of the BHI-appointed Representatives are absent from such meeting.

(i) A Representative may only be removed or replaced by the party that appointed him.

(j) Any Representative may (i) designate an alternate person to represent him as a Representative at a meeting of the Committee and for all purposes incidental thereto or (ii) give the other Representative appointed by the same party (or an alternate designated by either such Representative) his or her written proxy to vote at any meeting. Any Representative represented by proxy at a meeting shall be deemed to be in attendance for quorum purposes.

SECTION 1.2. Actions Requiring Presentation to the Shareholders Representatives Committee.

The following matters shall be presented to the Committee for its approval:

(a) Any matter that would require the special vote required under Section 1.3;

(b) The rolling three-year annual Venture (as defined below) business plan and forecasts and any quarterly updates of the same;

(c) The incurrence, assumption or guarantee by a Venture Entity of Indebtedness (as defined below) in excess of US\$50 million in any single transaction or series of related transactions; and

(d) Appointment or removal of the President of the Venture.

SECTION 1.3. Actions Requiring a Special Vote of the Representatives.

Notwithstanding Section 1.1(c), none of the following actions shall be

taken unless approved by at least one Representative of each of SLB and BHI, and any such action so approved shall constitute the act or action of the Committee with respect thereto:

(a) Approval of new members to the Venture, or transfers of SLB's or BHI's interest in the Venture, except, in each case, pursuant to the transfer provisions in Article XI of the Master Formation Agreement dated as of September 6, 2000 by and among SLB, BHI and the Other Parties Listed on the Signature Pages Thereto;

(b) issuance of additional equity interests in a Venture Entity or US EmployCo or any of their respective subsidiaries;

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(c) the approval of

- (i) (A) any aggregate deviations of greater than 15% from the Venture's annual capital expenditures, including, without limitation, acquisitions of businesses, product lines and technology, set forth in its annual business plan, (B) annual capital expenditures, including, without limitation, acquisitions of businesses, product lines and technology, in any such plan in excess of 20% of annual plan revenues (excluding, in each case, expenditures to acquire speculative, non-exclusive proprietary or multiclient seismic data) and (C) annual expenditures in excess of 30% of annual business plan revenues in any financial plan year on acquisition of speculative, non-exclusive or multiclient seismic data;
- (ii) a Venture Entity's annual expenditures on research and development expenses in excess of 5.0% of the Venture's annual plan revenues;
- (iii) a Venture Entity's annual expenditures on general and administrative expenses in relation to SLB and Oilfield Services Headquarters corporate support in excess of 1% of the Venture's annual plan revenues.
- (iv) a Venture Entity's expenditures in excess of US\$5 million on any one contract between such Venture Entity or any of its Affiliates, on the one hand, and SLB, BHI or any of their respective Affiliates, on the other hand, as well as the underlying contract; provided that for this purpose if a contract is reasonably likely to exceed this threshold even though its value at the time of determining whether a vote of the Representatives should be taken is less than this threshold, the contract shall be treated as having exceeded this threshold;
- (v) initiation, settlement or dismissal of lawsuits or arbitral proceedings by or against a Venture Entity or its subsidiaries (other than lawsuits involving SLB, BHI or any of their respective Affiliates) where the amount in controversy or settlement amount exceeds US\$25 million or where the rights of SLB or BHI in the Venture Entity's technology for use outside of the scope of the Venture Entity under the licenses granted to that party are affected; provided, that the Venture Entity or its Affiliates may take any action necessary to preserve its rights in a lawsuit or proceeding if time does not practicably allow consultation with SLB and BHI to obtain approval;

(d) approval of

- (i) business, product line, asset or technology

dispositions whereby a Venture Entity receives in consideration of the disposition US\$30 million or more; or

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- (ii) the contribution of assets by a Venture Entity to an entity jointly owned by the Venture Entity and one or more third parties where the value of the contribution of assets by the Venture Entity is US\$30 million or more;
- (e) change in the scope or purpose of a Venture Entity or US EmployCo;
- (f) approval of distributions or dividends by a Venture Entity or US EmployCo;
- (g) approval of
  - (i) a Venture Entity's incurrence, assumption or guarantee of Indebtedness in the aggregate in excess of the greater of US\$150 million or 10% of the Venture's net worth (excluding any debt contributed by either SLB or BHI at the creation of the Venture Entity) as reflected on the most recent combined financial statements of the Venture;
  - (ii) a Venture Entity's incurrence, assumption or guarantee of Indebtedness in any one transaction or series of related transactions of US\$100 million (including through the establishment of committed or uncommitted credit facilities) or more or the creation of any Lien to secure the same;
- (h) approval of capital calls by a Venture Entity or US EmployCo;
- (i) amendments to the organizational documents of a Venture Entity or US EmployCo;
- (j) approval of
  - (i) the liquidation or dissolution of a Venture Entity or US EmployCo; or
  - (ii) any merger, consolidation or reorganization of a Venture Entity or US EmployCo or any of their respective subsidiaries (except for mergers, consolidations or reorganizations of subsidiaries of a Venture Entity or US EmployCo with other subsidiaries of a Venture Entity or US EmployCo or with a Venture Entity or US EmployCo when the Venture Entity or US EmployCo is the surviving entity);
- (k) the filing by a Venture Entity or US EmployCo or any of their respective subsidiaries for protection from creditors under the applicable law of bankruptcy or reorganization for debtors or the making of an assignment for the benefit of creditors;
- (l) any write-off or write-down of the value of any assets of a Venture Entity or US EmployCo, or any non-recurring charge, in each case, in excess of US\$20 million on a pre-tax basis;
- (m) any change in the independent auditors of a Venture Entity or US EmployCo, or the adoption of or material change in any accounting policies of a Venture Entity or US EmployCo;

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(n) the determination of compensation of Executive Officers of a Venture Entity or US EmployCo; and

(o) the adoption of or material change to a Venture Entity's or US EmployCo's corporate policies.

"AFFILIATE" means any entity that directly or indirectly controls, is controlled by, or is under common control with, any other entity. For the purposes of this definition, "CONTROL" means the power to direct the management and affairs of an entity or to vote 50% or more of the securities or other equity interests having ordinary voting power with respect to an entity. For this purpose, a Venture Entity, US EmployCo and their respective subsidiaries shall not be Affiliates of any Shareholder.

"EXECUTIVE OFFICERS" means the senior management of the Venture.

"GUARANTEE" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person or, in any manner, providing for the payment of any Indebtedness or other obligation of any other Person or otherwise protecting the holder of such Indebtedness or other obligation against loss (whether arising by virtue of partnership arrangements, by obtaining letters of credit, by agreement to keep-well, to purchase assets, goods, securities or services, or to take-or-pay or otherwise), provided that the term "GUARANTEE" shall not include endorsements for collection or deposit in the ordinary course of business.

"INDEBTEDNESS" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property or assets purchased by such Person, (e) all obligations of such Person issued or assumed as the deferred purchase price of property or services (excluding trade accounts payable, trade advertising and accrued obligations), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all capital lease obligations of such Person, (i) all obligations of such Person in respect of interest rate protection agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements and (j) all obligations of such Person as an account party in respect of letters of credit and bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any partnership in which such Person is a general partner, other than to the extent that the instrument or agreement evidencing such Indebtedness expressly limits the liability of such Person in respect thereof.

"LIEN" means any mortgage, pledge, security interest, encumbrance, lien, claim, irregularity, burden or defect.

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"PERSON" means any corporation, limited liability company, individual, joint stock company, joint venture, partnership, unincorporated association, governmental authority or other entity.

"VENTURE" means the overall business relationship constituting a venture contemplated by SLB and BHI and unless the context otherwise requires to the contrary, the term "VENTURE" includes one or more of the Venture Entities, US EmployCo or all of them on a consolidated basis.

#### SECTION 1.4. Appointments to Governing Bodies.

The governing bodies of the Venture Entities and US EmployCo shall be comprised of three members, two of which shall be appointed by SLB and one of which shall be appointed by BHI.

#### SECTION 1.5. Indemnification.

(a) The Venture Entities and US EmployCo shall, jointly and severally, indemnify each Representative (each an "INDEMNIFIED PERSON") made or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a Representative, or is or was serving at the written request of a Venture Entity or US EmployCo as a director, officer, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise, against any and all claims, demands, losses, damages, fines, penalties (including interest), liabilities, lawsuits and other proceedings, judgments and awards, and costs and expenses (including but not limited to reasonable attorneys' fees) (collectively, "DAMAGES") actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith, within the scope of his duties and in a manner he reasonably believed to be in or not opposed to the best interests of the Venture Entities and US EmployCo, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful; provided, however, that no indemnification shall be given to any Representative in connection with any (i) intentional misconduct or knowing violation of the law, (ii) transaction from which an improper benefit is received or (iii) knowing and intentional misrepresentations by that person as to the scope of his authority to bind the Venture Entities and US EmployCo. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Indemnified Person did not act in good faith, within the scope of his duties and in a manner which he reasonably believed to be in or not opposed to the best interests of the Venture Entities and US EmployCo, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful.

(b) Any indemnification under paragraph (a) (unless ordered by a court, in which case indemnification will be provided in accordance with such order) shall be made by the Venture Entities or US EmployCo only as authorized in the specific case upon a determination by the Committee that indemnification is proper in the circumstances because the Indemnified Person has met the applicable standard of conduct set forth in paragraph (a).

(c) Expenses incurred by any such Indemnified Person in defending a civil or criminal action, suit or proceeding may be paid by the Venture Entities or US EmployCo in

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advance of the final disposition of such action, suit or proceeding as authorized by the Venture Entities or US EmployCo in the specific case upon receipt of a formal undertaking by or on behalf of such Indemnified Person to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Venture Entities or US EmployCo as authorized herein.

(d) The indemnification provided by this Section 1.5 shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any agreement of the Venture Entities or US EmployCo and shall continue as to an Indemnified Person who has ceased to be a Representative and shall inure to the benefit of the heirs, executors and administrators of such an Indemnified Person.

(e) The Venture Entities and US EmployCo shall have the power to purchase and maintain insurance consistent with these indemnity provisions on behalf of any person who is or was a Representative or is or was serving at the request of a Venture Entity or US EmployCo as a director, officer, manager, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such.

(f) For purposes of this Section 1.5, references to "OTHER ENTERPRISES" shall include employee benefit plans; references to "FINES" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "SERVING AT THE REQUEST OF A VENTURE ENTITY" shall include any service as a Representative which imposes duties on, or involves services by, such Representative with respect to an employee benefit plan, its participants,

or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "NOT OPPOSED TO THE BEST INTERESTS OF THE VENTURE ENTITIES AND US EMPLOYCO" as referred to in this Section 1.5.

SECTION 1.6. US EmployCo. If SLB or BHI (or any of their respective Affiliates) shall acquire the interest of the other in the Venture Entities such that SLB or BHI then owns 100% of the Venture, directly or indirectly, STC and BHI, or their respective Affiliates, for so long as they are shareholders of US EmployCo, shall cause US EmployCo to continue to provide services to the US Venture Entity on the same terms as such services are being provided at the time of that acquisition.

ARTICLE II  
GENERAL PROVISIONS

SECTION 2.1. Amendment.

This Agreement may not be amended, altered or modified except by agreement of the Shareholders.

SECTION 2.2. Notices.

2.2.1. Addresses. All notices under this Agreement shall be in writing and shall be delivered by personal service; certified or registered U.S. mail, postage prepaid, return receipt

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requested; nationally recognized overnight courier, courier charges prepaid; or facsimile transmission (followed by telephone confirmation of receipt) to Schlumberger, Baker Hughes and to the Shareholders at the addresses herein set forth and to the Representatives at the addresses therefor previously provided to the notifying party or, if no such address is provided, to the appointing party thereof.

The addresses for notices are as follows:

If to Schlumberger, at:

Schlumberger Limited  
277 Park Avenue  
New York, New York 10172-2066  
Facsimile: 212.350.8127  
Attention: General Counsel

If to STC, at:

Schlumberger Technology Corporation  
300 Schlumberger Drive  
Sugar Land, Texas 77478  
Attention: President

If to SPLC, at:

Schlumberger Plc  
8th Floor, South Quay Plaza 2  
183 Marsh Wall  
London E14 95H, United Kingdom  
Attention: President

If to SLBV, at:

Schlumberger B.V.  
Parkstraat 83-89  
2514 JG  
The Hague, The Netherlands  
Attention: President

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If to SOHL, at:

Schlumberger Oilfield Holdings Limited  
c/o HWR Services  
Craigmuir Chambers  
P.O. Box 71  
Road Town, Tortola, British Virgin Islands  
Attention: President

If to Baker Hughes, at:

Baker Hughes Incorporated  
3900 Essex Lane  
Houston, Texas 77027  
Facsimile: 713.439.8472  
Attention: General Counsel

If to WAI, at:

Western Atlas International, Inc.  
3900 Essex Lane  
Houston, Texas 77027  
Facsimile: 713.439.8472  
Attention: General Counsel

If to BHL, at:

Baker Hughes (UK) Limited  
3900 Essex Lane  
Houston, Texas 77027  
Facsimile: 713.439.8472  
Attention: General Counsel

If to BHIB, at:

Baker Hughes International Branches Incorporated  
3900 Essex Lane  
Houston, Texas 77027  
Facsimile: 713.439.8472  
Attention: General Counsel

If to WSHL, at:

Western Sea Holdings Limited  
3900 Essex Lane  
Houston, Texas 77027  
Facsimile: 713.439.8472  
Attention: General Counsel

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2.2.2. Effective Date of Notices, etc. All notices, demands and requests shall be effective upon actual receipt or, in the case of delivery by facsimile transmission, the completion of such transmission during the normal business hours of the recipient, in each case to the appropriate address set forth in Section 2.2.1 above. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given as provided in Section 2.2.3 shall be deemed to be receipt of the notice, demand or request sent.

2.2.3. Changes. By giving the other parties or Representatives, as applicable, at least 30 days' written notice thereof, the parties or Representatives and their respective permitted successors and assigns shall have the right from time to time and at any time during the term of this Agreement to change their respective addresses for notices and each shall have the right to specify as its address for notices any other address.

SECTION 2.3. Validity.

In the event that any provision of this Agreement shall be held to be invalid or unenforceable, the same shall not affect in any respect whatsoever the validity or enforceability of the remainder of this Agreement.

SECTION 2.4. Survival of Rights.

Except as provided herein to the contrary, this Agreement shall be binding upon and inure to the benefit of the parties and their permitted successors and assigns.

SECTION 2.5. Governing Law.

This Agreement and the rights and liabilities of the parties shall be governed by and construed in accordance with the laws of the State of Texas, United States of America.

SECTION 2.6. Waiver.

No consent or waiver, express or implied, by a party to or of any breach or default by any other party in the performance by such other party of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other party of the same or any other obligations of such other party hereunder. Failure on the part of a party to complain of any act or failure to act of any other party or to declare any other party in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder. The giving of consent by a party in any one instance shall not limit or waive the necessity to obtain such party's consent in any future instance.

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SECTION 2.7. Remedies in Equity.

The rights and remedies of any party hereunder shall not be mutually exclusive, and the exercise of one or more rights or remedies shall not preclude the exercise of any other rights or remedies. Each of the parties confirms that damages at law will be an inadequate remedy for a breach or threatened breach of this Agreement and agrees that, except as expressly provided to the contrary in this Agreement, in the event of a breach or threatened breach of any provision hereof, the respective rights and obligations hereunder shall be enforceable by specific performance, injunction or other equitable remedy, but nothing herein contained is intended to, nor shall it, limit or affect any rights at law or by statute or otherwise of any party aggrieved as against another for a breach or threatened breach of any provision hereof, it being the intention by this Section 2.7 to make clear the agreement of the parties that the respective rights and obligations of the parties hereunder, except as expressly provided to the contrary herein, shall be enforceable in equity as well as at law or otherwise.

SECTION 2.8. Terminology.

All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender, shall include all other genders; and the singular shall include the plural and vice versa. Titles of Articles and Sections are for convenience only, and neither limit nor amplify the provisions of this Agreement itself. The term "PARTIES" shall mean SLB, BHI and the Shareholders and the term "PARTY" shall mean any one of them.

SECTION 2.9. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement.

SECTION 2.10. Further Assurances.

Each party agrees to do all acts and things and to make, execute and deliver such written instruments, as shall from time to time be reasonably



required to carry out the terms and provisions of this Agreement.

[THIS SPACE INTENTIONALLY LEFT BLANK.]

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above set forth.

Schlumberger Limited

By: /s/ Robert Villard

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Robert Villard  
Attorney-in-Fact

Schlumberger Technology Corporation

By: /s/ John Yearwood

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John Yearwood  
Attorney-in-Fact

Schlumberger Plc

By: /s/ Robert Villard

-----  
Robert Villard  
Attorney-in-Fact

Schlumberger B.V.

By: /s/ Robert Villard

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Robert Villard  
Attorney-in-Fact

Schlumberger Oilfield Holdings Limited

By: /s/ Robert Villard

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Robert Villard  
Attorney-in-Fact

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Baker Hughes Incorporated

By: /s/ John H. Lohman, Jr.

-----  
John H. Lohman, Jr.  
Vice President

Western Atlas International, Inc.

By: /s/ Peter J. Woolley

-----  
Peter J. Woolley  
Vice President

Baker Hughes (UK) Limited

By: /s/ Peter J. Woolley

-----  
Peter J. Woolley  
Director

Baker Hughes International Branches Incorporated

By: /s/ Gavin Sinclair

-----  
Gavin Sinclair  
Vice President

Western Sea Holdings Limited

By: /s/ Peter J. Woolley

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Peter J. Woolley  
President

## CLOSING AGREEMENT

This Closing Agreement (this "Agreement") among Schlumberger Limited, a Netherlands Antilles corporation ("Schlumberger"), Schlumberger Oilfield Holdings Limited, an International Business Company of the British Virgin Islands wholly owned by Schlumberger ("SOHL"), Schlumberger Plc, a United Kingdom limited liability company wholly owned by Schlumberger ("SPLC"), Schlumberger B.V., a Netherlands limited liability company wholly owned by Schlumberger ("SLBV"), Schlumberger Technology Corporation, a Texas corporation wholly owned by Schlumberger ("STC"), and Baker Hughes Incorporated, a Delaware corporation ("Baker Hughes"), is made as of November 30, 2000.

WHEREAS, Schlumberger, SOHL, SPLC, SLBV, STC and Baker Hughes are parties to that certain Master Formation Agreement dated as of September 6, 2000 (the "Master Formation Agreement"; capitalized terms this Agreement uses, but does not define, have the respective meanings the Master Formation Agreement specifies); and

WHEREAS, the parties hereto desire to amend the Master Formation Agreement in certain respects pursuant to Section 10.3 thereof;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Amendments to the Master Formation Agreement. The parties hereto agree that, in accordance with Section 10.3 of the Master Formation Agreement, the Master Formation Agreement shall be amended as follows:

(a) A new definition of "Closing Agreement" shall be added to Section 1.1 of the Master Formation Agreement as follows:

"CLOSING AGREEMENT" means the Closing Agreement dated as of the Closing Date executed by the parties hereto."

(b) A new definition of "Nominee Agreement" shall be added to Section 1.1 of the Master Formation Agreement as follows:

"NOMINEE AGREEMENT" means the Nominee Agreement dated as of the Closing Date executed by Baker Hughes, BVI Venture Entity and Dutch Venture Entity."

(c) A new definition of "Personnel Leasing Agreement" shall be added to Section 1.1 of the Master Formation Agreement as follows:

"PERSONNEL LEASING AGREEMENT" means the Personnel Leasing Agreement dated as of the Closing Date executed by GECO Resources, Inc. and GECO Holdings L.L.C."

(d) A new definition of "Secondment Agreements" shall be added to Section 1.1 of the Master Formation Agreement as follows:

"SECONDMENT AGREEMENTS" means the following Secondment Agreements dated as of the Closing Date:

- (i) the US Secondment Agreement between STC and US EmployCo;
- (ii) the US Secondment Agreement between Baker Hughes and US EmployCo;
- (iii) the Canada Secondment Agreement between Schlumberger Canada Limited and Western GECO Canada Limited; and
- (iv) the Canada Secondment Agreement between Baker Hughes

Canada Company and Western GECO Canada Limited."

(e) The definition of Top-Up Amount in Section 1.1 of the Master Formation Agreement shall be amended in its entirety as follows:

"TOP-UP AMOUNT" has the meaning given such term in Section 2.2(b)."

(f) The definition of "Transaction Documents" in Section 1.1 of the Master Formation Agreement is hereby amended in its entirety as follows:

"TRANSACTION DOCUMENTS" means this Agreement, the Transfer Documents, the Charter Documents for the Venture Entities, the Shareholders' Agreement, the Sublease, the Shared Services Agreement, the Transition Services Agreement, the Employee Matters Agreement, the Secondment Agreements, the Personnel Leasing Agreement, the Closing Agreement and the Nominee Agreement."

(g) The definition of "Venture" in Section 1.1 of the Master Formation Agreement is hereby amended in its entirety as follows:

"VENTURE" means the overall business relationship constituting a venture contemplated by this Agreement and includes all of the Venture Entities; provided, however, for purposes of Article 11 of this Agreement, the term "Venture" shall specifically exclude US EmployCo."

(h) Subpart (i) of Section 2.1(b) of the Master Formation Agreement shall be amended in its entirety as follows:

"At or prior to the Closing, Baker Hughes or an Affiliate of Baker Hughes shall contribute to the Dutch Venture Entity in exchange for shares of the Dutch Venture Entity all the shares of Western Geo Canada Ltd, such shares having a fair market value of US \$8,000,000, and Schlumberger or an Affiliate of Schlumberger shall contribute to the Dutch Venture Entity in exchange for shares

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of the Dutch Venture Entity a portion of the net assets of SLBV and its Affiliates that are primarily related to the Seismic Business in the Dutch Countries, such portion of the net assets of SLBV and its Affiliates having a fair market value sufficient to give Schlumberger or an Affiliate of Schlumberger a 70% interest in the Dutch Venture Entity.

(i) Section 2.2 of the Master Formation Agreement shall be amended to read in its entirety as follows:

2.2 Purchases by SLBV and SOHL.

"(a) The parties have arranged for a third-party valuation of the Schlumberger Transferred Assets and the Baker Hughes Transferred Assets by PricewaterhouseCoopers LLP. The parties shall cooperate to complete such valuation on or before December 31, 2000. To the extent that the valuation materially differs from the amounts paid at Closing pursuant to Sections 2.1(a)(iii), 2.1(b)(iv), and 2.1(c)(iii), the parties shall appropriately adjust the allocation of the amounts paid pursuant to those sections; provided, that the allocation of the agreed Percentage Interests in each Venture Entity is not affected, and Baker Hughes is not adversely impacted by the adjusted allocation. Schlumberger agrees that the valuation shall not affect the aggregate purchase price paid for the Baker Hughes Transferred Assets under this Section 2.2.

(b) The parties agree that the aggregate cash purchase price to be paid for a portion of the Baker Hughes equity ownership interest in US Venture Entity pursuant to Section 2.1(a) and for the Baker Hughes Transferred Assets transferred pursuant to Section 2.1(b)(iv) and Section 2.1(c)(iii) shall not exceed US\$493.36 million. The parties further agree that the price to be paid for the Baker Hughes Transferred Assets transferred pursuant to Section 2.1(b)(iv) and Section 2.1(c)(iii), collectively, shall be in an amount equal to US\$493.36 million less (i) the amount of cash paid for a portion of the Baker

Hughes equity ownership interest in US Venture Entity pursuant to Section 2.1(a) and (ii) to the extent such a payment for assets would result in an adverse financial impact on Schlumberger or its Affiliates, an amount not to exceed US\$20 million (the "TOP-UP AMOUNT"). The Top-Up Amount shall be paid to Baker Hughes or its Affiliates by SOHL or SLBV or their respective Affiliates, as appropriate, in cash.

(c) The parties agree that the purchase of assets and contribution of those assets to each of the Venture Entities hereunder shall be allocated among the Venture Entities in a manner to achieve a 70%/30% split of the net assets transferred by Schlumberger Transferring Entities and Baker Hughes Transferring Entities, respectively, to each Venture Entity."

(j) Section 3.4 of the Master Formation Agreement shall be amended in its entirety as follows:

"Upon the Closing, Schlumberger and Baker Hughes shall cause their respective subsidiaries listed on Exhibit 2.6 to contribute to the applicable Venture Entity an amount of cash (or, in the case of Baker Hughes, accounts

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receivable as described in Section 3.3) as working capital, which amount shall be agreed upon between the parties at least 30 days prior to the Closing; provided, however, that Baker Hughes and its Affiliates collectively shall not be required to contribute more than an aggregate total of US \$8,360,000 and Schlumberger and its Affiliates collectively shall not be required to contribute more than an aggregate total of US \$35,000,000. The parties agree that the contributions of working capital under this Section 3.4 shall not effect the 70%/30% ownership split of the Venture Entities.

(k) Section 3.10(a) of the Master Formation Agreement shall be amended by deleting "US\$500" in the last sentence thereof and replacing it with "US\$493.36."

(l) Subpart (v) of Section 8.1(a) of the Master Formation Agreement shall be amended in its entirety as follows:

"(v) any payments required in connection with the post-Closing termination following a formal decision of the Venture to so terminate of any agency Contract specifically listed in Schedule A to the Closing Agreement or otherwise primarily related to the Schlumberger Seismic Business or the Baker Hughes Seismic Business and in each case provided that such Contract is for valid services and duly documented"

(m) The current subparts (v) and (vi) of Section 8.2(a) of the Master Formation Agreement shall be redesignated as subparts (vi) and (vii).

(n) A new subpart (v) shall be added to Section 8.2(a) of the Master Formation Agreement as follows:

"(v) any Claims against, or Loss of, a Venture Entity, US EmployCo or their respective Affiliates arising out of or relating to any activity outside the Baker Hughes Seismic Business prior to Closing;"

(o) The current subparts (v) and (vi) of Section 8.3(a) of the Master Formation Agreement shall be redesignated as subparts (vi) and (vii).

(p) A new subpart (v) shall be added to Section 8.3(a) of the Master Formation Agreement as follows:

"(v) any Claims against, or Loss of, a Venture Entity, US EmployCo or their respective Affiliates arising out of or relating to any activity outside the Schlumberger Seismic Business prior to Closing;"

(q) The last sentence of Section 12.9 of the Master Formation Agreement is hereby amended in its entirety as follows:

"If there is any conflict between this Agreement and any other Transaction Document, the provisions of this Agreement shall govern; provided, that if there is any conflict between this Agreement and the Closing Agreement or the

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Nominee Agreement, the provisions of the Closing Agreement or the Nominee Agreement, as applicable, shall govern."

(r) Section 6.10 of the Master Formation Agreement is hereby deleted.

2. Technical Liaisons. Pursuant to Section 7.19 of the Master Formation Agreement, the parties hereby agree as follows:

(a) Schlumberger hereby appoints Philippe Lacour-Gayet and Dominic Pajot to serve as Technical Liaisons to the Venture Entities.

(b) Baker Hughes hereby appoints Mike Norris and James Jackson to serve as Technical Liaisons to the Venture Entities.

3. Shareholder Representatives Committee. Pursuant to Section 7.21 of the Master Formation Agreement, the parties hereby agree as follows:

(a) Schlumberger hereby appoints Andrew Gould and Simon Ayat to serve as representatives on the Shareholders Representative Committee created by the Shareholders' Agreement.

(b) Baker Hughes hereby appoints Andrew J. Szescila and G. Steve Finley to serve as representatives on the Shareholders Representative Committee created by the Shareholders' Agreement.

4. Temporary Import Status. Baker Hughes, on the one hand, and Schlumberger, SPLC, SLBV, STC and SOHL, jointly and severally, on the other hand, each agree to indemnify, defend and hold harmless the appropriate Venture Entities or their respective appropriate subsidiaries from and against and in respect of any Claim or Loss arising out of:

(a) fines, penalties or related costs or expenses levied against or incurred by the Venture Entity or appropriate subsidiary thereof upon the transfer of Transferred Assets in any way relating to the temporary importation status of the Transferred Assets; and

(b) customs duties, import or export duties, taxes or related costs or expenses (whether deferred or not) levied against or incurred by the Venture Entity or appropriate subsidiary thereof upon the export from the country where the Transferred Assets were located on the Closing Date of temporarily imported Transferred Assets located in that country that are not Marine Assets (defined below).

The foregoing indemnity obligation in this Section 4 shall not apply to:

(x) the costs and expenses of mobilizing or demobilizing the Transferred Assets, including (without limitation) costs and expenses of shipping, storing, crating or transporting the Transferred Assets for export, which costs and

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expenses shall be borne by the appropriate Venture Entity or subsidiary thereof; and

(y) customs duties, import or export duties, taxes or related costs or expenses levied against or incurred by the Venture Entity or appropriate subsidiary thereof upon the nationalization of temporarily imported Transferred Assets.

The Venture Entities agree to, and agree to cause their respective subsidiaries to, use their commercially reasonable efforts to cooperate with Baker Hughes, Schlumberger, SPLC, SLBV, STC, SOHL and their respective Affiliates to minimize any customs duties, import or export duties, taxes, fines, penalties or related costs or expenses that are the subject of the indemnity given in this Section 4. For the purposes of this Section 4, "Marine Assets" means vessels, barges, boats and other watercraft, and, in each case, any equipment, consumables, ships stores or other related assets that are maintained or stored on the watercraft or on land. Baker Hughes' indemnity obligations pursuant to this Section 4 shall be limited to \$3 million with respect to Transferred Assets in Syria, \$7 million with respect to Transferred Assets in Egypt, and \$450,000 with respect to Transferred Assets in Trinidad.

5. Non-Transferred Assets. The parties agree that the following real property shall be deemed to be Non-Transferred Assets:

(a) Schlumberger facilities in Orpington, UK and Calgary, Canada;

(b) Baker Hughes facilities in Littleton, US and Croydon, UK;

(c) Interest of Western Atlas International, Inc. in Eastern Geophysical;

(d) Lease at Plots 468, 1, 2, 11, 12 Trans Amad; Industria Layout, Port Harcourt Nigeria; and

(e) Lease at 17 Mekunwen, Flat 2, Ikoy; Nigeria.

6. Designated Payees. Pursuant to the provisions of Section 3.10 to the Master Formation Agreement, Schlumberger hereby designates Schlumberger Technology Corporation (U.S.) and Schlumberger Oilfield Holdings Limited (non-U.S.) and Baker Hughes hereby designates Baker Hughes Incorporated (U.S.) and Baker Hughes GmbH (non-U.S.), in each case, to receive as nominee, to the extent practicable, all payments due to Schlumberger and Baker Hughes, as applicable under Section 3.10.

7. Venture Entity Directors. As required by the Shareholders' Agreement, Schlumberger and its affiliates may appoint two members of the board of directors or other governing board of each Venture Entity and US EmployCo and Baker Hughes and its affiliates may appoint one member to such governing board. The parties hereby agree that the following individuals will be appointed as the initial members of those boards:

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US Venture Entity  
Daniel Churay  
David Meeh  
Duncan Riley

Dutch Venture Entity  
Gavin Sinclair  
Dirk Van Hilten  
Bram Verburg

BVI Venture Entity  
Gavin Sinclair  
Peter Wilkinson  
Michael McGuinty

UK Venture Entity  
Gavin Sinclair  
Michael Golding  
Julian Ceha

US EmployCo  
Daniel Churay  
David Meeh  
Duncan Riley

8. Nominee Agreement. The parties hereto agree that the Nominee Agreement supplements and amends Section 7.20 of the Master Formation Agreement with respect to the Assets (as defined in the Nominee Agreement) in all respects. The parties hereto agree to cause the Dutch Venture Entity and the BVI Venture Entity to fulfill their obligations under the Nominee Agreement. If required by Section 7.20(a)(iv) of the Master Formation Agreement, an entity designated by Schlumberger (other than the Venture Entities or any of their respective subsidiaries) shall pay to Baker Hughes' designee an amount equal to the withholding taxes actually incurred by Baker Hughes or its appropriate Affiliate in transferring any amount from the Nominee to Baker Hughes' designee pursuant to Section 3(b)(ii) of the Nominee Agreement.

9. Amendments to Delft Charter Documents. The parties hereto agree to cause certain mutually agreeable amendments to the articles of association of the Dutch Venture Entity to be effected as soon as practicable after the Closing to conform the articles of association to the terms provided in the Master Formation Agreement and the Shareholders' Agreement to the extent allowed by applicable law.

10. Venture Entity Charter Restrictions. To the extent the charter documents of the Venture Entities contain restrictions on transfer in addition to or in contravention of those provided in Article 11 of the Master Formation Agreement, the parties agree to use good faith efforts to implement to the greatest extent possible, any proposed transfer in accordance with the provisions of Article 11.

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11. Waiver of Late Deliveries.

The parties hereby waive any late delivery of any documents that were to be delivered under the Master Formation Agreement prior to the Closing.

12. Waiver of Conditions.

The parties hereby agree that all conditions to the Closing are hereby deemed satisfied or waived.

13. Exhibits Deemed in Substantially the Same Form. Each of the following documents executed as of the Closing Date, which were attached as exhibits to the Master Formation Agreement, is deemed to be in substantially the same form as was attached as an exhibit to the Master Formation Agreement and any changes to any such documents as executed are hereby deemed agreed to and approved by each of the parties hereto.

- (a) Shareholders Agreement;
- (b) Sublease;
- (c) Venture Entity and US EmployCo supplements;
- (d) Shared Services Agreement;
- (e) Transition Services Agreement; and
- (f) limited liability company agreement of US Venture Entity.

14. Baker Hughes Transferred IP. Notwithstanding the provisions of Section 9.2 of the Master Formation Agreement, the Baker Hughes Transferred IP shall be transferred to the Venture as follows:

(a) All Baker Hughes Transferred IP and Schlumberger Transferred IP primarily related to the Seismic Business in the U.S. will be transferred to the US Venture Entity;

(b) All Baker Hughes Transferred IP and Schlumberger Transferred IP primarily related to the Seismic Business in Canada will be transferred to Western GECO Canada, a subsidiary of the Dutch Venture Entity; and

(c) All Baker Hughes Transferred IP and Schlumberger Transferred IP primarily related to the Seismic Business anywhere other than the U.S. and



Canada will be transferred to the BVI Venture Entity.

15. Ownership of Venture Entities. The parties agree that as of immediately after the Closing, the ownership of Venture Entities and US EmployCo is as follows:

US EmployCo:

70% - STC  
30% - Western Atlas International, Inc.

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US Venture Entity:

70% - STC  
30% - Western Atlas International, Inc.

UK Venture Entity:

70% - SPLC  
30% - Baker Hughes (UK) Limited

Dutch Venture Entity:

70% - SLBV  
30% - Baker Hughes International Branches Incorporated

BVI Venture Entity:

70% - SOHL  
30% - Western Sea Holdings Limited

The parties agree to cause the Venture Entities and US EmployCo to amend their charter documents as necessary to reflect this ownership and to provide to each owner of these entities evidence of that ownership as soon as practicable after Closing.

16. UK Tax Loss Sharing Agreement. The parties agree to, or to cause their respective affiliates to, negotiate in good faith and execute a mutually agreeable UK Tax Loss Sharing Agreement within 21 days after Closing.

17. Syrian Assets. The parties agree that, if, as of the time of the Second Closing, Baker Hughes is unable to cause the assets located in Syria, that would otherwise be Baker Hughes Transferred Assets, to be transferred to a Venture Entity, these assets shall be treated as Non-Transferred Assets for the purposes of the calculations made as of the Second Closing. If, however, Baker Hughes transfers, or causes an Affiliate to transfer, those assets to a Venture Entity thereafter, that Venture Entity shall pay, or cause an Affiliate to pay, to the transferring entity, an amount equal to the net book value of those assets.

18. Effect of Amendments. Other than as amended herein, the Master Formation Agreement shall continue in full force and effect. Pursuant to Section 12.9 of the Master Formation Agreement, this Agreement forms a part of, and shall be construed in conjunction with, the Master Formation Agreement.

19. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and to be performed therein, without giving effect to the principles of conflict of laws thereof.

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20. Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the

same instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all, of the parties hereto.

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IN WITNESS WHEREOF, each of the undersigned has caused this Agreement to be duly executed and delivered on its behalf as of the date first set forth above.

SCHLUMBERGER LIMITED

By: /s/ Robert Villard

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Robert Villard  
Attorney-in-Fact

SCHLUMBERGER OILFIELD  
HOLDINGS LIMITED

By: /s/ Robert Villard

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Robert Villard  
Attorney-in-Fact

SCHLUMBERGER PLC

By: /s/ Robert Villard

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Robert Villard  
Attorney-in-Fact

SCHLUMBERGER B.V.

By: /s/ A. R. Verburg

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A. R. Verburg  
Director

SCHLUMBERGER TECHNOLOGY  
CORPORATION

By: /s/ John Yearwood

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John Yearwood  
Attorney-in-Fact

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BAKER HUGHES INCORPORATED

By: /s/ John H. Lohman, Jr.

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John H. Lohman, Jr.  
Vice President

## NEWS RELEASE

## BAKER HUGHES ANNOUNCES COMPLETION OF SEISMIC VENTURE WITH SCHLUMBERGER

HOUSTON--(BUSINESS WIRE)--Nov. 30, 2000--Baker Hughes Incorporated (NYSE:BHI) (PCX:BHI) (EBS:BHI) announced today the formation of its Western GECO seismic venture with Schlumberger Limited.

Western GECO is comprised of the seismic fleets, data processing assets, exclusive and nonexclusive multi-client surveys, and other assets of the Western Geophysical division of Baker Hughes and Schlumberger's Geco-Prakla. The former president of Western Geophysical, Gary Jones, has been named president of Western GECO.

Under the terms of the transaction, Baker Hughes received approximately \$500 million, including approximately \$493 million in cash and the balance in certain working capital credits. In the transaction Baker Hughes retained certain working capital and other assets of its Western Geophysical division, valued at approximately \$100 million. The company disposed of a portion of these assets prior to closing and expects to liquidate the balance to further reduce the company's outstanding debt. Baker Hughes' cash proceeds from the transaction were used to reduce debt. Western GECO is owned 70% by Schlumberger and 30% by Baker Hughes.

Although the venture was formed today, regulatory approval is pending in certain jurisdictions including the United Kingdom.

Baker Hughes is a leading provider of drilling, formation evaluation, completion and production products and services to the worldwide oil and gas industry.

NOT INTENDED FOR BENEFICIAL HOLDERS

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## CONTACT:

Baker Hughes Incorporated, Houston  
Gary R. Flaharty, 713/439-8039  
gary.flaharty@bakerhughes.com