

DEPOSIT TREAS. REC. DATE  
0269 FEB 23 '96

February 16, 1995

Florida Public Service Commission  
Division of Communications, Certification & Compliance Section  
Capital Circle Office Center - 2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Alternative Local Exchange Service Application  
Financial Capability on question # 15A

960227-TX

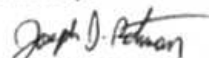
Dear Sir/Madam:

In April 1993, Global Tel\*Link was purchased by Schlumberger Technologies, Inc., one of the largest telecommunications and engineering companies in the world. Listed below are the financial statements included to demonstrate financial capability.

- (A) 1995 Global Tel\*Link Unaudited Balance Sheet
- (B) 1995 Global Tel\*Link Unaudited Income Statement
- (C) 1994 Schlumberger Audited Annual Report
- (D) 1995 Schlumberger Unaudited 4th Quarter 1995 earnings
- (E) The Purchase Agreement (portion) between Global Tel\*Link and Schlumberger dated March 22, 1993.

If you need additional financial capability information, please phone me at (334) 479-4500 ext. 2275.

Sincerely,

  
Joseph D. Rotman  
Regulatory Accountant

MAIL ROOM

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DOCUMENT NUMBER-DATE  
FLORIDA PUBLIC SERVICE COMMISSION  
RECEIVED 02224 FEB 23 96

Schlumberger

Global Tel\*Link

DEPOSIT REF: 10.3  
DATE  
02/16/95

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*Joseph D. Rotman*  
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Regulatory Accountant

Schlumberger

Global Tel\*Link  
2609 Cameron St  
Mobile, AL 36607  
(334) 479-4500

SOUTHTRUST BANK OF MOBILE  
MOBILE, AL

61-142  
651  
018220  
CHECK NO. 018220  
CHECK DATE 02/16/96  
VENDOR NO. FL102

AMOUNT  
TWO HUNDRED FIFTY AND 00/100 DOLLARS\*\*\*\*\*

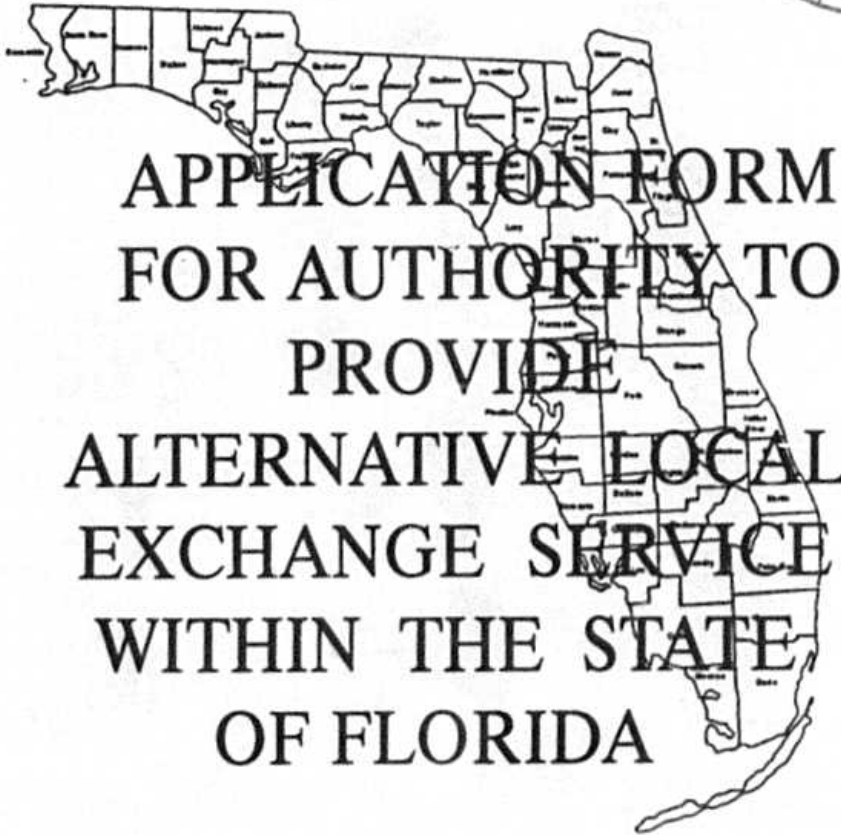
CHECK AMOUNT  
\$\*\*\*\*\*250.00

TO THE  
ORDER  
OF

FLORIDA PUBLIC SERVICE  
COMMISSION  
2540 SHUMARD OAK BLVD  
TALLAHASSEE, FL 32399

GLOBAL TEL\*LINK  
*Joseph D. Rotman*

B-10



APPLICATION FORM  
FOR AUTHORITY TO  
PROVIDE  
ALTERNATIVE LOCAL  
EXCHANGE SERVICE  
WITHIN THE STATE  
OF FLORIDA

*Mark Long*

DOCUMENT NUMBER-DATE

02224 FEB 23 81

FPSC-RECORDS/REPORTING

**FLORIDA PUBLIC SERVICE COMMISSION  
CAPITAL CIRCLE OFFICE CENTER - 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850**

**APPLICATION FORM  
for**

**AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE  
WITHIN THE STATE OF FLORIDA**

---

**INSTRUCTIONS**

1. This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing alternative local exchange certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee.
2. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.
3. Use a separate sheet for each answer which will not fit the allotted space.
4. If you have questions about completing the form, contact:

**Florida Public Service Commission  
Division of Communications, Certification & Compliance Section  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0866  
(904) 413-6600**

5. Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of \$250 made payable to the Florida Public Service Commission at the above address.
-



1. This is an application for (check one):

Original authority (new company)

Approval of transfer (to another certificated company)

Example, a certificated company purchases an existing company and desires to retain the original certificate authority.

Approval of assignment of existing certificate (to a noncertificated company)

Example, a non-certificated company purchases an existing company and desires to retain the certificate of authority rather than apply for a new certificate.

Approval for transfer of control (to another certificated company)

Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of applicant: Global Tel\*Link Corporation

3. A. National mailing address including street name, number, post office box, city, state, zip code, and phone number.

2609 Cameron Street  
Mobile, Alabama 36607

B. Florida mailing address including street name, number, post office box, city, state, zip code, and phone number.

CT Corporation System 305-473-5503  
40 CT Corporation System  
1200 South Pine Island Road  
Plantation, Florida 33324

C. Physical address of alternative local exchange service in Florida including street name, number, post office box, city, zip code and phone number.

888 South Andrews Ave  
Ste 205  
Ft Lauderdale, FL 33316  
(305)-522-4718

4. Structure of organization:

- |   |  |
|---|--|
| <input type="checkbox"/> Individual                     | <input type="checkbox"/> Corporation                 |
| <input checked="" type="checkbox"/> Foreign Corporation | <input type="checkbox"/> Foreign Partnership         |
| <input type="checkbox"/> General Partnership            | <input type="checkbox"/> Limited Partnership         |
| <input type="checkbox"/> Joint Venture                  | <input type="checkbox"/> Other, Please explain _____ |

5. If incorporated, please provide proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

Corporate charter number: TI958

6. Name under which the applicant will do business (d/b/a):

Global TeleLink Corporation

7. If applicable, please provide proof of fictitious name (d/b/a) registration.

Fictitious name registration number: N/A

8. If applicant is an individual, partnership, or joint venture, please give name, title and address of each legal entity.

N/A

9. State whether any of the officers, directors, or any of the ten largest stockholders have previously been adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.

NO

10. Please provide the name, title, address, telephone number, internet address, and facsimile number for the person serving as ongoing liaison with the Commission, and if different, the liaison responsible for this application.

Joseph D. Rotman  
Regulator Accountant  
Phone 1-334-479-4500 ext 2295  
Fax 1-334-479-0656  
INET # JROTMAN@mobile.global.slb.com  
2609 Cameron St  
Mobile, Alabama 36607

11. Please list other states in which the applicant is currently providing or has applied to provide local exchange or alternative local exchange service.

None

12. Has the applicant been denied certification in any other state? If so, please list the state and reason for denial.

*NO*

13. Have penalties been imposed against the applicant in any other state? If so, please list the state and reason for penalty. *No. However, Global is currently in the process of refunding customers for previous over-billing*

*[See attached write-up on the Brit case.]*

14. Please indicate how a customer can file a service complaint with your company. *@ Customer can call this toll free number 1-800-489-4500 or written communications can be directed to the Regulatory Department.*
15. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide alternative local exchange service in Florida.

A. Financial capability. — *See Schlumberge Annual Report*  
*Schlumberge is the Parent Company for Global TelLink*  
Regarding the showing of financial capability, the following applies:

The application should contain the applicant's financial statements, including:

*✓* 1. the balance sheet

2. income statement

3. statement of retained earnings for the most recent 3 years,  
*See 1994 Schlumberger Audited Financial Statements (Annual Report)*

If available, the financial statements should be audited financial statements.

If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statements should then be signed by the applicant's chief executive officer and chief financial officer. The signatures should affirm that the financial statements are true and correct.

- B. Managerial capability. *See History of Global TelLink Report*
- C. Technical capability. *See History of Global TelLink Report*



## History of Global Tel\*Link

Global Tel\*Link was founded in 1988 in Mobile, Alabama to provide pay telephones to the general public. Global Tel\*Link spent the first year of its existence on research and development of a "smart" store and forward telephone that would out-compete other public pay phone vendors. It has been this early vision and hard work that has enabled Global Tel\*Link to maintain technological leadership in this industry.

Soon after the initial products were installed in several states, the management of Global Tel\*Link ascertained the need to apply this technology to inmate telephone systems, allowing jail administrators the freedom from making calls for the inmates, providing records of calls made by the inmates, and offering many options and features which were not available through the local exchange companies.

In April 1993, Global Tel\*Link was purchased by Schlumberger Technologies, Inc., one of the largest telecommunications and engineering companies in the world. Backed by Schlumberger's \$6.7 billion per year financial strength, Global Tel\*Link is poised to compete effectively in a rapidly advancing marketplace for specialized telecommunications products and services.

Schlumberger/Global Tel\*Link is comprised of eight departments: Business Development, Engineering, Finance, Human Resources/Administration, Management Information Systems, Marketing, Operations, and Sales. Under the direction of president William F. Shepard, these various departments work together to provide manufacturing, software design, installation, product engineering, billing services, technical support, and customer service for all our products and services. Our current product offerings include:

- Global Sentinel inmate payphone hardware
- Spectrum II software control system for inmate phones
- Global Advantage prepay calling
- Global Platinum Plus Long Distance Sales
- Global Smart\*Link Coin Payphones
- Global Cellular Debit Card Phone
- Global Cellular Coin/Token Phone
- Global Credit Card Phone

Global Tel\*Link has already built an impressive client base in the inmate phone business, with customers as large as the state of Louisiana prison system (850 phones servicing 17,000 inmates). We presently operate in more than half the states throughout the U.S., and are continuing to expand our market areas. Started locally, our long distance sales are rapidly expanding throughout our national sales regions. Prepay calling cards are just getting launched in a variety of test markets, with tremendous potential for a variety of business and government applications.

Global's philosophy is to maintain our leadership role as an industry innovator, and we are continuously exploring new options for the development and implementation of not only inmate phone systems, but our long distance sales and cellular communications. With Schlumberger's world leadership in the development of "Smart Card" technology, Global Tel\*Link is well positioned to expand its product and service offerings to meet a nearly endless variety of telecommunications needs, in both the public and private sectors.

## **Key Management Personnel at Schlumberger/Global Tel\*Link**

**William F. Shepard**  
**President**

**Harvard Business School**  
**Century University**  
**MBA, 1994**

Bill Shepard was transferred to Schlumberger/Global Tel\*Link in February 1994 from Schlumberger Ltd. in New York. Mr. Shepard has an extensive business background, beginning as Operations Manager for General Electric in 1965. He then joined Neptune Manufacturing, a leading U.S. supplier of residential, commercial and industrial liquid meters, as Director of Operations in 1973. In 1979, he assumed the position of president. Neptune initiated the development of the automatic meter reading system, hand-held portable computers and data collection systems currently in use worldwide. When Neptune was acquired by Schlumberger in 1987, Mr. Shepard was appointed president and General Manager of Schlumberger Technologies in Atlanta, Georgia. He then transferred to New York as Director of Business Development for Schlumberger Ltd., where he was responsible for acquisitions and divestitures of all Schlumberger-held companies.

**Teresa Ridgeway**  
**Director of Support Services**

**University of S. Alabama**  
**BA/Psychology 1981**  
**University of San Francisco**  
**MHROD - Human Resources,**  
**Organizational Development**

After graduating from college, Ms. Ridgeway moved to California to further her education and worked as a purchasing agent for one of the nation's largest suppliers in the wine industry. In 1984, she joined the California School of Professional Psychology and rapidly advanced to Associate Provost for Administrative Affairs. Her areas of responsibility included Admissions, Financial Aid, Business Affairs, Human Resources, Computer Services, and Plant Management, supervising 30 full-time and 40 part-time employees and an annual budget of \$4 million.

Ms. Ridgeway was successful in recruiting and raising the minority population of the student body from 14% to 30% in three years. She was instrumental in 1990 for designing and marketing a Master's program in Organizational Behavior for the school. Upon returning to Mobile in 1992, she spent a short period of time launching a family-owned business and then joined Global in February 1993. After serving in the position of Manager of Marketing, and HR Manager, she assumed the position of Director of Support Services in June 1995 and has responsibilities for Bids & Contracts, Human Resources, Customer Service and Administration.



**Wilfred Walker**  
**Director of Operations**

**Mississippi State University**  
**BS/Industrial Management 1960**

Mr. Walker joined the staff of Global in 1994 with almost 30 years of experience in industrial management. Mr. Walker started with ITT Telecommunications upon graduating and was there for 11 years in various positions ranging from Supervisor of Inventory Control to Quality Engineer. In 1972 he joined Schlumberger as the Quality Manager for Neptune Meter Company. In 1978 Mr. Walker returned to ITT as the Manager of Industrial Engineering Services. He stayed with ITT until rejoining Schlumberger Industries in 1989 as Director of Operations for the Owenton, Kentucky plant. While at Owenton, Mr. Walker organized and directed a Total Quality Management program which eliminated production bottlenecks and saved over \$800,000 per year for the plant.

Mr. Walker has a proven track record of controlling direct labor expenses and providing innovative ideas to improve production efficiencies. He is also skilled in the areas of vendor relations, customer support and communication equipment installation oversight. As Director of Operations for Global, Mr. Walker has responsibilities for Purchasing, Production, Quality Control and Customer Technical Support.

**Scott Kazem, CPA**  
**Controller**

**George Mason University**  
**BS/Finance, 1986**

Mr. Kazem has over nine years of experience in the Telecommunication industry and possesses extensive related technical knowledge. Before joining Schlumberger/Global Tel\*Link, Mr. Kazem was an Operations Analyst for National Rural Utilities Cooperative Finance Corporation & Rural Telephone Finance Cooperative in Virginia, where he implemented improvements in the lending and finance departments. Mr. Kazem has served as a Financial Consultant for MCI Communications, as well as a Senior Analyst for Northern Telecom. In 1994, Mr. Kazem completed a course of study in upper level Accounting while serving as an Instructor at the University of Virginia.



**George Talbot, Jr.**  
**Vice President of Sales**

**Nicholls State University**  
**BS/Business Administration 1972**

After college graduation, Mr. Talbot began and operated a successful construction company for many years. He has been involved in the telecommunications industry since 1988. Maritime Industrial Services in Dubai, U.A.E. requested Mr. Talbot join them as Commercial Manager in 1991. In this Middle East office, he was responsible for all purchasing, safety, employee housing, office personnel, security and payroll for the Sharjah and Damascus offices. Mr. Talbot supervised a staff of 40 employees and more than 4,500 employees in five countries. After joining Global in June 1993, Mr. Talbot opened the Louisiana office. That office has now grown to a total of 10 employees and is responsible for servicing the state of Louisiana inmate phone contract, the New Orleans payphone project and numerous parish (county) and city jail facilities.

**Cliff Anders**  
**Vice President of MIS**

**University of S. Carolina**  
**BS/Computer Science 1981**  
**University of Miami**  
**MBA 1984**

Until the time Cliff joined Global in 1992, he owned his own private consulting firm. In this capacity, he specialized in computer systems development. His consulting firm developed inmate control systems, commissary systems and accounting systems for correctional environments. With more than 15 years of computer experience, ranging from main frames to PCs, Mr. Anders is the designer and implementor of our centralized data processing center, including, among others, Global\*LEX, Touch 800, and the Spectrum Debit System. He is responsible for all processing, validation and centralized system development.

**Thomas C. Hearn**  
**Vice President of Engineering**

**Auburn University**  
**BS/Engineering 1965**  
**Troy State University**  
**MBA 1974**

After college graduation, Mr. Hearn served our nation for five years in the nuclear-powered submarines division of the U.S. Navy, and held the rank of Lieutenant Commander in the Naval Reserves. Before joining Global, he worked for 10 years in the commercial nuclear field in engineering, testing and management. Upon arriving at Global, Mr. Hearn was instrumental in the development of Global's software and hardware products, as well as technical writing for Global installation and instruction manuals. He is also primarily responsible for our cellular telephone products and has been a key force in major inmate and cellular account development.

**Michael P. Kennedy**  
**Director of Long Distance Sales**

**University of S. Illinois**  
**Electronic Management**

After serving eight years as a Weapons Systems technician in the U.S. Marine Corps, Mr. Kennedy entered the private sector as a data communications technician with PAR Microsystems. While at PAR, he installed and serviced back-office processor-controlled data systems. In 1989, Mr. Kennedy joined National Data Corporation (NDC) as a Major Accounts Representative. NDC was a pioneer in Operator Services Markets and Validation and Billing/Collection Services for Interexchange Carriers. Before leaving NDC, he was promoted to Product Manager for Validation Services and Supervisor of Marketing Support. Mr. Kennedy was instrumental in the establishment of Global's own validation program, the Global\*LEX, and the refinements in Global Profit Plus (GPP). Mr. Kennedy now directs the sales efforts of our long distance division.

**James R. Wingo**  
**Vice President**  
**Puerto Rican Operations**

**MIT**  
**BS/Geophysics 1980**  
**MS/Geophysics 1981**  
**Harvard**  
**MBA 1987**

During his summer years at Harvard, Jim was employed as a financial analyst for John Hannon Associates, an investment advisory firm in Dayton, Ohio. During this time, he made presentations to the firm's clients, and compiled a model portfolio which substantially outperformed the DOW. Upon graduating, Mr. Wingo joined Vesper Investments, where he served as a financial analyst. He evaluated capital projects ranging from oil drilling programs to gas pipeline acquisitions. These evaluations were presented to institutional as well as individual investors. Mr. Wingo then joined Merrill Lynch, Pierce, Fenner and Smith in Denver, Colorado, where he managed investment portfolios for high net worth individual investors. He was rated in the top quintile of financial consultants with similar length of service for assets under management.

In 1991, Mr. Wingo founded and became president of Advance Inmate Technologies. Among his many accomplishments, he grew annual revenues from \$0 - 2 million in two years; built and managed the corporate accounting system; developed all marketing strategies; raised capital to fund growth; supervised a staff of six employees; and closed the company's largest accounts. During this time, Mr. Wingo established DIAL-8, Inc., an affiliated reseller of 1-800 service. DIAL-8 revenues grew to \$1.8 million after one year of operations. In July 1993, he sold AIT to Global and joined the Global team as Vice President of Sales and Marketing. He is now serving as Vice President of Schlumberger/Global's Puerto Rican Operations.

## Schlumberger/Global Tel\*Link Corporation

### Directors

William F. Shepard	2609 Cameron Street, Mobile, AL 36607
Jean-Paul Bize	50, Avenue Jean-Jaures, 92120 Montrouge
Jim Davis 23320	825-B Greenbrier Circle, Chesapeake, VA
Dale V. Gaudier	277 Park Avenue, New York, NY 10172-0266
Paul Kirkland	3682 Cyprus Circle, Gulf Shores, AL 36542
James T. Strickland	11 Ashley Drive, Mobile, AL 36608

### Officers

William F. Shepard	<i>President</i>	2609 Cameron Street, Mobile, AL 36607
Scott Kazem	<i>Treasurer</i>	2609 Cameron Street, Mobile, AL 36607
Dale V. Gaudier	<i>Secretary</i>	2609 Cameron Street, Mobile, AL 36607
Teresa Ridgeway	<i>Assistant Secretary</i>	2609 Cameron Street, Mobile, AL 36607

### Financial Stability of Schlumberger/Global Tel\*Link

A copy of the most recent corporate annual report **Schlumberger Annual Report 1994** is included with this proposal as evidence of the financial stability of Global Tel\*Link.

# Global Tel\*Link

## Balance Sheet as of 12/31/95 (unaudited)

(\$ 000's)

<b>Current Assets</b>		<b>Current Liabilities</b>	
Cash	\$ (1,156)	Accounts Payable - Trade	\$ 162
Accounts Receivable	8,080	Accounts Payable - Other	2,075
Allowance for Doubtful Accounts	(2,676)	Accrued Expenses Payable	563
Deposits	99	Invest & Adv Assoc Company	20,070
Intangibles	9	Employee & Other Payables	683
Advances & Prepaid Expenses	1,029	Other Current Liabilities	5
Inventory	644	Total Current Liabilities	\$ 23,558
Total Current Assets	\$ 6,030		
<b>Fixed Assets</b>		<b>Other Liabilities</b>	
Office Equipment & Furniture	\$ 845	Other Liabilities	388
Computer Equipment	155	Division Control	16,001
Telephone Plant	2,020		
Leasehold Improvements	121	Total Other Liabilities	\$ 16,389
Accumulated Depreciation PP&E	(1,325)		
Net Fixed Assets	\$ 1,816		
<b>Other Assets</b>		<b>Shareholders' Equity</b>	
Other Assets	\$ 604	Retained Earnings	(13,492)
Goodwill	14,692	Non-Operating RE	(409)
Accum. Amortization of Goodwill	(2,000)	Adjustments to Retained Income	177
Total Other Assets	\$ 13,296	Net Loss	(5,081)
		Total Shareholders' Equity	\$ (18,805)
<b>Total Assets</b>	<u>\$ 21,142</u>	<b>Total Liabilities &amp; Equities</b>	<u>\$ 21,142</u>

# Global Tel\*Link

## 1995 Income Statement (unaudited)

(\$ 000's)

### Revenues:

Product Sales:	
Puerto Rico	\$ 1,571
Cellular	478
Other	211
Total Product Sales	<u>2,260</u>
LA DOC	10,441
GPP Revenue	8,233
Coin Collections	905
Platinum Clearing	623
Reseller	174
Total Non-Prod Revenue	<u>20,376</u>
Total Revenue	22,636

### Cost of Sales:

Product Cost of Sales:	
Puerto Rico	1,182
Cellular	277
Other	99
Total Cost of Product Sales	<u>1,558</u>
LA DOC	10,471
GPP Revenue	7,560
Coin Collections	674
Platinum Clearing	617
Reseller	122
Total Cost of Non-Prod Sales	<u>19,444</u>
Overhead	2,135
Total Cost of Sales	23,137
Gross Margin	(501)

### Operating Expenses:

Selling & Marketing	1,400
Research & Engineering	751
General & Admin	1,437
Total SG&A/R&E	<u>3,588</u>
Goodwill	732
SL G&A Allocations	260
Total Operating Expenses	4,580
Net Income/(Loss)	<u>\$ (5,081)</u>

For Immediate Release: Thursday, January 25, 1996

## SCHLUMBERGER 1995 FOURTH QUARTER EARNINGS

New York, New York, January 25--Schlumberger Limited reported that net income for 1995 was \$649 million and earnings per share were \$2.69, which is 21% higher than the prior year. Operating revenue of \$7.62 billion represents a 14% increase over the previous year and a new record level for the company.

In Oilfield Services, all product lines contributed to a revenue increase of 12%, despite a decline of 3% in the number of active drilling rigs worldwide. These results reflect the improvement of the market outside North America and the strong demand for high-technology services designed to improve recovery from existing reservoirs and to lower finding and producing costs for new ones.

Measurement & Systems revenue was 18% higher than last year, as a result of the strong growth of Electronic Transactions and Automatic Test Equipment, the favorable currency exchange rate impact and acquisitions.

Chairman and Chief Executive Officer Euan Baird stated: "The strong results in 1995 were in line with our expectations as continued world economic growth and the impact of new products and services led to improvements in our Measurement & Systems and Oilfield Services performance. Growth in worldwide oil demand is encouraging upstream investment by the oil industry, and stable oil prices are stimulating demand for new technology that enhances efficiency. We believe these conditions will continue for the rest of the decade and provide Schlumberger with many new business opportunities."

## FOURTH QUARTER RESULTS

Fourth quarter net income was \$167 million and earnings per share were \$0.69, an increase of 8% compared to the same period last year. Operating revenue was \$2.06 billion, an increase of 16% over the same quarter of 1994.

Oilfield Services revenue increased 15% while the rig count decreased 5% versus the same quarter last year. In spite of the impact of a particularly severe hurricane season in the Gulf of Mexico, all product lines with the exception of Geco-Prakla showed a significant increase in results. At Geco-Prakla, results deteriorated substantially due to losses in the Transition Zone operation and exceptional weather-related downtime.

Measurement & Systems revenue was 16% higher than the same quarter last year, led by the continued strong growth of Electronic Transactions and Automatic Test Equipment and the positive exchange rate impact.

# # #

### Consolidated Statement of Income

(Stated in thousands except per share amounts)

For Periods Ended	Twelve Months		Fourth Quarter (Unaudited)	
	1995	1994	1995	1994
December 31				
Revenue				

Operating	\$7,621,694	\$6,696,845	\$2,063,535	\$1,780,750
Interest and other income	91,536	83,898	23,182	22,291
	7,713,230	6,780,743	2,086,717	1,803,041
Expenses				
Cost of goods sold and services	5,804,157	5,107,889	1,594,919	1,349,326
Research & engineering	427,848	418,871	112,714	107,937
Marketing	283,790	251,750	78,150	67,902
General	345,441	321,433	87,538	84,320
Interest	81,620	63,328	18,858	16,938
Taxes on income	121,217	81,395	27,842	22,032
	7,064,073	6,244,666	1,920,021	1,648,455
Net Income	\$ 649,157	\$ 536,077	\$ 166,696	\$ 154,586
Net Income Per Share	\$ 2.69	\$ 2.21	\$ 0.69	\$ 0.64
Average shares outstanding	242,374	243,423	242,933	242,787
Depreciation and amortization included in expenses	\$ 820,196	\$ 776,167	\$ 209,308	\$ 195,215

**Condensed Balance Sheet**

(Stated in thousands)

	Dec. 31, 1995	Dec. 31, 1994
Assets		
Current Assets		
Cash and short-term investments	\$ 1,120,533	\$ 1,231,893
Other current assets	2,903,170	2,591,858
	4,023,703	3,823,751
Long-term investments, held to maturity	279,950	273,052
Fixed assets	3,118,458	2,857,490
Excess of investment over net assets of companies purchased	1,330,490	1,204,690
Other assets	157,499	163,116
	\$ 8,910,100	\$ 8,322,099
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,773,605	\$ 1,704,755
Estimated liability for taxes on income	299,841	301,269
Bank loans and current portion of long-term debt	599,120	707,241
Dividend payable	91,706	73,389
	2,764,272	2,786,654
Long-term debt	613,404	394,167
Postretirement benefits	354,830	327,282
Other liabilities	213,577	231,042
	3,946,083	3,739,145
Stockholders' Equity	4,964,017	4,582,954
	\$ 8,910,100	\$ 8,322,099



**OPERATING REVENUE**

Operating Revenue	1995	Twelve Months		(Stated in millions)		
		1994	%change	Fourth Quarter		
				1995	1994	%change
Oilfield Services	\$4,868	\$4,365	12%	\$1,311	\$1,135	15%
Measurement & Systems	\$2,759	\$2,339	18%	\$752	\$649	16%

**FOURTH QUARTER HIGHLIGHTS****OILFIELD SERVICES****WIRELINE & TESTING**

Revenue increased 10% compared to the fourth quarter of 1994. In North America, revenue rose 2% despite an 11% decrease in rig count, and outside North America, revenue increased 12%, on a 5% increase in rig count.

The rollout of PLATFORM EXPRESS\* continued on schedule. Equipment performance in terms of reliability and quality of the measurement has been excellent, resulting in enthusiastic client acceptance and premium pricing above our expectations.

Revenue from the CMR\* Combinable Magnetic Resonance tool more than doubled as customer acceptance accelerated.

**DOWELL**

Fourth quarter revenue was 13% above last year with a 2% decline in North America and a 27% increase outside North America.

Increasing acceptance of ULTIDRILL\* biodegradable synthetic-based fluid and QUADRILL\* inhibitive water-based drilling fluid contributed strongly to the Drilling Fluids revenue growth of 69%.

During the quarter, Dowell was awarded a significant five-year contract in the Middle East to provide pressure pumping services.

**GECO-PRAKLA**

Revenue increased 24% compared with the same period last year.

Results were adversely impacted by severe weather downtime, lower profitability on NEPS sales and losses resulting from technical and operational problems in Transition Zone (TZ) activities.

Marine revenue was up 24%. New towing technology enabled the securing of several large 3D projects in the North Sea and strengthened the 1996 backlog.



Land and Transition Zone revenue increased 22%, partly due to the third quarter acquisition of land operations in Saudi Arabia and an increase in the number of TZ crews.

Data Processing activity increased 28%, mainly due to infield processing.

## **SEDCO FOREX**

Revenue was 11% higher than an exceptionally strong fourth quarter 1994.

Sedco Forex offshore rig utilization increased from 90% to 93%, while land rig utilization fell from 47% to 37%. Industry-wide offshore rig utilization was 84% in the quarter, up from 77% last year.

During the quarter, Sedco Forex acquired full ownership of the semisubmersible Sedco 714. Also, after a five-year absence from the Gulf of Mexico, Sedco Forex was awarded the drilling make-ready and management contracts for the semisubmersible Laffit Pincay. Sedco Forex operates 76 rigs: 34 land and 42 offshore.

## **ANADRILL**

Revenue was 33% above fourth quarter 1994 and set a new record.

The highest increases were in Directional Drilling, which grew 50% with Slim1\* MWD services increasing 37%, and Logging While Drilling, which experienced 33% growth. The use of PowerPak\* XP extended power section motors resulted in significant improvements in the rate of footage drilled and gained wide client acceptance.

## **GEOQUEST**

Revenue increased 35% over last year with strong growth in all three market segments.

Software Products increased 29% with double digit growth in each region.

Data Services revenue was up 7% with growth in every region, particularly South America.

Information Technology Services revenues were 3 times greater than the same period last year.

In the fourth quarter, the purchase from Intera Information Technologies Corporation of its Petroleum Division was completed. Renamed Reservoir Technologies, this business group is the leading supplier of reserve simulation software and consulting services for reservoir optimization.

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## **MEASUREMENT & SYSTEMS**

Revenue was 16% above the same period last year reflecting strong growth in Electronic Transactions and Automatic Test Equipment and favorable currency exchange rates. Orders were up 24%.

## ELECTRICITY MANAGEMENT

Revenue increased 12% over the fourth quarter of 1994 as the strong demand for meters in Germany, the UK and Spain more than offset lower demand in North America, where utilities reduced capital spending. Orders increased 22% above the same period last year.

## WATER MANAGEMENT

Revenue increased by 4%, reflecting strong demand in France and Germany, and improved conditions in Italy, partially offset by a sluggish market in Mexico. Orders rose 19%.

## GAS MANAGEMENT

Revenue increased by 2% on strong growth of Services and increasing demand for residential diaphragm meters in Eastern European countries, offset by the slowdown in demand for residential meters in the UK. Orders improved by 15%.

## ELECTRONIC TRANSACTIONS

Revenue was up 39% reflecting strong Retail Petroleum Systems and Smart Cards growth. A strong contributor to this growth was demand for cellular phone cards in Europe and China. Orders increased 47%.

## AUTOMATIC TEST EQUIPMENT

Revenue increased 37% reflecting continued strong sales at Automated Systems, which tripled, at Test Systems and at Diagnostic Systems, while activity at Board Systems declined. Orders rose 17%.

## CHANGE IN LIQUIDITY

A key measure of financial position is liquidity, defined as cash plus short-term and long-term investments less debt. A summary of the major components of the change in liquidity follows:

Twelve Months	(Stated in millions)	
	1995	1994
Funds provided by:		
Net income	\$ 649	\$ 536
Depreciation and amortization	820	776
Funds used for:		
Fixed asset additions	(939)	(783)
Businesses acquired	(217)	(172)
Purchase of shares for Treasury	(41)	(148)
Dividends paid	(327)	(292)
Working capital and other	(161)	(209)
Change in liquidity	(216)	(292)
Liquidity, beginning of period	404	696
Liquidity, end of period	\$ 188	\$ 404

\*Mark of Schlumberger

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# # #

For further information contact:  
Simone Crook  
Director of Investor Relations  
Schlumberger Limited  
212-350-9432

## AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT AND PLAN OF REORGANIZATION (the "Agreement") is made and entered into as of March 22, 1993, by and between Global Tel\*Link Corporation, a Delaware corporation ("Global"); G. Dan Wiley ("Wiley"), Robert A. Fergusson ("Fergusson"), Donald Bahouth ("Bahouth"), and W. C. Helveston ("Helveston"); Schlumberger Technologies, Inc., a Delaware corporation (the "Buyer"); and Schlumberger Acquisition Inc., a Delaware corporation (the "Sub"). Wiley and Fergusson each is a party to this Agreement for purposes of Articles IV, V, IX and Section 7.7 only, Bahouth is party to this Agreement for purposes of Article V only, and Helveston is a party to this Agreement for purposes of Article IV only.

### WITNESSETH

WHEREAS, the Boards of Directors of Global, Buyer and the Sub deem it advisable and in the best interests of such corporations, and their respective stockholders, that the Sub be merged with and into Global; and

WHEREAS, in the Merger (as defined below), Global will be the surviving corporation and the capital stock of Global will be converted into the right to receive cash and contingent payment rights; and

WHEREAS, the parties hereto desire to enter into this Agreement for the purpose of setting forth certain representations, warranties and covenants made by each as an inducement to the conditions precedent to the consummation of the Merger; and

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, the parties agree as follows:

## ARTICLE I

### DEFINITIONS

**1.1 Definitions.** When used in this Agreement (and any Exhibits and Schedules in which terms are not otherwise defined) the following terms shall have the following meanings:

(a) "Certificate of Merger" shall mean the document required to be filed with the Delaware Secretary of State to effect the Merger substantially in the form attached hereto as Exhibit 1.1(a).

(b) "Global Common Shares" shall mean shares of Common Stock of Global.

(c) "Global Series A Preferred Shares" shall mean shares of Series A Preferred Stock of Global.

(d) "Global Series B Preferred Shares" shall mean shares of Series B Preferred Stock of Global.

(e) "Global TMIP Units" shall mean the TMIP Units, granted under Global's Team Member Incentive Plan, which are convertible into Global Common Shares with one TMIP Unit being convertible into one Common Share.

(f) "Global Warrants" shall mean the warrants to purchase Global Warrant Shares, and "Global Warrant Shares" shall mean Global Common Shares issuable upon exercise of the outstanding warrants to purchase Global Common Shares.

(g) "Dissenting Shares" shall mean Global Common Shares or Global Series B Preferred Shares which shall be owned by stockholders who shall duly perfect and pursue their right to "fair value" with respect to such shares in accordance with Section 262 of the Delaware General Corporation Law.

(h) "Dissenting Stockholders" shall mean those stockholders of Global who are holders of Dissenting Shares.

(i) "Effective Time" shall mean the time on the Closing Date (as defined in Section 8.1) which the Merger shall become effective, which shall be 10:00 a.m., eastern daylight time, on the Closing Date, or such other date and time as the parties may agree in writing.

(j) "Holders" shall mean the holders, immediately prior to the Effective Time, of all then outstanding Global Common Shares, Global Series B Preferred Shares, Global TMIP Units and Global Warrants.

(k) "Merger" shall mean the merger of Sub into Global in accordance with this Agreement and the Certificate of Merger.

(l) "Pro Rata Share" shall mean, with respect to each Global Common Share, Global Series B Preferred Share, Global Warrant and Global TMIP Unit, a fraction, the numerator of which is one, and the denominator of which is 5,000,000 (which shall be, immediately prior to the Effective Time, the number of outstanding Global Common Shares, Global Series B Preferred Shares, Global TMIP Units and Global Warrant Shares underlying the Global Warrants) minus the total number of Dissenting Shares; and a "Holder's Pro Rata Share" shall mean the total number of Global Common Shares, Global Series B Preferred Shares, Global TMIP Units and Global Warrant Shares underlying Global Warrants held by such Holder, multiplied by the Pro Rata Share.

(m) "Representation Escrow Agreement" shall mean the Representation Escrow Agreement substantially in the form of Exhibit 1.1(m) attached hereto.

(n) "Representation Escrow Cash" shall mean an amount equal to One Million Five Hundred Thousand US Dollars (\$1,500,000) to be placed in escrow pursuant to this Agreement and the Representation Escrow Agreement, and "Per Share Representation Escrow Cash" shall mean an amount equal to One Million Five Hundred Thousand US Dollars (\$1,500,000) divided by the difference between 5,000,000 and the total number, if any, of Dissenting Shares.

(o) "Stockholders' Approval" shall mean the meeting of the holders of Global Common Shares and Global Series B Preferred Shares held, or the written consent of the holders of Global Common Shares and Global Series B Preferred Shares obtained, in order to approve the Merger and the Certificate of Merger.

(p) "Surviving Corporation" shall mean Global from and after the Effective Time.

## ARTICLE II

### MERGER

**2.1 Filings.** Subject to the provisions hereof, on or prior to the Closing Date, Global, the Buyer and the Sub shall cause the Certificate of Merger to be filed with the Delaware Secretary of State in accordance with the Delaware General Corporation Law.

**2.2 Merger.** At the Effective Time:

(a) The Merger shall become effective under Section 251 of the Delaware General Corporation Law, the Sub shall merge into Global, the separate existence of the Sub shall cease, and Global shall continue under the Delaware General Corporation Law as the Surviving Corporation;

(b) the Directors of the Surviving Corporation following the Merger shall be as set forth in Schedule 2.2(b) attached hereto;

(c) the Certificate of Incorporation hereto as Exhibit 2.2(c) shall be the Certificate of Incorporation of the Surviving Corporation following the Merger;

(d) the Bylaws of the Surviving Corporation following the Merger shall be substantially in the form of the Bylaws attached hereto as Exhibit 2.2(d);

(e) the Global Common Shares, Global Series B Preferred Shares, Global TMIP Units and Global Warrants outstanding immediately to the Effective Time shall be converted or otherwise have the rights as provided in Article III hereof; and

(f) without further transfer, act or deed, the separate existence of the Sub shall cease and Surviving Corporation shall succeed to all the rights and property, of whatever kind, of Global and the Sub, and shall be subject to all the debts and liabilities of Global

and the Sub in the same manner as if Surviving Corporation had itself incurred them; and all rights of creditors and all liens upon the property of Global and the Sub shall be preserved unimpaired, provided that such liens upon the property of Global or the Sub shall be limited to the property affected thereby immediately prior to the Effective Time.

### ARTICLE III

#### EFFECTS OF MERGER ON SECURITIES OF CONSTITUENT CORPORATIONS

##### **3.1 Effect on Global Common Shares and Global Series B Preferred Shares**

At the Effective Time:

(a) each outstanding Global Common Share shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into the right to receive (i) cash in the amount of \$3.00 minus the Per Share Representation Escrow Cash; and (ii) the right to receive a Pro Rata Share of any cash disbursed to the Holders pursuant to the terms and conditions of Article IX and the Representation Escrow Agreement (and subject to any rights of offset set forth in Sections 4.4 and 9.6 of this Agreement), and (iii) a Contingent Payment for each Measurement Period (as such terms are defined in Section 4.1), if any, subject to the terms and conditions of Article IV hereof (and subject to any rights of offset set forth in Sections 4.4, 9.1 and 9.6 of this Agreement); and

(b) each outstanding Global Series B Preferred Share shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into the right to receive (i) cash in the amount of \$3.00 minus the Per Share Representation Escrow Cash; (ii) the right to receive a Pro Rata Share of any cash disbursed to the Holders pursuant to the terms and conditions of Article IX and the Representation Escrow Agreement (and subject to any rights of offset set forth in Sections 4.4 and 9.6 of this Agreement); and (iii) a Contingent Payment for each Measurement Period, if any, subject to the terms and conditions of Article IV hereof (and subject to any rights of offset set forth in Sections 4.4, 9.1 and 9.6 of this Agreement).

##### **3.2 Effect on Global Warrants and Global TMIP Units**

At the Effective Time, Buyer hereby covenants and agrees, as follows:

(a) each outstanding Global Warrant shall be entitled to receive for each Global Warrant Share underlying such Global Warrant: (i) cash in the amount of \$3.00 minus (A) the per share exercise price of each Global Warrant, and (B) the Per Share Representation Escrow Cash; and (ii) the right to receive a Pro Rata Share of any cash disbursed to the Holders pursuant to the terms and conditions of Article IX and the Representation Escrow Agreement (and subject to any rights of offset set forth in Sections 4.4 and 9.6 of this Agreement); and (iii) a Contingent Payment for each

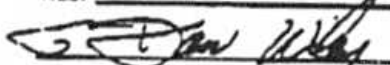
agreement when one or more counterparts have been signed by each of the parties and delivered to the other parties.

IN WITNESS WHEREOF, the parties to this Agreement have duly executed it as of the day and year first above written.

Global Tel\*Link Corporation

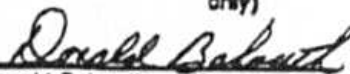
By: \_\_\_\_\_

Title: \_\_\_\_\_



G. Dan Wiley (for purposes of  
Articles IV, V, IX  
and Section 7.7  
only)

Robert A. Fergusson (for purposes  
of Articles IV,  
V, IX and  
Section 7.7  
only)



Donald Bahouth (for purposes  
of Article V  
only)

W. C. Helveston (for purposes of  
Article IV only)

Schlumberger Technologies, Inc.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Schlumberger Acquisition Inc.

By: \_\_\_\_\_

Title: \_\_\_\_\_

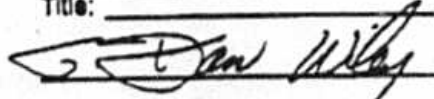


agreement when one or more counterparts have been signed by each of the parties and delivered to the other parties.

IN WITNESS WHEREOF, the parties to this Agreement have duly executed it as of the day and year first above written.

**Global Tel\*Link Corporation**


By: \_\_\_\_\_  
Title: \_\_\_\_\_



G. Dan Wiley (for purposes of  
Articles IV, V, IX  
and Section 7.7  
only)

\_\_\_\_\_  
Robert A. Fergusson (for purposes  
of Articles IV,  
V, IX and  
Section 7.7  
only)

\_\_\_\_\_  
Donald Bahouth (for purposes  
of Article V  
only)

  
W. C. Helveston (for purposes of  
Article IV only)

**Schlumberger Technologies, Inc.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**Schlumberger Acquisition Inc.**

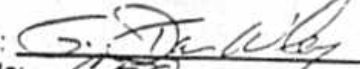
By: \_\_\_\_\_

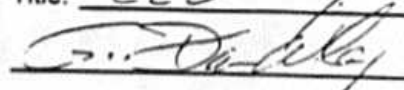
Title: \_\_\_\_\_

14.5 **Counterparts.** This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become a binding agreement when one or more counterparts have been signed by each of the parties and delivered to the other parties.

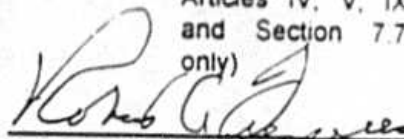
**IN WITNESS WHEREOF**, the parties to this Agreement have duly executed it as of the day and year first above written.

**Global Tel\*Link Corporation**

By:   
Title: CEO



G. Dan Wiley (for purposes of  
Articles IV, V, IX  
and Section 7.7  
only)

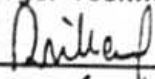


Robert A. Fergusson (for purposes  
of Articles IV,  
V, IX and  
Section 7.7  
only)

Donald Bahouth (for purposes  
of Article V  
only)

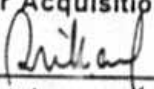
W. C. Helveston (for purposes of  
Article IV only)

**Schlumberger Technologies, Inc.**

By: 

Title: Attorney in fact

**Schlumberger Acquisition Inc.**

By: 

Title: Attorney in fact

GLOBAL TEL\*LINK, INC.'S

REPORT REGARDING REFUNDS

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

JANUARY 23, 1996

SUBMITTED BY:

FRANK J. UDDO

## INTRODUCTION

In response to orders from the Louisiana Public Service Commission ("Commission"), Global Tel\*Link, Inc. ("Global") did undertake to identify all appropriate recipients of refunds resultant from overcharges by previous management in connection with calls emanating from correctional facilities. It should be pointed out that the overcharges were not isolated to Louisiana, but did involve other jurisdictions in which Global did undertake identification of consumers and, ultimately, credits or refunds to said recipients. These refunds are also in compliance with orders and judgments of The Circuit Court of Mobile County, Alabama, as a result of a class action filed before that court seeking similar refunds as ordered by the Commission.

## IDENTIFICATION PROCESS

As part of the refund process and in compliance with Commission orders, ads were run in six state newspapers announcing the refunds and requesting consumers who felt they qualified for refunds to contact Global at an 800 number. The newspapers in which the ad was published are: Times Picayune, Lafayette Advertiser, Baton Rouge Advocate, Lake Charles American Press, Alexandria Town Talk, Shreveport Times, Monroe News Star, Eunice news. Tear sheets indicating publication of these ads are attached hereto as Exhibit 1. As a result of these ads being placed, there were a total of 1,235 calls received by Global, and of these 1,235 calls, 546 of the callers were identified as people within Global's database for refunds. The 546 callers who have been confirmed to be entitled to refunds or credits have been processed for refunds or credits. Attached below is a table identified as Table #1 which indicates the number of calls received from all jurisdictions as compared to the calls received from Louisiana, and those were identified from within the database.

## REFUND PROCESS

Global is pleased to report that a substantial number of persons entitled to refunds or credits have already been compensated. At the current time, total refunds by checks or credits totaling \$816,840.08 have been completed. This total amount has been distributed among 95,030 recipients. Since the issuance of these credits or checks, 5,780 have been returned to Global representing \$34,018.57. These returns were made mainly because the identified recipients are no longer at the address or telephone number used in the identification process. Also, at this time, Global still has on hand for refund \$885,435.04 for which recipients have either not been identified or have been identified but not found. In response to requests from the Commission staff, Tables 2, 3 and 4 indicate a summary of refunds for all calls originating in the State of Louisiana, as well as a breakdown of refunds and payment method of calls originating and terminating in Louisiana and a separate category of refunds regarding interstate calls originating in the State of Louisiana.

On January 12, 1995, in a letter from Special Counsel Paul Zimmering, certain printouts were requested, specifically 1) the telephone number receiving the credit; 2) the name of the person with the telephone number receiving the credit; and 3) amount of the refund. This information has been assembled from a number of different sources and should

be presented to the staff contemporaneous with this report. Any portions of the statistical information which is not available for presentation on the 23rd of January will be supplied no later than the 26th of January.

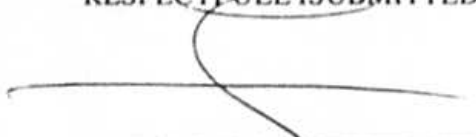
### CONCLUSION

Once the Alabama court allowed Global to move forward with the credits and refunds, the process was immediately begun and successfully executed. At the current time, over 95,000 customers have received credits or checks refunding the amounts ordered by the Commission. This has been a substantial undertaking.

The Commission must give direction to Global as to what should be done with the remaining funds which have been held for refund, particularly in light of the fact that identification of additional callers seems largely unlikely. Aside from our inability to identify the appropriate recipients indicated by the unrefunded amount, this process has been a smooth one which has complied with the Commission's orders.

Global is happy to have substantially completed this process and looks forward to a smooth and mutually beneficial continuance of business in the State of Louisiana.

RESPECTFULLY SUBMITTED:



FRANK J. UDDO (12976)  
Uddo & Milazzo  
3850 N. Causeway Boulevard  
Suite 1510 - Lakeway Two  
Metairie, Louisiana 70002  
(504) 832-7204  
Counsel for Global Tel\*Link, Inc.

Exhibit 1

GLOBAL TEL\*LINK  
NEWSPAPER SCHEDULE  
 12/21/95

			27-Dec Wed.	28-Dec Thu.	31-Dec Sun.	Circ
New Orleans	Times Picayune	3 col x 5"	\$2,698.65	COMBO		267,792
Baton Rouge	Advocate	3 col x 5"	\$726.75	\$726.75		100,552
Lafayette	Advertiser	3 col x 5"	\$366.90	\$366.90		39,289
Lake Charles	American Press	3 col x 5"	\$315.00	\$220.50		38,618
Alexandria	Town Talk	3 col x 5"	\$356.40	\$249.48		40,001
Shreveport	Times	3 col x 5"	\$1,171.35	\$937.08		83,042
Monroe	News Star	3 col x 5"	\$711.30	\$711.30		39,461
Eunice	Eunice News	3 col x 5"		\$74.85	\$55.50	3,722
	Total		\$6,346.35	\$3,286.86	\$55.50	
	Grand Total		\$9,688.71			

NOTE: Eunice News is weekly, published on Thursdays and Sundays only.

## REQUEST FOR REFUND

The Louisiana Public Service Commission has ordered Global Tel\*Link to refund approximately \$1,400,000 to Global Tel\*Link ratepayers who received collect calls from inmates at Louisiana correctional institutions between June 1993 and May 1994. These refunds result from unauthorized overcharges assessed by Global Tel\*Link during the above stated time period. Refunds should appear as a credit on their January, 1996 bill or they may receive a check directly from Global. If you believe that your family or friend may be entitled to a refund, but has not received one, please have them fill out the attached coupon or call:

**Global Tel\*Link**  
**Post Office Box 7278**  
**Mobile, AL 36670-0278**  
**(800) 237-1779**

---

## REQUEST FOR REFUND

Name: \_\_\_\_\_

Current Address: \_\_\_\_\_  
\_\_\_\_\_

Current Telephone Number \_\_\_\_\_

Address between 6/93 & 5/94 \_\_\_\_\_  
\_\_\_\_\_

Telephone Number between 6/93 & 5/94 \_\_\_\_\_

Signature \_\_\_\_\_

On January 17, 1995 the Louisiana Public Service Commission issued Order No. U-20784-B. This Order was issued as a result of an investigation into the operations, service provided and charges assessed by Global Tel\*Link. At the conclusion of that investigation the Commission determined that Global had unlawfully charged its customers excessive rates in violation of Commission Orders, its own tariffs and its contract with the Department of Corrections through the practices of clock advancements, charging rates in excess of its authorized levels, adding additional phantom time and money to calls and billing customers more than once for the same calls. For the period ending May 31, 1994, the Commission determined that Louisiana ratepayers had been overcharged by Global in the principal amount of \$1,243,000.00, exclusive of interest. The Commission ordered that interest accrue at the rate of 10% per annum from the time the overcharges occurred until credits and/or refunds were accomplished. At the time the Commission issued Order U-20784-B it was contemplated that refunds would begin in a matter of 2 or 3 months and would be completed by June 30, 1995. This did not occur.

It took Global longer than anticipated to generate a list of customers to whom the refunds were due. This was in some way complicated by the fact that Global not only had to generate this list for its Louisiana customers, but also to satisfy the mandates of a settlement of a class action pending in state district court in Alabama. For this reason, the Commission refrained from implementing the \$1,000 per day penalty which it had a right to assess pursuant to the provisions of Order U-20784-B. It is now almost 11 months since the issuance of the Commission order requiring refunds. Global has advised the Commission that an appeal has been taken from the proposed settlement in the Alabama litigation and that it is unable to predict precisely when that appeal will be disposed of.

The overcharges to Louisiana ratepayers began in June 1993, almost 2 1/4 years ago. The Commission has been patient in not fining Global for its failure to make refunds pursuant to prior Commission mandates and in attempting to wait until all of the litigation in Alabama has been completed. However, the more time that goes by, the more likely it is that Global will be unable to find significant numbers of customers who were overcharged. The Commission therefore orders that Global begin the refund process directed by the Commission



in Order No. U-20784-B no later than the January, 1996 billing cycle. Global is directed to report the Commission on a monthly basis, beginning in January 1996 as to the number of customers located and the amount of money refunded. In all other respects, the provisions of Order No. U-20784-B remain in full force and effect.

This Order is effective December 6, 1995.

BY ORDER OF THE COMMISSION:  
BATON ROUGE, LOUISIANA

December 6, 1995

/s/ JOHN F. SCHWEGMANN  
DISTRICT I  
CHAIRMAN JOHN F. SCHWEGMANN

/s/ IRMA MUSE DIXON  
DISTRICT III  
VICE-CHAIRMAN IRMA MUSE DIXON

/s/ C. DALE SITTIG  
DISTRICT IV  
COMMISSIONER DALE SITTIG

/s/ DON OWEN  
DISTRICT V  
COMMISSIONER DON L. OWEN

KATHLEEN B. BLANCO  
DISTRICT II  
COMMISSIONER KATHLEEN B. BLANCO

  
SECRETARY

IN THE SUPREME COURT OF ALABAMA  
December 6, 1995

1990234

Paul Kirkland and  
James T. Strickland

v.

James M. Britt, Jr., et al.

Mobile Circuit Court  
CV-94-1011

ORDER

The motions to dismiss having been filed and duly submitted to the Court, and it appearing to the Court that the appeal filed in this cause is not timely filed.

IT IS ORDERED that the appeal is dismissed.

IT IS FURTHER ORDERED that the costs be taxed against the appellants as provided by Rule 35, Alabama Rules of Appellate Procedure.

Hopper, C. J., and Meddos, Shouse, Houston, Morandy, Ingram, Cook, and Harbo, JJ., concur.

I, Robert G. Eadie, as Clerk of the Supreme Court of Alabama, do hereby certify that the foregoing is a full, true and correct copy of the instrument(s) herewith set out as same appear(s) of record in said Court.

Witness my hand this 6<sup>th</sup> day of Dec., 1995

  
Clerk, Supreme Court of Alabama

*Price Waterhouse LLP*



**BY FEDERAL EXPRESS**

January 2, 1996

Ms. Cindy Russell  
Office of the Alabama Attorney General  
11 South Union Street  
Montgomery, Alabama 36130-0152

Dear Cindy:

As per our telephone conversation, I have attached to this letter two affidavits signed by Michael O. Gagnon. Each of these affidavits concerns the transfer of amounts from the escrow account established pursuant to the Court's orders in Britt vs. Global Tel\*Link, Inc., civil number 94-1101 ("Britt case").

As you are aware, Price Waterhouse LLP is required to monitor and oversee the refund process from the escrow established as a result of the Britt case. Michael O. Gagnon is the partner assigned to this project.

The first affidavit requires ~~\$1,736,248.78~~ (one million, seven hundred and thirty six thousand two hundred and forty eight dollars and seventy eight cents) to be sent via wire transfer to the checking account established by Global Tel\*Link pursuant to the Court's orders in the Britt case. Please note that this amount should not be transferred to the indicated bank account until Friday, January 5, 1996. This is the date the checks will be mailed to the members of the class.

The second affidavit requires \$362,532.76 (three hundred and sixty two thousand, five hundred and thirty two dollars and seventy six cents) to be transferred directly to the account of Zero Plus Dialing, Inc. ("ZPDI"). ZPDI is one of the billing companies which is providing credits on the telephone bills of class members. This amount should be transferred as soon as possible.

An additional affidavit concerning the transfer of monies to Bell South will be provided as soon as we have received the wiring instructions.

January 2, 1996  
Ms. Cindy Russell  
Page 2



If you have any questions, please do not hesitate to call me on (212) 596-7569.

Sincerely yours,

Brian P. Loughman

cc: (with attachments)

Mr. Armand deKeyser (Office of the Alabama Attorney General)

Mr. Michael O. Gagnon (Price Waterhouse LLP)

James Newman, Esquire (Helmsing, Lyons, Sims & Leach)

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STATE OF NEW YORK  
COUNTY OF NEW YORK

A F F I D A V I T

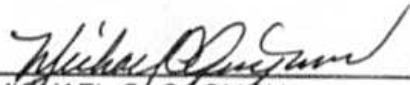
To: **The Attorney General of the State of Alabama**

Before me, a Notary Public in and for said County and State, personally appeared, Michael O. Gagnon, who having by me first been duly sworn, did depose and state as follows:

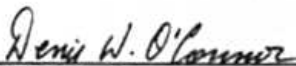
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3. \$1,736,248.78 should be transferred effective Friday, January 5, 1996 from the escrow by wire transfer to the bank account as set forth below:

Bank:	SouthTrust Bank of Alabama, Birmingham.
For further credit to:	SouthTrust Bank - Mobile, AL
Account of:	Global Tel*Link Corporation
Account #:	609-0456-3
ABA#:	062000080

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\_\_\_\_\_  
MICHAEL O. GAGNON

Sworn and subscribed to before me this 3<sup>rd</sup> day of January,  
1996.

  
\_\_\_\_\_  
NOTARY PUBLIC  
My Commission Expires: 6/19/97

— DENIS W. O'CONNOR —  
Notary Public State of New York  
No. 31-4952410  
Qualified in New York County  
Commission Expires June 19, 1997

STATE OF NEW YORK  
COUNTY OF NEW YORK

A F F I D A V I T

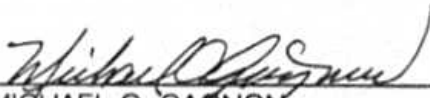
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Account#:	01-0364975
Acct. Name:	Zero Plus Dialing, Inc.

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MICHAEL O. GAGNON

Sworn and subscribed to before me this 3<sup>rd</sup> day of January,  
1996.

  
\_\_\_\_\_

NOTARY PUBLIC

My Commission Expires: 6/19/97

DENIS W. O'CONNOR  
Notary Public State of New York  
No. 31-4952410  
Qualified in New York County  
Commission Expires June 19, 1997.



GLOBAL TEL\*LINK, INC.'S

REPORT REGARDING REFUNDS

"  
"

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

JANUARY 23, 1996

SUBMITTED BY:

FRANK J. UDDO

## INTRODUCTION

In response to orders from the Louisiana Public Service Commission ("Commission"), Global Tel\*Link, Inc. ("Global") did undertake to identify all appropriate recipients of refunds resultant from overcharges by previous management in connection with calls emanating from correctional facilities. It should be pointed out that the overcharges were not isolated to Louisiana, but did involve other jurisdictions in which Global did undertake identification of consumers and, ultimately, credits or refunds to said recipients. These refunds are also in compliance with orders and judgments of The Circuit Court of Mobile County, Alabama, as a result of a class action filed before that court seeking similar refunds as ordered by the Commission.

## IDENTIFICATION PROCESS

As part of the refund process and in compliance with Commission orders, ads were run in six state newspapers announcing the refunds and requesting consumers who felt they qualified for refunds to contact Global at an 800 number. The newspapers in which the ad was published are: Times Picayune, Lafayette Advertiser, Baton Rouge Advocate, Lake Charles American Press, Alexandria Town Talk, Shreveport Times, Monroe News Star, Eunice news. Tear sheets indicating publication of these ads are attached hereto as Exhibit 1. As a result of these ads being placed, there were a total of 1,235 calls received by Global, and of these 1,235 calls, 546 of the callers were identified as people within Global's database for refunds. The 546 callers who have been confirmed to be entitled to refunds or credits have been processed for refunds or credits. Attached below is a table identified as Table #1 which indicates the number of calls received from all jurisdictions as compared to the calls received from Louisiana, and those were identified from within the database.

## REFUND PROCESS

Global is pleased to report that a substantial number of persons entitled to refunds or credits have already been compensated. At the current time, total refunds by checks or credits totaling \$816,840.08 have been completed. This total amount has been distributed among 95,030 recipients. Since the issuance of these credits or checks, 5,780 have been returned to Global representing \$34,018.57. These returns were made mainly because the identified recipients are no longer at the address or telephone number used in the identification process. Also, at this time, Global still has on hand for refund \$885,435.04 for which recipients have either not been identified or have been identified but not found. In response to requests from the Commission staff, Tables 2, 3 and 4 indicate a summary of refunds for all calls originating in the State of Louisiana, as well as a breakdown of refunds and payment method of calls originating and terminating in Louisiana and a separate category of refunds regarding interstate calls originating in the State of Louisiana.

On January 12, 1995, in a letter from Special Counsel Paul Zimmering, certain printouts were requested, specifically 1) the telephone number receiving the credit; 2) the name of the person with the telephone number receiving the credit; and 3) amount of the refund. This information has been assembled from a number of different sources and should

be presented to the staff contemporaneous with this report. Any portions of the statistical information which is not available for presentation on the 23rd of January will be supplied no later than the 26th of January.

### CONCLUSION

Once the Alabama court allowed Global to move forward with the credits and refunds, the process was immediately begun and successfully executed. At the current time, over 95,000 customers have received credits or checks refunding the amounts ordered by the Commission. This has been a substantial undertaking.

The Commission must give direction to Global as to what should be done with the remaining funds which have been held for refund, particularly in light of the fact that identification of additional callers seems largely unlikely. Aside from our inability to identify the appropriate recipients indicated by the unrefunded amount, this process has been a smooth one which has complied with the Commission's orders.

Global is happy to have substantially completed this process and looks forward to a smooth and mutually beneficial continuance of business in the State of Louisiana.

RESPECTFULLY SUBMITTED:



FRANK J. UDDO (12976)  
Uddo & Milazzo  
3850 N. Causeway Boulevard  
Suite 1510 - Lakeway Two  
Metairie, Louisiana 70002  
(504) 832-7204  
Counsel for Global Tel\*Link, Inc.

Exhibit 1

GLOBAL TEL\*LINK  
NEWSPAPER SCHEDULE  
 12/21/95

			27-Dec Wed.	28-Dec Thu.	31-Dec Sun	Circ.
New Orleans	Times Picayune	3 col x 5"	\$2,698.65	COMBO		267,792
Baton Rouge	Advocate	3 col x 5"	\$726.75	\$726.75		100,552
Lafayette	Advertiser	3 col x 5"	\$366.90	\$366.90		39,289
Lake Charles	American Press	3 col x 5"	\$315.00	\$220.50		38,618
Alexandria	Town Talk	3 col x 5"	\$356.40	\$249.48		40,001
Shreveport	Times	3 col x 5"	\$1,171.35	\$937.08		83,042
Monroe	News Star	3 col x 5"	\$711.30	\$711.30		39,461
Eunice	Eunice News	3 col x 5"		\$74.85	\$55.50	3,722
	Total		\$6,346.35	\$3,286.86	\$55.50	
	Grand Total		\$9,688.71			

NOTE: Eunice News is weekly, published on Thursdays and Sundays only.

## REQUEST FOR REFUND

The Louisiana Public Service Commission has ordered Global Tel\*Link to refund approximately \$1,400,000 to Global Tel\*Link ratepayers who received collect calls from inmates at Louisiana correctional institutions between June 1993 and May 1994. These refunds result from unauthorized overcharges assessed by Global Tel\*Link during the above stated time period. Refunds should appear as a credit on their January, 1996 bill or they may receive a check directly from Global. If you believe that your family or friend may be entitled to a refund, but has not received one, please have them fill out the attached coupon or call:

**Global Tel\*Link**  
**Post Office Box 7278**  
**Mobile, AL 36670-0278**  
**(800) 237-1779**

---

## REQUEST FOR REFUND

Name: \_\_\_\_\_

Current Address: \_\_\_\_\_

Current Telephone Number \_\_\_\_\_

Address between 6/93 & 5/94 \_\_\_\_\_

Telephone Number between 6/93 & 5/94 \_\_\_\_\_

Signature \_\_\_\_\_

On January 17, 1995 the Louisiana Public Service Commission issued Order No. U-20784-B. This Order was issued as a result of an investigation into the operations, service provided and charges assessed by Global Tel\*Link. At the conclusion of that investigation the Commission determined that Global had unlawfully charged its customers excessive rates in violation of Commission Orders, its own tariffs and its contract with the Department of Corrections through the practices of clock advancements, charging rates in excess of its authorized levels, adding additional phantom time and money to calls and billing customers more than once for the same calls. For the period ending May 31, 1994, the Commission determined that Louisiana ratepayers had been overcharged by Global in the principal amount of \$1,243,000.00, exclusive of interest. The Commission ordered that interest accrue at the rate of 10% per annum from the time the overcharges occurred until credits and/or refunds were accomplished. At the time the Commission issued Order U-20784-B it was contemplated that refunds would begin in a matter of 2 or 3 months and would be completed by June 30, 1995. This did not occur.

It took Global longer than anticipated to generate a list of customers to whom the refunds were due. This was in some way complicated by the fact that Global not only had to generate this list for its Louisiana customers, but also to satisfy the mandates of a settlement of a class action pending in state district court in Alabama. For this reason, the Commission refrained from implementing the \$1,000 per day penalty which it had a right to assess pursuant to the provisions of Order U-20784-B. It is now almost 11 months since the issuance of the Commission order requiring refunds. Global has advised the Commission that an appeal has been taken from the proposed settlement in the Alabama litigation and that it is unable to predict precisely when that appeal will be disposed of.

The overcharges to Louisiana ratepayers began in June 1993, almost 2 1/2 years ago. The Commission has been patient in not fining Global for its failure to make refunds pursuant to prior Commission mandates and in attempting to wait until all of the litigation in Alabama has been completed. However, the more time that goes by, the more likely it is that Global will be unable to find significant numbers of customers who were overcharged. The Commission therefore orders that Global begin the refund process directed by the Commission

in Order No. U-20784-B no later than the January, 1996 billing cycle. Global is directed to report the Commission on a monthly basis, beginning in January 1996 as to the number of customers located and the amount of money refunded. In all other respects, the provisions of Order No. U-20784-B remain in full force and effect.

This Order is effective December 6, 1995.

BY ORDER OF THE COMMISSION:  
BATON ROUGE, LOUISIANA

December 6, 1995

/s/ JOHN F. SCHWEGMANN  
DISTRICT I  
CHAIRMAN JOHN F. SCHWEGMANN

/s/ IRMA MUSE DIXON  
DISTRICT III  
VICE-CHAIRMAN IRMA MUSE DIXON

/s/ C. DALE SITTIG  
DISTRICT IV  
COMMISSIONER DALE SITTIG

/s/ DON OWEN  
DISTRICT V  
COMMISSIONER DON L. OWEN

KATHLEEN B. BLANCO ASST.  
DISTRICT II  
COMMISSIONER KATHLEEN B. BLANCO

  
SECRETARY

IN THE SUPREME COURT OF ALABAMA  
December 6, 1995

1980234

Paul Kirkland and  
James T. Strickland

v.

James H. Britt, Jr., et al.

Mobile Circuit Court  
CV-94-1011

**ORDER**

The motions to dismiss having been filed and duly submitted to the Court, and it appearing to the Court that the appeal filed in this cause is not timely filed.

IT IS ORDERED that the appeal is dismissed.

IT IS FURTHER ORDERED that the costs be taxed against the appellants as provided by Rule 35, Alabama Rules of Appellate Procedure.

Hopper, C. J., and Medlock, Shores, Houston, Morand, Ingram, Cook, and Bruts,  
JJ., concur.

I, Robert G. Ednie, as Clerk of the Supreme Court of Alabama, do hereby certify that the foregoing is a full, true and correct copy of the instrument(s) herewith set out as same appear(s) of record in said Court.

Witness my hand this 6<sup>th</sup> day of Dec., 1995

  
Clerk, Supreme Court of Alabama



*Price Waterhouse LLP*



**BY FEDERAL EXPRESS**

January 2, 1996

Ms. Cindy Russell  
Office of the Alabama Attorney General  
11 South Union Street  
Montgomery, Alabama 36130-0152

Dear Cindy:

As per our telephone conversation, I have attached to this letter two affidavits signed by Michael O. Gagnon. Each of these affidavits concerns the transfer of amounts from the escrow account established pursuant to the Court's orders in Britt vs. Global Tel\*Link, Inc., civil number 94-1101 ("Britt case").

As you are aware, Price Waterhouse LLP is required to monitor and oversee the refund process from the escrow established as a result of the Britt case. Michael O. Gagnon is the partner assigned to this project.

The first affidavit requires ~~\$1,736,248.78~~ (one million, seven hundred and thirty six thousand two hundred and forty eight dollars and seventy eight cents) to be sent via wire transfer to the checking account established by Global Tel\*Link pursuant to the Court's orders in the Britt case. Please note that this amount should not be transferred to the indicated bank account until Friday, January 5, 1996. This is the date the checks will be mailed to the members of the class.

The second affidavit requires \$362,532.76 (three hundred and sixty two thousand, five hundred and thirty two dollars and seventy six cents) to be transferred directly to the account of Zero Plus Dialing, Inc. ("ZPDI"). ZPDI is one of the billing companies which is providing credits on the telephone bills of class members. This amount should be transferred as soon as possible.

An additional affidavit concerning the transfer of monies to Bell South will be provided as soon as we have received the wiring instructions.

January 2, 1996  
Ms. Cindy Russell  
Page 2



If you have any questions, please do not hesitate to call me on (212) 596-7569.

Sincerely yours,

Brian P. Loughman

cc: (with attachments)

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Mr. Michael O. Gagnon (Price Waterhouse LLP)

James Newman, Esquire (Helmsing, Lyons, Sims & Leach)

David Topol, Esquire (Wilmer, Cutler & Pickering)

Steven Nicholas, Esquire (Sirota & Permutt)

✓ Mr. Scott Kazem (Global Tel\*Link, Inc.)

STATE OF NEW YORK  
COUNTY OF NEW YORK

A F F I D A V I T

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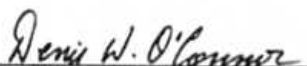
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For further credit to:	SouthTrust Bank - Mobile, AL
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Account #:	609-0456-3
ABA#:	062000080

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MICHAEL O. GAGNON

Sworn and subscribed to before me this 3<sup>rd</sup> day of January,  
1996.

  
NOTARY PUBLIC  
My Commission Expires: 6/19/97

— DENIS W. O'CONNOR —  
Notary Public State of New York  
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COUNTY OF NEW YORK

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ABA#:	114000093
Account#:	01-0364975
Acct. Name:	Zero Plus Dialing, Inc.

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GLOBAL TEL\*LINK, INC.'S

REPORT REGARDING REFUNDS

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

JANUARY 23, 1996

SUBMITTED BY:

FRANK J. UDDO

## INTRODUCTION

In response to orders from the Louisiana Public Service Commission ("Commission"), Global Tel\*Link, Inc. ("Global") did undertake to identify all appropriate recipients of refunds resultant from overcharges by previous management in connection with calls emanating from correctional facilities. It should be pointed out that the overcharges were not isolated to Louisiana, but did involve other jurisdictions in which Global did undertake identification of consumers and, ultimately, credits or refunds to said recipients. These refunds are also in compliance with orders and judgments of The Circuit Court of Mobile County, Alabama, as a result of a class action filed before that court seeking similar refunds as ordered by the Commission.

## IDENTIFICATION PROCESS

As part of the refund process and in compliance with Commission orders, ads were run in six state newspapers announcing the refunds and requesting consumers who felt they qualified for refunds to contact Global at an 800 number. The newspapers in which the ad was published are: Times Picayune, Lafayette Advertiser, Baton Rouge Advocate, Lake Charles American Press, Alexandria Town Talk, Shreveport Times, Monroe News Star, Eunice news. Tear sheets indicating publication of these ads are attached hereto as Exhibit 1. As a result of these ads being placed, there were a total of 1,235 calls received by Global, and of these 1,235 calls, 546 of the callers were identified as people within Global's database for refunds. The 546 callers who have been confirmed to be entitled to refunds or credits have been processed for refunds or credits. Attached below is a table identified as Table #1 which indicates the number of calls received from all jurisdictions as compared to the calls received from Louisiana, and those were identified from within the database.

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Global is pleased to report that a substantial number of persons entitled to refunds or credits have already been compensated. At the current time, total refunds by checks or credits totaling \$816,840.08 have been completed. This total amount has been distributed among 95,030 recipients. Since the issuance of these credits or checks, 5,780 have been returned to Global representing \$34,018.57. These returns were made mainly because the identified recipients are no longer at the address or telephone number used in the identification process. Also, at this time, Global still has on hand for refund \$885,435.04 for which recipients have either not been identified or have been identified but not found. In response to requests from the Commission staff, Tables 2, 3 and 4 indicate a summary of refunds for all calls originating in the State of Louisiana, as well as a breakdown of refunds and payment method of calls originating and terminating in Louisiana and a separate category of refunds regarding interstate calls originating in the State of Louisiana.

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### CONCLUSION

Once the Alabama court allowed Global to move forward with the credits and refunds, the process was immediately begun and successfully executed. At the current time, over 95,000 customers have received credits or checks refunding the amounts ordered by the Commission. This has been a substantial undertaking.

The Commission must give direction to Global as to what should be done with the remaining funds which have been held for refund, particularly in light of the fact that identification of additional callers seems largely unlikely. Aside from our inability to identify the appropriate recipients indicated by the unrefunded amount, this process has been a smooth one which has complied with the Commission's orders.

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RESPECTFULLY SUBMITTED:



FRANK J. UDDO (12976)  
Uddo & Milazzo  
3850 N. Causeway Boulevard  
Suite 1510 - Lakeway Two  
Metairie, Louisiana 70002  
(504) 832-7204  
Counsel for Global Tel\*Link, Inc.

Exhibit 1

GLOBAL TEL\*LINK  
NEWSPAPER SCHEDULE  
 12/21/95

			27-Dec Wed.	28-Dec Thu.	31-Dec Sun	Circ
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**Global Tel\*Link**  
**Post Office Box 7278**  
**Mobile, AL 36670-0278**  
**(800) 237-1779**

---

## REQUEST FOR REFUND

Name: \_\_\_\_\_

Current Address: \_\_\_\_\_

Current Telephone Number \_\_\_\_\_

Address between 6/93 & 5/94 \_\_\_\_\_

Telephone Number between 6/93 & 5/94 \_\_\_\_\_

Signature \_\_\_\_\_

On January 17, 1995 the Louisiana Public Service Commission issued Order No. U-20784-B. This Order was issued as a result of an investigation into the operations, service provided and charges assessed by Global Tel\*Link. At the conclusion of that investigation the Commission determined that Global had unlawfully charged its customers excessive rates in violation of Commission Orders, its own tariffs and its contract with the Department of Corrections through the practices of clock advancements, charging rates in excess of its authorized levels, adding additional phantom time and money to calls and billing customers more than once for the same calls. For the period ending May 31, 1994, the Commission determined that Louisiana ratepayers had been overcharged by Global in the principal amount of \$1,243,000.00, exclusive of interest. The Commission ordered that interest accrue at the rate of 10% per annum from the time the overcharges occurred until credits and/or refunds were accomplished. At the time the Commission issued Order U-20784-B it was contemplated that refunds would begin in a matter of 2 or 3 months and would be completed by June 30, 1995. This did not occur.

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In Order No. U-20784-B no later than the January, 1996 billing cycle. Global is directed to report the Commission on a monthly basis, beginning in January 1996 as to the number of customers located and the amount of money refunded. In all other respects, the provisions of Order No. U-20784-B remain in full force and effect.

This Order is effective December 6, 1995.

BY ORDER OF THE COMMISSION:  
BATON ROUGE, LOUISIANA

December 6, 1995

/s/ JOHN F. SCHWEGMANN  
DISTRICT I  
CHAIRMAN JOHN F. SCHWEGMANN

/s/ IRMA MUSE DIXON  
DISTRICT III  
VICE-CHAIRMAN IRMA MUSE DIXON

/s/ C. DALE SITTIG  
DISTRICT IV  
COMMISSIONER DALE SITTIG

/s/ DON OWEN  
DISTRICT V  
COMMISSIONER DON L. OWEN

KATHLEEN B. BLANCO ASSENT  
DISTRICT II  
COMMISSIONER KATHLEEN B. BLANCO

  
SECRETARY

IN THE SUPREME COURT OF ALABAMA  
December 6, 1995

1980234

Paul Kirkland and  
James T. Swartzland

v.

James H. Britt, Jr., et al.

Mobile Circuit Court  
CV-94-1011

**ORDER**

The motions to dismiss having been filed and duly submitted to the Court, and it appearing to the Court that the appeal filed in this cause is not timely filed.

IT IS ORDERED that the appeal is dismissed.

IT IS FURTHER ORDERED that the costs be taxed against the appellants as provided by Rule 35, Alabama Rules of Appellate Procedure.

Hopper, C. J., and Medlock, Shores, Houston, Moroney, Ingram, Cook, and Bruts, JJ., concur.

I, Robert G. Ednie, as Clerk of the Supreme Court of Alabama, do hereby certify that the foregoing is a full, true and correct copy of the instrument(s) herewith set out as same appear(s) of record in said Court.

Witness my hand this 6<sup>th</sup> day of Dec, 1995

  
Clerk, Supreme Court of Alabama

## Price Waterhouse LLP



### BY FEDERAL EXPRESS

January 2, 1996

Ms. Cindy Russell  
Office of the Alabama Attorney General  
11 South Union Street  
Montgomery, Alabama 36130-0152

Dear Cindy:

As per our telephone conversation, I have attached to this letter two affidavits signed by Michael O. Gagnon. Each of these affidavits concerns the transfer of amounts from the escrow account established pursuant to the Court's orders in Britt vs. Global Tel\*Link, Inc., civil number 94-1101 ("Britt case").

As you are aware, Price Waterhouse LLP is required to monitor and oversee the refund process from the escrow established as a result of the Britt case. Michael O. Gagnon is the partner assigned to this project.

The first affidavit requires ~~\$1,736,248.78~~ (one million, seven hundred and thirty six thousand two hundred and forty eight dollars and seventy eight cents) to be sent via wire transfer to the checking account established by Global Tel\*Link pursuant to the Court's orders in the Britt case. Please note that this amount should not be transferred to the indicated bank account until Friday, January 5, 1996. This is the date the checks will be mailed to the members of the class.

The second affidavit requires \$362,532.76 (three hundred and sixty two thousand, five hundred and thirty two dollars and seventy six cents) to be transferred directly to the account of Zero Plus Dialing, Inc. ("ZPDI"). ZPDI is one of the billing companies which is providing credits on the telephone bills of class members. This amount should be transferred as soon as possible.

An additional affidavit concerning the transfer of monies to Bell South will be provided as soon as we have received the wiring instructions.

January 2, 1996  
Ms. Cindy Russell  
Page 2



If you have any questions, please do not hesitate to call me on (212) 596-7569.

Sincerely yours,

Brian P. Loughman

cc: (with attachments)

Mr. Armand deKeyser (Office of the Alabama Attorney General)

Mr. Michael O. Gagnon (Price Waterhouse LLP)

James Newman, Esquire (Helmsing, Lyons, Sims & Leach)

David Topol, Esquire (Wilmer, Cutler & Pickering)

Steven Nicholas, Esquire (Sirota & Permutt)

✓ Mr. Scott Kazcm (Global Tel\*Link, Inc.)



STATE OF NEW YORK  
COUNTY OF NEW YORK

A F F I D A V I T

To:           **The Attorney General of the State of Alabama**

Before me, a Notary Public in and for said County and State, personally appeared, Michael O. Gagnon, who having by me first been duly sworn, did depose and state as follows:

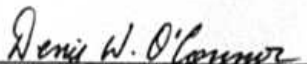
1.     My name is Michael O. Gagnon, and I am a partner in Price Waterhouse LLP.
  
2.     I am assigned to monitor and oversee the refund process from the escrow established pursuant to the Court's orders in Britt vs. Global Tel\*Link, Inc., civil number 94-1101.
  
3.     \$1,736,248.78 should be transferred effective Friday, January 5, 1996 from the escrow by wire transfer to the bank account as set forth below:

Bank:	SouthTrust Bank of Alabama, Birmingham.
For further credit to:	SouthTrust Bank - Mobile, AL
Account of:	Global Tel*Link Corporation
Account #:	609-0456-3
ABA#:	062000080

4. This will certify that the \$1,736,248.78, to be transferred as set forth in paragraph "3," will be used to fund an account on which checks will be drawn to accomplish part of the refund process required by the Court's orders in Britt vs. Global Tel\*Link Inc., civil number 94-1101. The process of mailing checks will begin when the money is received in the account to which the wire transfer is made.

  
MICHAEL O. GAGNON

Sworn and subscribed to before me this 3<sup>rd</sup> day of January,  
1996.

  
NOTARY PUBLIC  
My Commission Expires: 6/19/97

— DENIS W. O'CONNOR —  
Notary Public State of New York  
No. 31-4952410  
Qualified in New York County  
Commission Expires June 19, 1997

STATE OF NEW YORK  
COUNTY OF NEW YORK

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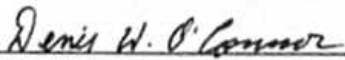
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Bank:	Frost National Bank
Location:	San Antonio, Texas
ABA#:	114000093
Account#:	01-0364975
Acct. Name:	Zero Plus Dialing, Inc.

4. This will certify that the \$362,532.76, to be transferred as set forth in paragraph "3," will pay Zero Plus Dialing, Inc. for refunds made as credits on the telephone bills of members of the Class as required by the Court's orders in Britt vs. Global Tel\*Link Inc., civil number 94-1101.

  
MICHAEL O. GAGNON

Sworn and subscribed to before me this 3<sup>rd</sup> day of January, 1996.

  
NOTARY PUBLIC  
My Commission Expires: 6/19/97  
DENIS W. O'CONNOR  
Notary Public State of New York  
No. 31-4952410  
Qualified in New York County  
Commission Expires June 19, 1997

GLOBAL TEL\*LINK, INC.'S

REPORT REGARDING REFUNDS

~  
~

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

JANUARY 23, 1996

SUBMITTED BY:

FRANK J. UDDO

## INTRODUCTION

In response to orders from the Louisiana Public Service Commission ("Commission"), Global Tel\*Link, Inc. ("Global") did undertake to identify all appropriate recipients of refunds resultant from overcharges by previous management in connection with calls emanating from correctional facilities. It should be pointed out that the overcharges were not isolated to Louisiana, but did involve other jurisdictions in which Global did undertake identification of consumers and, ultimately, credits or refunds to said recipients. These refunds are also in compliance with orders and judgments of The Circuit Court of Mobile County, Alabama, as a result of a class action filed before that court seeking similar refunds as ordered by the Commission.

## IDENTIFICATION PROCESS

As part of the refund process and in compliance with Commission orders, ads were run in six state newspapers announcing the refunds and requesting consumers who felt they qualified for refunds to contact Global at an 800 number. The newspapers in which the ad was published are: Times Picayune, Lafayette Advertiser, Baton Rouge Advocate, Lake Charles American Press, Alexandria Town Talk, Shreveport Times, Monroe News Star, Eunice news. Tear sheets indicating publication of these ads are attached hereto as Exhibit 1. As a result of these ads being placed, there were a total of 1,235 calls received by Global, and of these 1,235 calls, 546 of the callers were identified as people within Global's database for refunds. The 546 callers who have been confirmed to be entitled to refunds or credits have been processed for refunds or credits. Attached below is a table identified as Table #1 which indicates the number of calls received from all jurisdictions as compared to the calls received from Louisiana, and those were identified from within the database.

## REFUND PROCESS

Global is pleased to report that a substantial number of persons entitled to refunds or credits have already been compensated. At the current time, total refunds by checks or credits totaling \$816,840.08 have been completed. This total amount has been distributed among 95,030 recipients. Since the issuance of these credits or checks, 5,780 have been returned to Global representing \$34,018.57. These returns were made mainly because the identified recipients are no longer at the address or telephone number used in the identification process. Also, at this time, Global still has on hand for refund \$885,435.04 for which recipients have either not been identified or have been identified but not found. In response to requests from the Commission staff, Tables 2, 3 and 4 indicate a summary of refunds for all calls originating in the State of Louisiana, as well as a breakdown of refunds and payment method of calls originating and terminating in Louisiana and a separate category of refunds regarding interstate calls originating in the State of Louisiana.

On January 12, 1995, in a letter from Special Counsel Paul Zimmering, certain printouts were requested, specifically 1) the telephone number receiving the credit; 2) the name of the person with the telephone number receiving the credit; and 3) amount of the refund. This information has been assembled from a number of different sources and should

be presented to the staff contemporaneous with this report. Any portions of the statistical information which is not available for presentation on the 23rd of January will be supplied no later than the 26th of January.

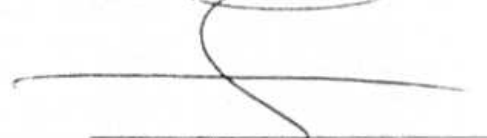
### CONCLUSION

Once the Alabama court allowed Global to move forward with the credits and refunds, the process was immediately begun and successfully executed. At the current time, over 95,000 customers have received credits or checks refunding the amounts ordered by the Commission. This has been a substantial undertaking.

The Commission must give direction to Global as to what should be done with the remaining funds which have been held for refund, particularly in light of the fact that identification of additional callers seems largely unlikely. Aside from our inability to identify the appropriate recipients indicated by the unrefunded amount, this process has been a smooth one which has complied with the Commission's orders.

Global is happy to have substantially completed this process and looks forward to a smooth and mutually beneficial continuance of business in the State of Louisiana.

RESPECTFULLY SUBMITTED:



FRANK J. UDDO (12976)  
Uddo & Milazzo  
3850 N. Causeway Boulevard  
Suite 1510 - Lakeway Two  
Metairie, Louisiana 70002  
(504) 832-7204  
Counsel for Global Tel\*Link, Inc.

## Exhibit 1.

GLOBAL TEL\*LINK  
NEWSPAPER SCHEDULE  
 12/21/95

			27-Dec Wed.	28-Dec Thu.	31-Dec Sun.	Circ
New Orleans	Times Picayune	3 col x 5"	\$2,698.65	COMBO		267,792
Baton Rouge	Advocate	3 col x 5"	\$726.75	\$726.75		100,552
Lafayette	Advertiser	3 col x 5"	\$366.90	\$366.90		39,289
Lake Charles	American Press	3 col x 5"	\$315.00	\$220.50		38,618
Alexandria	Town Talk	3 col x 5"	\$356.40	\$249.48		40,001
Shreveport	Times	3 col x 5"	\$1,171.35	\$937.08		83,042
Monroe	News Star	3 col x 5"	\$711.30	\$711.30		39,461
Eunice	Eunice News	3 col x 5"	"	\$74.85	\$55.50	3,722
	Total		\$6,346.35	\$3,286.86	\$55.50	
	Grand Total		\$9,688.71			

NOTE: Eunice News is weekly, published on Thursdays and Sundays only.



## REQUEST FOR REFUND

The Louisiana Public Service Commission has ordered Global Tel\*Link to refund approximately \$1,400,000 to Global Tel\*Link ratepayers who received collect calls from inmates at Louisiana correctional institutions between June 1993 and May 1994. These refunds result from unauthorized overcharges assessed by Global Tel\*Link during the above stated time period. Refunds should appear as a credit on their January, 1996 bill or they may receive a check directly from Global. If you believe that your family or friend may be entitled to a refund, but has not received one, please have them fill out the attached coupon or call:

**Global Tel\*Link**  
**Post Office Box 7278**  
**Mobile, AL 36670-0278**  
**(800) 237-1779**

---

## REQUEST FOR REFUND

Name: \_\_\_\_\_

Current Address: \_\_\_\_\_

\_\_\_\_\_

Current Telephone Number \_\_\_\_\_

Address between 6/93 & 5/94 \_\_\_\_\_

\_\_\_\_\_

Telephone Number between 6/93 & 5/94 \_\_\_\_\_

Signature \_\_\_\_\_

On January 17, 1995 the Louisiana Public Service Commission issued Order No. U-20784-B. This Order was issued as a result of an investigation into the operations, service provided and charges assessed by Global Tel\*Link. At the conclusion of that investigation the Commission determined that Global had unlawfully charged its customers excessive rates in violation of Commission Orders, its own tariffs and its contract with the Department of Corrections through the practices of clock advancements, charging rates in excess of its authorized levels, adding additional phantom time and money to calls and billing customers more than once for the same calls. For the period ending May 31, 1994, the Commission determined that Louisiana ratepayers had been overcharged by Global in the principal amount of \$1,243,000.00, exclusive of interest. The Commission ordered that interest accrue at the rate of 10% per annum from the time the overcharges occurred until credits and/or refunds were accomplished. At the time the Commission issued Order U-20784-B it was contemplated that refunds would begin in a matter of 2 or 3 months and would be completed by June 30, 1995. This did not occur.

It took Global longer than anticipated to generate a list of customers to whom the refunds were due. This was in some way complicated by the fact that Global not only had to generate this list for its Louisiana customers, but also to satisfy the mandates of a settlement of a class action pending in state district court in Alabama. For this reason, the Commission refrained from implementing the \$1,000 per day penalty which it had a right to assess pursuant to the provisions of Order U-20784-B. It is now almost 11 months since the issuance of the Commission order requiring refunds. Global has advised the Commission that an appeal has been taken from the proposed settlement in the Alabama litigation and that it is unable to predict precisely when that appeal will be disposed of.

The overcharges to Louisiana ratepayers began in June 1993, almost 2 1/4 years ago. The Commission has been patient in not fining Global for its failure to make refunds pursuant to prior Commission mandates and in attempting to wait until all of the litigation in Alabama has been completed. However, the more time that goes by, the more likely it is that Global will be unable to find significant numbers of customers who were overcharged. The Commission therefore orders that Global begin the refund process directed by the Commission

in Order No. U-20784-B no later than the January, 1996 billing cycle. Global is directed to report the Commission on a monthly basis, beginning in January 1996 as to the number of customers located and the amount of money refunded. In all other respects, the provisions of Order No. U-20784-B remain in full force and effect.

This Order is effective December 6, 1995.

BY ORDER OF THE COMMISSION:  
BATON ROUGE, LOUISIANA

December 6, 1995

/s/ JOHN F. SCHWEGMANN  
DISTRICT I  
CHAIRMAN JOHN F. SCHWEGMANN

/s/ IRMA MUSE DIXON  
DISTRICT III  
VICE-CHAIRMAN IRMA MUSE DIXON

/s/ C. DALE SITTIG  
DISTRICT IV  
COMMISSIONER DALE SITTIG

/s/ DON OWEN  
DISTRICT V  
COMMISSIONER DON L. OWEN

KATHLEEN B. BLANCO ASST  
DISTRICT II  
COMMISSIONER KATHLEEN B. BLANCO

  
SECRETARY

IN THE SUPREME COURT OF ALABAMA  
December 6, 1995

1980234

Paul Kirkland and  
James T. Strickland

v.

James H. Britt, Jr., et al.

Mobile Circuit Court  
CV-94-1011

**ORDER**

The motions to dismiss having been filed and duly submitted to the Court, and it appearing to the Court that the appeal filed in this cause is not timely filed.

IT IS ORDERED that the appeal is dismissed.

IT IS FURTHER ORDERED that the costs be taxed against the appellants as provided by Rule 35, Alabama Rules of Appellate Procedure.

Hopper, C. J., and Meekins, Shouse, Houston, Moroney, Ingram, Cook, and Barbs,  
JJ., concur.

I, Robert G. Radtke, as Clerk of the Supreme Court of Alabama, do hereby certify that the foregoing is a full, true and correct copy of the instrument(s) herewith set out as same appear(s) of record in said Court.

Witness my hand this 6<sup>th</sup> day of Dec., 1995

  
Clerk, Supreme Court of Alabama

*Price Waterhouse LLP*



**BY FEDERAL EXPRESS**

January 2, 1996

Ms. Cindy Russell  
Office of the Alabama Attorney General  
11 South Union Street  
Montgomery, Alabama 36130-0152

Dear Cindy:

As per our telephone conversation, I have attached to this letter two affidavits signed by Michael O. Gagnon. Each of these affidavits concerns the transfer of amounts from the escrow account established pursuant to the Court's orders in Britt vs. Global Tel\*Link, Inc., civil number 94-1101 ("Britt case").

As you are aware, Price Waterhouse LLP is required to monitor and oversee the refund process from the escrow established as a result of the Britt case. Michael O. Gagnon is the partner assigned to this project.

The first affidavit requires ~~\$1,736,248.78~~ (one million, seven hundred and thirty six thousand two hundred and forty eight dollars and seventy eight cents) to be sent via wire transfer to the checking account established by Global Tel\*Link pursuant to the Court's orders in the Britt case. Please note that this amount should not be transferred to the indicated bank account until Friday, January 5, 1996. This is the date the checks will be mailed to the members of the class.

The second affidavit requires \$362,532.76 (three hundred and sixty two thousand, five hundred and thirty two dollars and seventy six cents) to be transferred directly to the account of Zero Plus Dialing, Inc. ("ZPDI"). ZPDI is one of the billing companies which is providing credits on the telephone bills of class members. This amount should be transferred as soon as possible.

An additional affidavit concerning the transfer of monies to Bell South will be provided as soon as we have received the wiring instructions.

January 2, 1996  
Ms. Cindy Russell  
Page 2



If you have any questions, please do not hesitate to call me on (212) 595-7569.

Sincerely yours,

Brian P. Loughman

cc: (with attachments)

- Mr. Armand deKeyser (Office of the Alabama Attorney General)
- Mr. Michael O. Gagnon (Price Waterhouse LLP)
- James Newman, Esquire (Helmsing, Lyons, Sims & Leach)
- David Topol, Esquire (Wilmer, Cutler & Pickering)
- Steven Nicholas, Esquire (Sirote & Permutt)
- ✓ Mr. Scott Kazem (Global Tel\*Link, Inc.)

STATE OF NEW YORK  
COUNTY OF NEW YORK

A F F I D A V I T

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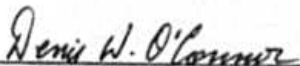
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4. This will certify that the \$1,736,248.78, to be transferred as set forth in paragraph "3," will be used to fund an account on which checks will be drawn to accomplish part of the refund process required by the Court's orders in Britt vs. Global Tel\*Link Inc., civil number 94-1101. The process of mailing checks will begin when the money is received in the account to which the wire transfer is made.

  
MICHAEL O. GAGNON

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1996.

  
NOTARY PUBLIC  
My Commission Expires: 6/19/97

— DENIS W. O'CONNOR —  
Notary Public State of New York  
No. 31-4952410  
Qualified in New York County  
Commission Expires June 19, 1997



STATE OF NEW YORK  
COUNTY OF NEW YORK

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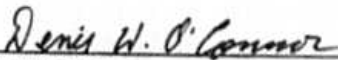
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Account#:	01-0364975
Acct. Name:	Zero Plus Dialing, Inc.

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My Commission Expires: 6/19/97  
DENIS W. O'CONNOR  
Notary Public State of New York  
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Qualified in New York County  
Commission Expires June 19, 1997

GLOBAL TEL\*LINK, INC.'S

REPORT REGARDING REFUNDS  
"  
"

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

JANUARY 23, 1996

SUBMITTED BY:

FRANK J. UDDO

## INTRODUCTION

In response to orders from the Louisiana Public Service Commission ("Commission"), Global Tel\*Link, Inc. ("Global") did undertake to identify all appropriate recipients of refunds resultant from overcharges by previous management in connection with calls emanating from correctional facilities. It should be pointed out that the overcharges were not isolated to Louisiana, but did involve other jurisdictions in which Global did undertake identification of consumers and, ultimately, credits or refunds to said recipients. These refunds are also in compliance with orders and judgments of The Circuit Court of Mobile County, Alabama, as a result of a class action filed before that court seeking similar refunds as ordered by the Commission.

## IDENTIFICATION PROCESS

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## REFUND PROCESS

Global is pleased to report that a substantial number of persons entitled to refunds or credits have already been compensated. At the current time, total refunds by checks or credits totaling \$816,840.08 have been completed. This total amount has been distributed among 95,030 recipients. Since the issuance of these credits or checks, 5,780 have been returned to Global representing \$34,018.57. These returns were made mainly because the identified recipients are no longer at the address or telephone number used in the identification process. Also, at this time, Global still has on hand for refund \$885,435.04 for which recipients have either not been identified or have been identified but not found. In response to requests from the Commission staff, Tables 2, 3 and 4 indicate a summary of refunds for all calls originating in the State of Louisiana, as well as a breakdown of refunds and payment method of calls originating and terminating in Louisiana and a separate category of refunds regarding interstate calls originating in the State of Louisiana.

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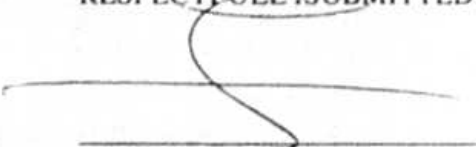
### CONCLUSION

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Global is happy to have substantially completed this process and looks forward to a smooth and mutually beneficial continuance of business in the State of Louisiana.

RESPECTFULLY SUBMITTED:



---

FRANK J. UDDO (12976)  
Uddo & Milazzo  
3850 N. Causeway Boulevard  
Suite 1510 - Lakeway Two  
Metairie, Louisiana 70002  
(504) 832-7204  
Counsel for Global Tel\*Link, Inc.

## Exhibit 1

GLOBAL TEL\*LINK  
NEWSPAPER SCHEDULE  
 12/21/95

			27-Dec Wed.	28-Dec Thu.	31-Dec Sun.	Circ.
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**Global Tel\*Link**  
**Post Office Box 7278**  
**Mobile, AL 36670-0278**  
**(800) 237-1779**

---

## REQUEST FOR REFUND

Name: \_\_\_\_\_

Current Address: \_\_\_\_\_

Current Telephone Number \_\_\_\_\_

Address between 6/93 & 5/94 \_\_\_\_\_

Telephone Number between 6/93 & 5/94 \_\_\_\_\_

Signature \_\_\_\_\_

On January 17, 1995 the Louisiana Public Service Commission issued Order No. U-20784-B. This Order was issued as a result of an investigation into the operations, service provided and charges assessed by Global Tel\*Link. At the conclusion of that investigation the Commission determined that Global had unlawfully charged its customers excessive rates in violation of Commission Orders, its own tariffs and its contract with the Department of Corrections through the practices of clock advancements, charging rates in excess of its authorized levels, adding additional phantom time and money to calls and billing customers more than once for the same calls. For the period ending May 31, 1994, the Commission determined that Louisiana ratepayers had been overcharged by Global in the principal amount of \$1,243,000.00, exclusive of interest. The Commission ordered that interest accrue at the rate of 10% per annum from the time the overcharges occurred until credits and/or refunds were accomplished. At the time the Commission issued Order U-20784-B it was contemplated that refunds would begin in a matter of 2 or 3 months and would be completed by June 30, 1995. This did not occur.

It took Global longer than anticipated to generate a list of customers to whom the refunds were due. This was in some way complicated by the fact that Global not only had to generate this list for its Louisiana customers, but also to satisfy the mandates of a settlement of a class action pending in state district court in Alabama. For this reason, the Commission refrained from implementing the \$1,000 per day penalty which it had a right to assess pursuant to the provisions of Order U-20784-B. It is now almost 11 months since the issuance of the Commission order requiring refunds. Global has advised the Commission that an appeal has been taken from the proposed settlement in the Alabama litigation and that it is unable to predict precisely when that appeal will be disposed of.

The overcharges to Louisiana ratepayers began in June 1993, almost 2 1/2 years ago. The Commission has been patient in not fining Global for its failure to make refunds pursuant to prior Commission mandates and in attempting to wait until all of the litigation in Alabama has been completed. However, the more time that goes by, the more likely it is that Global will be unable to find significant numbers of customers who were overcharged. The Commission therefore orders that Global begin the refund process directed by the Commission



in Order No. U-20784-B no later than the January, 1996 billing cycle. Global is directed to report the Commission on a monthly basis, beginning in January 1996 as to the number of customers located and the amount of money refunded. In all other respects, the provisions of Order No. U-20784-B remain in full force and effect.

This Order is effective December 6, 1995.

BY ORDER OF THE COMMISSION:  
BATON ROUGE, LOUISIANA

December 6, 1995

/s/ JOHN F. SCHWEGMANN  
DISTRICT I  
CHAIRMAN JOHN F. SCHWEGMANN

/s/ IRMA MUSE DIXON  
DISTRICT III  
VICE-CHAIRMAN IRMA MUSE DIXON

/s/ C. DALE SITTIG  
DISTRICT IV  
COMMISSIONER DALE SITTIG

/s/ DON OWEN  
DISTRICT V  
COMMISSIONER DON L. OWEN

KATHLEEN B. BLANCO ASSENT  
DISTRICT II  
COMMISSIONER KATHLEEN B. BLANCO

  
SECRETARY

IN THE SUPREME COURT OF ALABAMA  
December 6, 1995

1980234

Paul Kirkland and  
James T. Strickland

v.

James H. Britt, Jr., et al.

Mobile Circuit Court  
CV-94-1011

ORDER

The motions to dismiss having been filed and duly submitted to the Court, and it appearing to the Court that the appeal filed in this cause is not timely filed.

IT IS ORDERED that the appeal is dismissed.

IT IS FURTHER ORDERED that the costs be taxed against the appellants as provided by Rule 35, Alabama Rules of Appellate Procedure.

Hooper, C. J., and Medden, Shores, Houston, Monroey, Ingram, Cook, and Butts, JJ., concur.

I, Robert G. Edale, as Clerk of the Supreme Court of Alabama, do hereby certify that the foregoing is a full, true and correct copy of the instrument(s) herewith set out as same appear(s) of record in said Court.

Witness my hand this 6<sup>th</sup> day of Dec., 1995

  
Clerk, Supreme Court of Alabama

*Price Waterhouse LLP*



BY FEDERAL EXPRESS

January 2, 1996

Ms. Cindy Russell  
Office of the Alabama Attorney General  
11 South Union Street  
Montgomery, Alabama 36130-0152

Dear Cindy:

As per our telephone conversation, I have attached to this letter two affidavits signed by Michael O. Gagnon. Each of these affidavits concerns the transfer of amounts from the escrow account established pursuant to the Court's orders in Britt vs. Global Tel\*Link, Inc., civil number 94-1101 ("Britt case").

As you are aware, Price Waterhouse LLP is required to monitor and oversee the refund process from the escrow established as a result of the Britt case. Michael O. Gagnon is the partner assigned to this project.

The first affidavit requires ~~\$1,736,248.78~~ (one million, seven hundred and thirty six thousand two hundred and forty eight dollars and seventy eight cents) to be sent via wire transfer to the checking account established by Global Tel\*Link pursuant to the Court's orders in the Britt case. Please note that this amount should not be transferred to the indicated bank account until Friday, January 5, 1996. This is the date the checks will be mailed to the members of the class.

The second affidavit requires \$362,532.76 (three hundred and sixty two thousand, five hundred and thirty two dollars and seventy six cents) to be transferred directly to the account of Zero Plus Dialing, Inc. ("ZPDI"). ZPDI is one of the billing companies which is providing credits on the telephone bills of class members. This amount should be transferred as soon as possible.

An additional affidavit concerning the transfer of monies to Bell South will be provided as soon as we have received the wiring instructions.

January 2, 1996  
Ms. Cindy Russell  
Page 2



If you have any questions, please do not hesitate to call me on (212) 596-7569.

Sincerely yours,

Brian P. Loughman

cc: (with attachments)

Mr. Armand deKeyser (Office of the Alabama Attorney General)

Mr. Michael O. Gagnon (Price Waterhouse LLP)

James Newman, Esquire (Helmsing, Lyons, Sims & Leach)

David Topol, Esquire (Wilmer, Cutler & Pickering)

Steven Nicholas, Esquire (Sirote & Permutt)

✓ Mr. Scott Kazcm (Global Tel\*Link, Inc.)

STATE OF NEW YORK  
COUNTY OF NEW YORK

A F F I D A V I T

To:           **The Attorney General of the State of Alabama**

Before me, a Notary Public in and for said County and State, personally appeared, Michael O. Gagnon, who having by me first been duly sworn, did depose and state as follows:

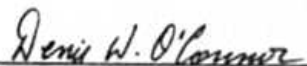
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3.     \$1,736,248.78 should be transferred effective Friday, January 5, 1996 from the escrow by wire transfer to the bank account as set forth below:

Bank:	SouthTrust Bank of Alabama, Birmingham.
For further credit to:	SouthTrust Bank - Mobile, AL
Account of:	Global Tel*Link Corporation
Account #:	609-0456-3
ABA#:	062000080

4. This will certify that the \$1,736,248.78, to be transferred as set forth in paragraph "3," will be used to fund an account on which checks will be drawn to accomplish part of the refund process required by the Court's orders in Britt vs. Global Tel\*Link Inc., civil number 94-1101. The process of mailing checks will begin when the money is received in the account to which the wire transfer is made.

  
MICHAEL O. GAGNON

Sworn and subscribed to before me this 3<sup>rd</sup> day of January,  
1996.

  
NOTARY PUBLIC  
My Commission Expires: 6/19/97

— DENIS W. O'CONNOR —  
Notary Public State of New York  
No. 31-4952410  
Qualified in New York County  
Commission Expires June 19, 1997

STATE OF NEW YORK  
COUNTY OF NEW YORK

A F F I D A V I T

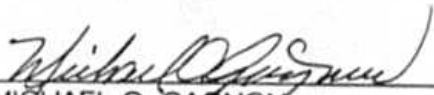
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3.     \$362,532.76 should be immediately transferred from the escrow by wire transfer to the bank account as set forth below:

Bank:	Frost National Bank
Location:	San Antonio, Texas
ABA#:	114000093
Account#:	01-0364975
Acct. Name:	Zero Plus Dialing, Inc.

4. This will certify that the \$362,532.76, to be transferred as set forth in paragraph "3," will pay Zero Plus Dialing, Inc. for refunds made as credits on the telephone bills of members of the Class as required by the Court's orders in Britt vs. Global Tel\*Link Inc., civil number 94-1101.

  
MICHAEL O. GAGNON

Sworn and subscribed to before me this 3<sup>rd</sup> day of January, 1996.

  
NOTARY PUBLIC

My Commission Expires: 6/19/97

DENIS W. O'CONNOR  
Notary Public State of New York  
No. 31-4952410  
Qualified in New York County  
Commission Expires June 19, 1997



GLOBAL TEL\*LINK, INC.'S

REPORT REGARDING REFUNDS

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

JANUARY 23, 1996

SUBMITTED BY:

FRANK J. UDDO

## INTRODUCTION

In response to orders from the Louisiana Public Service Commission ("Commission"), Global Tel\*Link, Inc. ("Global") did undertake to identify all appropriate recipients of refunds resultant from overcharges by previous management in connection with calls emanating from correctional facilities. It should be pointed out that the overcharges were not isolated to Louisiana, but did involve other jurisdictions in which Global did undertake identification of consumers and, ultimately, credits or refunds to said recipients. These refunds are also in compliance with orders and judgments of The Circuit Court of Mobile County, Alabama, as a result of a class action filed before that court seeking similar refunds as ordered by the Commission.

## IDENTIFICATION PROCESS

As part of the refund process and in compliance with Commission orders, ads were run in six state newspapers announcing the refunds and requesting consumers who felt they qualified for refunds to contact Global at an 800 number. The newspapers in which the ad was published are: Times Picayune, Lafayette Advertiser, Baton Rouge Advocate, Lake Charles American Press, Alexandria Town Talk, Shreveport Times, Monroe News Star, Eunice news. Tear sheets indicating publication of these ads are attached hereto as Exhibit 1. As a result of these ads being placed, there were a total of 1,235 calls received by Global, and of these 1,235 calls, 546 of the callers were identified as people within Global's database for refunds. The 546 callers who have been confirmed to be entitled to refunds or credits have been processed for refunds or credits. Attached below is a table identified as Table #1 which indicates the number of calls received from all jurisdictions as compared to the calls received from Louisiana, and those were identified from within the database.

## REFUND PROCESS

Global is pleased to report that a substantial number of persons entitled to refunds or credits have already been compensated. At the current time, total refunds by checks or credits totaling \$816,840.08 have been completed. This total amount has been distributed among 95,030 recipients. Since the issuance of these credits or checks, 5,780 have been returned to Global representing \$34,018.57. These returns were made mainly because the identified recipients are no longer at the address or telephone number used in the identification process. Also, at this time, Global still has on hand for refund \$885,435.04 for which recipients have either not been identified or have been identified but not found. In response to requests from the Commission staff, Tables 2, 3 and 4 indicate a summary of refunds for all calls originating in the State of Louisiana, as well as a breakdown of refunds and payment method of calls originating and terminating in Louisiana and a separate category of refunds regarding interstate calls originating in the State of Louisiana.

On January 12, 1995, in a letter from Special Counsel Paul Zimmering, certain printouts were requested, specifically 1) the telephone number receiving the credit; 2) the name of the person with the telephone number receiving the credit; and 3) amount of the refund. This information has been assembled from a number of different sources and should

be presented to the staff contemporaneous with this report. Any portions of the statistical information which is not available for presentation on the 23rd of January will be supplied no later than the 26th of January.

### CONCLUSION

Once the Alabama court allowed Global to move forward with the credits and refunds, the process was immediately begun and successfully executed. At the current time, over 95,000 customers have received credits or checks refunding the amounts ordered by the Commission. This has been a substantial undertaking.

The Commission must give direction to Global as to what should be done with the remaining funds which have been held for refund, particularly in light of the fact that identification of additional callers seems largely unlikely. Aside from our inability to identify the appropriate recipients indicated by the unrefunded amount, this process has been a smooth one which has complied with the Commission's orders.

Global is happy to have substantially completed this process and looks forward to a smooth and mutually beneficial continuance of business in the State of Louisiana.

RESPECTFULLY SUBMITTED:



FRANK J. UDDO (12976)  
Uddo & Milazzo  
3850 N. Causeway Boulevard  
Suite 1510 - Lakeway Two  
Metairie, Louisiana 70002  
(504) 832-7204  
Counsel for Global Tel\*Link, Inc.

Exhibit 1

GLOBAL TEL\*LINK  
NEWSPAPER SCHEDULE  
 12/21/95

			27-Dec Wed.	28-Dec Thu.	31-Dec Sun.	Circ
New Orleans	Times Picayune	3 col x 5"	\$2,698.65	COMBO		267,792
Baton Rouge	Advocate	3 col x 5"	\$726.75	\$726.75		100,552
Lafayette	Advertiser	3 col x 5"	\$366.90	\$366.90		39,289
Lake Charles	American Press	3 col x 5"	\$315.00	\$220.50		38,618
Alexandria	Town Talk	3 col x 5"	\$356.40	\$249.48		40,001
Shreveport	Times	3 col x 5"	\$1,171.35	\$937.08		83,042
Monroe	News Star	3 col x 5"	\$711.30	\$711.30		39,461
Eunice	Eunice News	3 col x 5"		\$74.85	\$55.50	3,722
	<b>Total</b>		<b>\$6,346.35</b>	<b>\$3,286.86</b>	<b>\$55.50</b>	
	<b>Grand Total</b>		<b>\$9,688.71</b>			

NOTE: Eunice News is weekly, published on Thursdays and Sundays only.

## REQUEST FOR REFUND

The Louisiana Public Service Commission has ordered Global Tel\*Link to refund approximately \$1,400,000 to Global Tel\*Link ratepayers who received collect calls from inmates at Louisiana correctional institutions between June 1993 and May 1994. These refunds result from unauthorized overcharges assessed by Global Tel\*Link during the above stated time period. Refunds should appear as a credit on their January, 1996 bill or they may receive a check directly from Global. If you believe that your family or friend may be entitled to a refund, but has not received one, please have them fill out the attached coupon or call:

**Global Tel\*Link**  
**Post Office Box 7278**  
**Mobile, AL 36670-0278**  
**(800) 237-1779**

---

## REQUEST FOR REFUND

Name: \_\_\_\_\_

Current Address: \_\_\_\_\_

\_\_\_\_\_

Current Telephone Number \_\_\_\_\_

Address between 6/93 & 5/94 \_\_\_\_\_

\_\_\_\_\_

Telephone Number between 6/93 & 5/94 \_\_\_\_\_

Signature \_\_\_\_\_

On January 17, 1995 the Louisiana Public Service Commission issued Order No. U-20784-B. This Order was issued as a result of an investigation into the operations, service provided and charges assessed by Global Tel\*Link. At the conclusion of that investigation the Commission determined that Global had unlawfully charged its customers excessive rates in violation of Commission Orders, its own tariffs and its contract with the Department of Corrections through the practices of clock advancements, charging rates in excess of its authorized levels, adding additional phantom time and money to calls and billing customers more than once for the same calls. For the period ending May 31, 1994, the Commission determined that Louisiana ratepayers had been overcharged by Global in the principal amount of \$1,243,000.00, exclusive of interest. The Commission ordered that interest accrue at the rate of 10% per annum from the time the overcharges occurred until credits and/or refunds were accomplished. At the time the Commission issued Order U-20784-B it was contemplated that refunds would begin in a matter of 2 or 3 months and would be completed by June 30, 1995. This did not occur.

It took Global longer than anticipated to generate a list of customers to whom the refunds were due. This was in some way complicated by the fact that Global not only had to generate this list for its Louisiana customers, but also to satisfy the mandates of a settlement of a class action pending in state district court in Alabama. For this reason, the Commission refrained from implementing the \$1,000 per day penalty which it had a right to assess pursuant to the provisions of Order U-20784-B. It is now almost 11 months since the issuance of the Commission order requiring refunds. Global has advised the Commission that an appeal has been taken from the proposed settlement in the Alabama litigation and that it is unable to predict precisely when that appeal will be disposed of.

The overcharges to Louisiana ratepayers began in June 1993, almost 2 1/2 years ago. The Commission has been patient in not fining Global for its failure to make refunds pursuant to prior Commission mandates and in attempting to wait until all of the litigation in Alabama has been completed. However, the more time that goes by, the more likely it is that Global will be unable to find significant numbers of customers who were overcharged. The Commission therefore orders that Global begin the refund process directed by the Commission

In Order No. U-20784-B no later than the January, 1996 billing cycle. Global is directed to report the Commission on a monthly basis, beginning in January 1996 as to the number of customers located and the amount of money refunded. In all other respects, the provisions of Order No. U-20784-B remain in full force and effect.

This Order is effective December 6, 1995.

BY ORDER OF THE COMMISSION:  
BATON ROUGE, LOUISIANA

December 6, 1995

/s/ JOHN F. SCHWEGMANN  
DISTRICT I  
CHAIRMAN JOHN F. SCHWEGMANN

/s/ IRMA MUSE DIXON  
DISTRICT III  
VICE-CHAIRMAN IRMA MUSE DIXON

/s/ C. DALE SITTIG  
DISTRICT IV  
COMMISSIONER DALE SITTIG

/s/ DON OWEN  
DISTRICT V  
COMMISSIONER DON L. OWEN

KATHLEEN B. BLANCO ASSENT  
DISTRICT II  
COMMISSIONER KATHLEEN B. BLANCO

  
SECRETARY

IN THE SUPREME COURT OF ALABAMA  
December 6, 1995

1980234

Paul Kirkland and  
James T. Strickland

v.

James H. Britt, Jr., et al.

Mobile Circuit Court  
CV-94-1011

**ORDER**

The motions to dismiss having been filed and duly submitted to the Court, and it appearing to the Court that the appeal filed in this cause is not timely filed.

IT IS ORDERED that the appeal is dismissed.

IT IS FURTHER ORDERED that the costs be taxed against the appellants as provided by Rule 35, Alabama Rules of Appellate Procedure.

Hopper, C. J., and Meekins, Shores, Houston, Morristy, Ingram, Cook, and Bruts, JJ., concur.

I, Robert G. Madala, as Clerk of the Supreme Court of Alabama, do hereby certify that the foregoing is a full, true and correct copy of the instrument(s) herewith set out as same appear(s) of record in said Court.

Witness my hand this 6<sup>th</sup> day of Dec., 1995

  
Clerk, Supreme Court of Alabama



*Price Waterhouse LLP*



**BY FEDERAL EXPRESS**

January 2, 1996

Ms. Cindy Russell  
Office of the Alabama Attorney General  
11 South Union Street  
Montgomery, Alabama 36130-0152

Dear Cindy:

As per our telephone conversation, I have attached to this letter two affidavits signed by Michael O. Gagnon. Each of these affidavits concerns the transfer of amounts from the escrow account established pursuant to the Court's orders in Britt vs. Global Tel\*Link, Inc., civil number 94-1101 ("Britt case").

As you are aware, Price Waterhouse LLP is required to monitor and oversee the refund process from the escrow established as a result of the Britt case. Michael O. Gagnon is the partner assigned to this project.

The first affidavit requires ~~\$1,736,248.78~~ (one million, seven hundred and thirty six thousand two hundred and forty eight dollars and seventy eight cents) to be sent via wire transfer to the checking account established by Global Tel\*Link pursuant to the Court's orders in the Britt case. Please note that this amount should not be transferred to the indicated bank account until Friday, January 5, 1996. This is the date the checks will be mailed to the members of the class.

The second affidavit requires \$362,532.76 (three hundred and sixty two thousand, five hundred and thirty two dollars and seventy six cents) to be transferred directly to the account of Zero Plus Dialing, Inc. ("ZPDI"). ZPDI is one of the billing companies which is providing credits on the telephone bills of class members. This amount should be transferred as soon as possible.

An additional affidavit concerning the transfer of monies to Bell South will be provided as soon as we have received the wiring instructions.

January 2, 1996  
Ms. Cindy Russell  
Page 2



If you have any questions, please do not hesitate to call me on (212) 596-7569.

Sincerely yours,

Brian P. Loughman

cc: (with attachments)

Mr. Armand deKeyser (Office of the Alabama Attorney General)

Mr. Michael O. Gagnon (Price Waterhouse LLP)

James Newman, Esquire (Helmsing, Lyons, Sims & Leach)

David Topol, Esquire (Wilmer, Cutler & Pickering)

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✓ Mr. Scott Kazem (Global Tel\*Link, Inc.)

STATE OF NEW YORK  
COUNTY OF NEW YORK

A F F I D A V I T

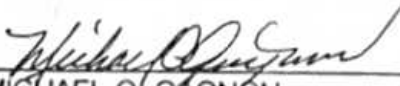
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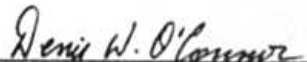
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For further credit to:	SouthTrust Bank - Mobile, AL
Account of:	Global Tel*Link Corporation
Account #:	609-0456-3
ABA#:	062000080

4. This will certify that the \$1,736,248.78, to be transferred as set forth in paragraph "3," will be used to fund an account on which checks will be drawn to accomplish part of the refund process required by the Court's orders in Britt vs. Global Tel\*Link Inc., civil number 94-1101. The process of mailing checks will begin when the money is received in the account to which the wire transfer is made.

  
MICHAEL O. GAGNON

Sworn and subscribed to before me this 3<sup>rd</sup> day of January,  
1996.

  
NOTARY PUBLIC  
My Commission Expires: 6/19/97

— DENIS W. O'CONNOR —  
Notary Public State of New York  
No. 31-4952410  
Qualified in New York County  
Commission Expires June 19, 1997

STATE OF NEW YORK  
COUNTY OF NEW YORK

A F F I D A V I T

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Bank:	Frost National Bank
Location:	San Antonio, Texas
ABA#:	114000093
Account#:	01-0364975
Acct. Name:	Zero Plus Dialing, Inc.

4. This will certify that the \$362,532.76, to be transferred as set forth in paragraph "3," will pay Zero Plus Dialing, Inc. for refunds made as credits on the telephone bills of members of the Class as required by the Court's orders in Britt vs. Global Tel\*Link Inc., civil number 94-1101.

  
MICHAEL O. GAGNON

Sworn and subscribed to before me this 3<sup>rd</sup> day of January, 1996.

  
\_\_\_\_\_

NOTARY PUBLIC

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DENIS W. O'CONNOR  
Notary Public State of New York  
No. 31-4952410  
Qualified in New York County  
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GLOBAL TEL\*LINK, INC.'S

REPORT REGARDING REFUNDS  
"  
"

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

JANUARY 23, 1996

SUBMITTED BY:

FRANK J. UDDO

## INTRODUCTION

In response to orders from the Louisiana Public Service Commission ("Commission"), Global Tel\*Link, Inc. ("Global") did undertake to identify all appropriate recipients of refunds resultant from overcharges by previous management in connection with calls emanating from correctional facilities. It should be pointed out that the overcharges were not isolated to Louisiana, but did involve other jurisdictions in which Global did undertake identification of consumers and, ultimately, credits or refunds to said recipients. These refunds are also in compliance with orders and judgments of The Circuit Court of Mobile County, Alabama, as a result of a class action filed before that court seeking similar refunds as ordered by the Commission.

## IDENTIFICATION PROCESS

As part of the refund process and in compliance with Commission orders, ads were run in six state newspapers announcing the refunds and requesting consumers who felt they qualified for refunds to contact Global at an 800 number. The newspapers in which the ad was published are: Times Picayune, Lafayette Advertiser, Baton Rouge Advocate, Lake Charles American Press, Alexandria Town Talk, Shreveport Times, Monroe News Star, Eunice news. Tear sheets indicating publication of these ads are attached hereto as Exhibit 1. As a result of these ads being placed, there were a total of 1,235 calls received by Global, and of these 1,235 calls, 546 of the callers were identified as people within Global's database for refunds. The 546 callers who have been confirmed to be entitled to refunds or credits have been processed for refunds or credits. Attached below is a table identified as Table #1 which indicates the number of calls received from all jurisdictions as compared to the calls received from Louisiana, and those were identified from within the database.

## REFUND PROCESS

Global is pleased to report that a substantial number of persons entitled to refunds or credits have already been compensated. At the current time, total refunds by checks or credits totaling \$816,840.08 have been completed. This total amount has been distributed among 95,030 recipients. Since the issuance of these credits or checks, 5,780 have been returned to Global representing \$34,018.57. These returns were made mainly because the identified recipients are no longer at the address or telephone number used in the identification process. Also, at this time, Global still has on hand for refund \$885,435.04 for which recipients have either not been identified or have been identified but not found. In response to requests from the Commission staff, Tables 2, 3 and 4 indicate a summary of refunds for all calls originating in the State of Louisiana, as well as a breakdown of refunds and payment method of calls originating and terminating in Louisiana and a separate category of refunds regarding interstate calls originating in the State of Louisiana.

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be presented to the staff contemporaneous with this report. Any portions of the statistical information which is not available for presentation on the 23rd of January will be supplied no later than the 26th of January.

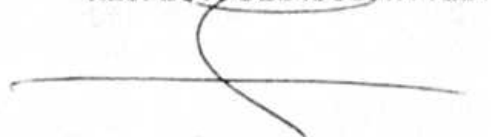
### CONCLUSION

Once the Alabama court allowed Global to move forward with the credits and refunds, the process was immediately begun and successfully executed. At the current time, over 95,000 customers have received credits or checks refunding the amounts ordered by the Commission. This has been a substantial undertaking.

The Commission must give direction to Global as to what should be done with the remaining funds which have been held for refund, particularly in light of the fact that identification of additional callers seems largely unlikely. Aside from our inability to identify the appropriate recipients indicated by the unrefunded amount, this process has been a smooth one which has complied with the Commission's orders.

Global is happy to have substantially completed this process and looks forward to a smooth and mutually beneficial continuance of business in the State of Louisiana.

RESPECTFULLY SUBMITTED:



FRANK J. UDDO (12976)  
Uddo & Milazzo  
3850 N. Causeway Boulevard  
Suite 1510 - Lakeway Two  
Metairie, Louisiana 70002  
(504) 832-7204  
Counsel for Global Tel\*Link, Inc.

## Exhibit 1

GLOBAL TEL\*LINK  
NEWSPAPER SCHEDULE  
 12/21/95

			27-Dec Wed.	28-Dec Thu.	31-Dec Sun	Circ
New Orleans	Times Picayune	3 col x 5"	\$2,698.65	COMBO		267,792
Baton Rouge	Advocate	3 col x 5"	\$726.75	\$726.75		100,552
Lafayette	Advertiser	3 col x 5"	\$366.90	\$366.90		39,289
Lake Charles	American Press	3 col x 5"	\$315.00	\$220.50		38,618
Alexandria	Town Talk	3 col x 5"	\$356.40	\$249.48		40,001
Shreveport	Times	3 col x 5"	\$1,171.35	\$937.08		83,042
Monroe	News Star	3 col x 5"	\$711.30	\$711.30		39,461
Eunice	Eunice News	3 col x 5"		\$74.85	\$55.50	3,722
	Total		\$6,346.35	\$3,286.86	\$55.50	
	Grand Total		\$9,688.71			

NOTE: Eunice News is weekly, published on Thursdays and Sundays only.

## REQUEST FOR REFUND

The Louisiana Public Service Commission has ordered Global Tel\*Link to refund approximately \$1,400,000 to Global Tel\*Link ratepayers who received collect calls from inmates at Louisiana correctional institutions between June 1993 and May 1994. These refunds result from unauthorized overcharges assessed by Global Tel\*Link during the above stated time period. Refunds should appear as a credit on their January, 1996 bill or they may receive a check directly from Global. If you believe that your family or friend may be entitled to a refund, but has not received one, please have them fill out the attached coupon or call:

**Global Tel\*Link**  
**Post Office Box 7278**  
**Mobile, AL 36670-0278**  
**(800) 237-1779**

---

## REQUEST FOR REFUND

Name: \_\_\_\_\_

Current Address: \_\_\_\_\_  
\_\_\_\_\_

Current Telephone Number \_\_\_\_\_

Address between 6/93 & 5/94 \_\_\_\_\_  
\_\_\_\_\_

Telephone Number between 6/93 & 5/94 \_\_\_\_\_

Signature \_\_\_\_\_

On January 17, 1995 the Louisiana Public Service Commission issued Order No. U-20784-B. This Order was issued as a result of an investigation into the operations, service provided and charges assessed by Global Tel\*Link. At the conclusion of that investigation the Commission determined that Global had unlawfully charged its customers excessive rates in violation of Commission Orders, its own tariffs and its contract with the Department of Corrections through the practices of clock advancements, charging rates in excess of its authorized levels, adding additional phantom time and money to calls and billing customers more than once for the same calls. For the period ending May 31, 1994, the Commission determined that Louisiana ratepayers had been overcharged by Global in the principal amount of \$1,243,000.00, exclusive of interest. The Commission ordered that interest accrue at the rate of 10% per annum from the time the overcharges occurred until credits and/or refunds were accomplished. At the time the Commission issued Order U-20784-B it was contemplated that refunds would begin in a matter of 2 or 3 months and would be completed by June 30, 1995. This did not occur.

It took Global longer than anticipated to generate a list of customers to whom the refunds were due. This was in some way complicated by the fact that Global not only had to generate this list for its Louisiana customers, but also to satisfy the mandates of a settlement of a class action pending in state district court in Alabama. For this reason, the Commission refrained from implementing the \$1,000 per day penalty which it had a right to assess pursuant to the provisions of Order U-20784-B. It is now almost 11 months since the issuance of the Commission order requiring refunds. Global has advised the Commission that an appeal has been taken from the proposed settlement in the Alabama litigation and that it is unable to predict precisely when that appeal will be disposed of.

The overcharges to Louisiana ratepayers began in June 1993, almost 2 1/2 years ago. The Commission has been patient in not fining Global for its failure to make refunds pursuant to prior Commission mandates and in attempting to wait until all of the litigation in Alabama has been completed. However, the more time that goes by, the more likely it is that Global will be unable to find significant numbers of customers who were overcharged. The Commission therefore orders that Global begin the refund process directed by the Commission

In Order No. U-20784-B no later than the January, 1996 billing cycle. Global is directed to report the Commission on a monthly basis, beginning in January 1996 as to the number of customers located and the amount of money refunded. In all other respects, the provisions of Order No. U-20784-B remain in full force and effect.

This Order is effective December 6, 1995.

BY ORDER OF THE COMMISSION:  
BATON ROUGE, LOUISIANA

December 6, 1995

/s/ JOHN F. SCHWEGMANN  
DISTRICT I  
CHAIRMAN JOHN F. SCHWEGMANN

/s/ IRMA MUSE DIXON  
DISTRICT III  
VICE-CHAIRMAN IRMA MUSE DIXON

/s/ C. DALE SITTIG  
DISTRICT IV  
COMMISSIONER DALE SITTIG

/s/ DON OWEN  
DISTRICT V  
COMMISSIONER DON L. OWEN

  
SECRETARY

KATHLEEN B. BLANCO ASSENT  
DISTRICT II  
COMMISSIONER KATHLEEN B. BLANCO

IN THE SUPREME COURT OF ALABAMA  
December 6, 1995

1980234

Paul Kirkland and  
James T. Strickland

v.

James H. Britt, Jr., et al.

Mobile Circuit Court  
CV-94-1011

**ORDER**

The motions to dismiss having been filed and duly submitted to the Court, and it appearing to the Court that the appeal filed in this cause is not timely filed.

IT IS ORDERED that the appeal is dismissed.

IT IS FURTHER ORDERED that the costs be taxed against the appellants as provided by Rule 35, Alabama Rules of Appellate Procedure.

Hooper, C. J., and Medlock, Shores, Houston, Morasky, Ingram, Cook, and Bratts,  
JJ., concur.

I, Robert G. Radtke, as Clerk of the Supreme Court of Alabama, do hereby certify that the foregoing is a full, true and correct copy of the instrument(s) herewith set out as same appear(s) of record in said Court.

Witness my hand this 6<sup>th</sup> day of Dec., 1995

  
Clerk, Supreme Court of Alabama

*Price Waterhouse LLP*



BY FEDERAL EXPRESS

January 2, 1996

Ms. Cindy Russell  
Office of the Alabama Attorney General  
11 South Union Street  
Montgomery, Alabama 36130-0152

Dear Cindy:

As per our telephone conversation, I have attached to this letter two affidavits signed by Michael O. Gagnon. Each of these affidavits concerns the transfer of amounts from the escrow account established pursuant to the Court's orders in Britt vs. Global Tel\*Link, Inc., civil number 94-1101 ("Britt case").

As you are aware, Price Waterhouse LLP is required to monitor and oversee the refund process from the escrow established as a result of the Britt case. Michael O. Gagnon is the partner assigned to this project.

The first affidavit requires ~~\$1,736,248.78~~ (one million, seven hundred and thirty six thousand two hundred and forty eight dollars and seventy eight cents) to be sent via wire transfer to the checking account established by Global Tel\*Link pursuant to the Court's orders in the Britt case. Please note that this amount should not be transferred to the indicated bank account until Friday, January 5, 1996. This is the date the checks will be mailed to the members of the class.

The second affidavit requires \$362,532.76 (three hundred and sixty two thousand, five hundred and thirty two dollars and seventy six cents) to be transferred directly to the account of Zero Plus Dialing, Inc. ("ZPDI"). ZPDI is one of the billing companies which is providing credits on the telephone bills of class members. This amount should be transferred as soon as possible.

An additional affidavit concerning the transfer of monies to Bell South will be provided as soon as we have received the wiring instructions.

January 2, 1996  
Ms. Cindy Russell  
Page 2



If you have any questions, please do not hesitate to call me on (212) 596-7569.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Brian P. Loughman".

Brian P. Loughman

cc: (with attachments)

Mr. Armand deKeyser (Office of the Alabama Attorney General)

Mr. Michael O. Gagnon (Price Waterhouse LLP)

James Newman, Esquire (Helmsing, Lyons, Sims & Leach)

David Topol, Esquire (Wilmer, Cutler & Pickering)

Steven Nicholas, Esquire (Sirota & Permutt)

✓ Mr. Scott Kazem (Global Tel\*Link, Inc.)



STATE OF NEW YORK  
COUNTY OF NEW YORK

A F F I D A V I T

To:           **The Attorney General of the State of Alabama**

Before me, a Notary Public in and for said County and State, personally appeared, Michael O. Gagnon, who having by me first been duly sworn, did depose and state as follows:

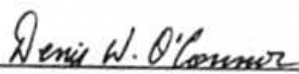
1.     My name is Michael O. Gagnon, and I am a partner in Price Waterhouse LLP.
  
2.     I am assigned to monitor and oversee the refund process from the escrow established pursuant to the Court's orders in Britt vs. Global Tel\*Link, Inc., civil number 94-1101.
  
3.     \$1,736,248.78 should be transferred effective Friday, January 5, 1996 from the escrow by wire transfer to the bank account as set forth below:

Bank:	SouthTrust Bank of Alabama, Birmingham.
For further credit to:	SouthTrust Bank - Mobile, AL
Account of:	Global Tel*Link Corporation
Account #:	609-0456-3
ABA#:	062000080

4. This will certify that the \$1,736,248.78, to be transferred as set forth in paragraph "3," will be used to fund an account on which checks will be drawn to accomplish part of the refund process required by the Court's orders in Britt vs. Global Tel\*Link Inc., civil number 94-1101. The process of mailing checks will begin when the money is received in the account to which the wire transfer is made.

  
MICHAEL O. GAGNON

Sworn and subscribed to before me this 3<sup>rd</sup> day of January,  
1996.

  
NOTARY PUBLIC  
My Commission Expires: 6/19/97

— DENIS W. O'CONNOR —  
Notary Public State of New York  
No. 31-4952410  
Qualified in New York County  
Commission Expires June 19, 1997

STATE OF NEW YORK  
COUNTY OF NEW YORK

A F F I D A V I T

To:           **The Attorney General of the State of Alabama**

Before me, a Notary Public in and for said County and State, personally appeared, Michael O. Gagnon, who having by me first been duly sworn, did depose and state as follows:

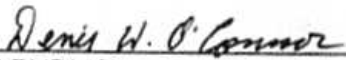
1.     My name is Michael O. Gagnon, and I am a partner in Price Waterhouse LLP.
  
2.     I am assigned to monitor and oversee the refund process from the escrow established pursuant to the Court's orders in Britt vs. Global Tel\*Link, Inc., civil number 94-1101.
  
3.     \$362,532.76 should be immediately transferred from the escrow by wire transfer to the bank account as set forth below:

Bank:	Frost National Bank
Location:	San Antonio, Texas
ABA#:	114000093
Account#:	01-0364975
Acct. Name:	Zero Plus Dialing, Inc.

4. This will certify that the \$362,532.76, to be transferred as set forth in paragraph "3," will pay Zero Plus Dialing, Inc. for refunds made as credits on the telephone bills of members of the Class as required by the Court's orders in Britt vs. Global Tel\*Link Inc., civil number 94-1101.

  
MICHAEL O. GAGNON

Sworn and subscribed to before me this 3<sup>rd</sup> day of January, 1996.



NOTARY PUBLIC

My Commission Expires: 6/19/97

DENIS W. O'CONNOR  
Notary Public State of New York  
No. 31-4952410  
Qualified in New York County  
Commission Expires June 19, 1997

**SCHLUMBERGER IN BRIEF**

	1994	1993	1992
Operating Revenue	\$ 6,696,845,000	\$ 6,705,466,000	\$ 6,331,509,000
Income Before cumulative effect of a change in accounting principle	\$ 536,077,000	\$ 582,763,000	\$ 661,603,000
Postretirement benefits	-	(248,000,000)	-
Net income	<b>\$ 536,077,000</b>	<b>\$ 334,763,000</b>	<b>\$ 661,603,000</b>
Net income per share:			
Before cumulative effect of a change in accounting principle	<b>\$ 2.21</b>	\$ 2.40	\$ 2.75
Postretirement benefits	-	(1.03)	-
Net income per share	<b>\$ 2.21</b>	\$ 1.37	\$ 2.75
Dividends declared per share	<b>\$ 1.20</b>	\$ 1.20	\$ 1.20

**N**et income was \$536 million and earnings per share were \$2.21, a decline of 8% from 1993 before an accounting change relating to postretirement benefits. Operating revenue held level with that of 1993.

#### OUR PRESENT

As the figures indicate, 1994 was a disappointing year. Our improvement in North America, due to a buoyant economy and rising demand for natural gas, was more than offset by problems elsewhere. The sharp drop in the price of oil in the first quarter, although short lived, was enough to put international oil companies on the defensive and postpone the start-up of many projects. Weak oil prices were responsible not only for budget cuts by national oil companies, but also contributed to political disturbances that curtailed our activity in Algeria and Nigeria.

We directly felt the pain caused by these political instabilities. In October, two of our engineers were brutally killed in Northern Algeria by terrorists. Following the deaths of Mauro Dell'Angelo and Philippe Hétet, the company halted operations until a program tailored to the changing situation was enacted to ensure the safety and well-being of employees who agreed to stay and keep our essential operations running. We all share the deep sorrow at the loss of Mauro and Philippe and hope the Algerian people can soon find a peaceful resolution to their turmoil.

Political confusion continued in the former Soviet Union, once again postponing the level of investment in the energy sector needed for the region's economic development and stability.

The result was that the number of active drilling rigs outside North America dropped to a 22-year low.

Behind these facts, however, the fundamentals underlying our businesses improved. First, the demand for oil rose by one million barrels per day due to strong economic growth in most industrialized nations and flattening of the decline in the former Soviet Union. Second, strengthening economies worldwide associated with the reduction of trade barriers and improved worldwide competitiveness appear to be able to deliver continuing growth without inflation. It is not surprising therefore, that our earnings improved steadily as the year progressed. We are convinced these trends will continue.

#### **OUR FUTURE**

Our optimism for the future of Schlumberger, however, is not based just on growth of world economies and energy demand. The investments we have made over the last few years are beginning to pay off.

International oil companies are growing increasingly confident that even at today's low energy prices their upstream operations can be quite profitable. This change in attitude has been brought about by two main factors.

First, oil companies have downsized their upstream operations and feel confident that they can deploy new technology most efficiently by outsourcing to the oilfield service industry. Costs of finding and developing new reserves, particularly in mature basins, have dropped significantly. Increased outsourcing plays to our strengths. It allows our clients to draw on the full depth of our technology to design optimum solutions and to rely on the unique operational abilities of our global product lines to implement them efficiently.

Second, the international oil companies have been able to negotiate more favorable terms with host governments who are eager to increase production to meet growing demand. The fact that some OPEC countries, which nationalized their oil businesses 25 years ago, have permitted the reentry of some foreign oil companies, is a dramatic indication of how much has changed in our industry in the last decade.

The remodeling of Schlumberger into 11 worldwide product lines, completed at the end of 1993, is producing the expected benefits of reduced operating costs and improved product strategies. The sharper customer focus and shorter product development cycles that this new organization brings will be key factors in our future growth. The feature section of this annual report introduces this new organization and the managers who make it successful.

Led by Automatic Test Equipment and the support organization created at the end of 1993 in Hong Kong for all of MEASUREMENT & SYSTEMS product lines, we are making rapid progress in penetrating the large and growing Asian market. A productive year was crowned by the signing of a joint venture to serve the expanding Chinese market in Retail Petroleum Systems.

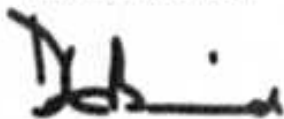
Also at the end of 1994 we created, with Cable & Wireless plc, an equally owned joint venture, Omnes. This new product line focuses on the emerging need of international companies to access global information technology services. Omnes, using the existing Schlumberger Information Network that serves 19,000 users in 57 countries, is initially offering value-added network services to the remote operations of natural resources companies.



To convert these favorable trends into increased business for Schlumberger, we need, above all, the right people. The creation of a multicultural, global Schlumberger community, capable of serving our diverse customers worldwide, has been a preoccupation for more than 20 years. It is impossible not to be optimistic about the future of a Schlumberger built by multicultural teams of men and women working closely together to meet the needs of our clients, but who feel confident to retain the essence of their identities—they know that their uniqueness is valued as a contribution to our overall culture and is not a barrier to the development of their careers.

This year was pivotal for Schlumberger, with a great deal accomplished to strengthen the value of the company to its shareholders. On the one hand, repositioning of the company's 11 product lines was completed and the all-important synergies between them were strengthened. On the other hand, we demonstrated our willingness to enhance shareholder value by repurchasing shares when market conditions made this attractive. In 1994, we repurchased 2.8 million shares for a total of \$148 million; this policy will continue.

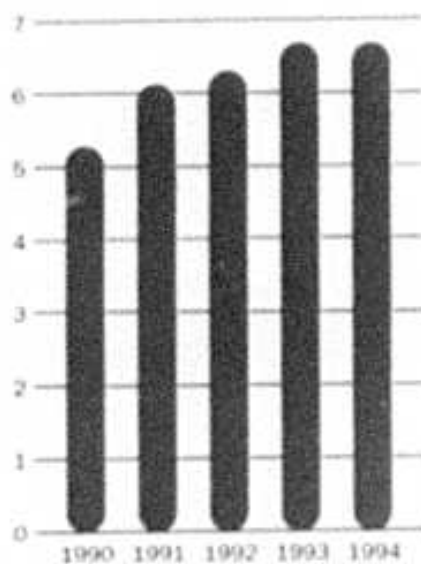
Given the improved business outlook, driven by global economic expansion and growing worldwide energy demand, we feel that we are well positioned to grow our earnings and shareholder value.



*Euan Baird  
Chairman & Chief Executive Officer  
January 25, 1995*

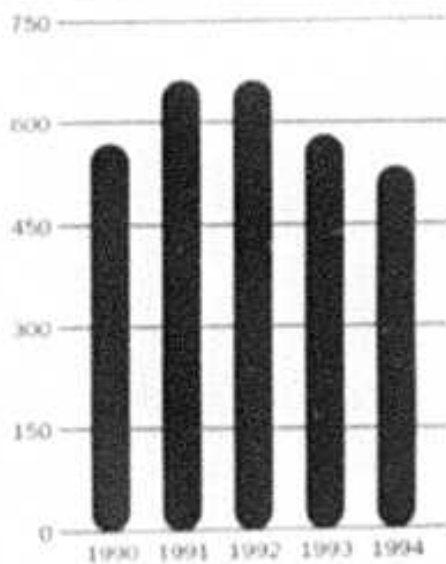
### Operating Revenue

\$ Billions



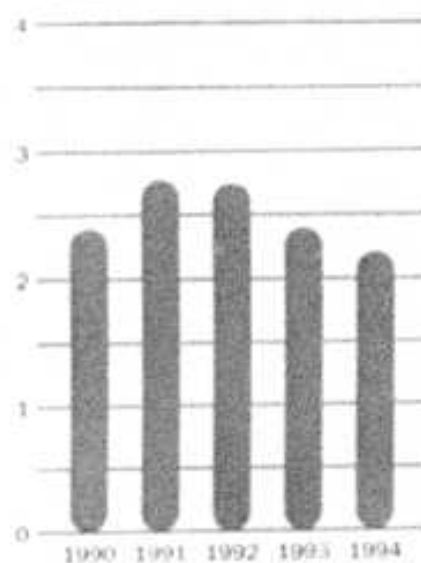
### Income<sup>1,2</sup>

\$ Millions



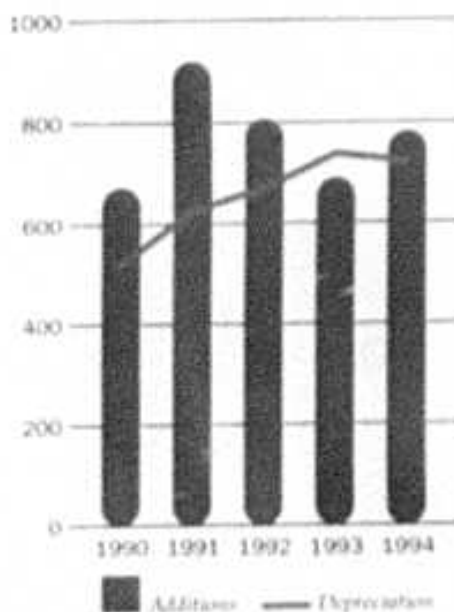
### Earnings Per Share<sup>1,2</sup>

\$ Dollars



### Fixed Assets

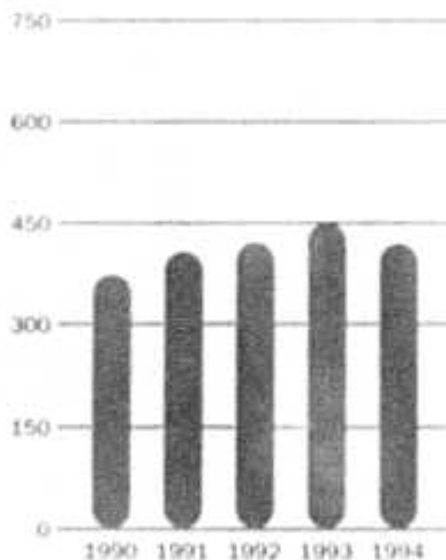
\$ Millions



<sup>1,2</sup> 1991 Income and Earnings Per Share includes a gain of \$177 million (\$0.74 per share) on the sale of an investment and a \$25 million (\$0.10 per share) charge for restructuring the North American oilfield operations.

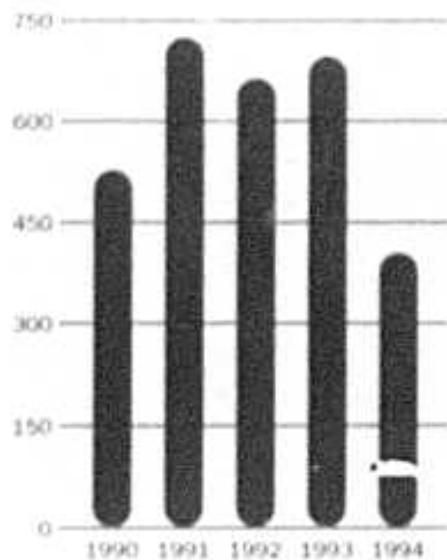
Research & Engineering

\$ Millions



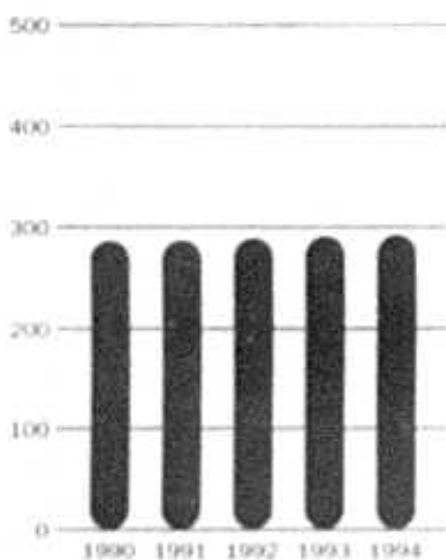
Liquidity

\$ Millions



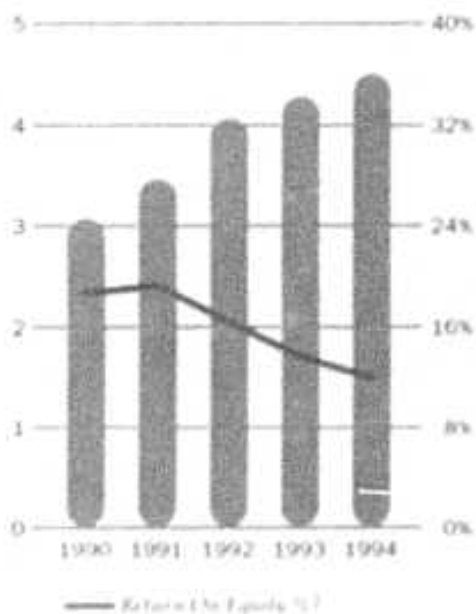
Dividends Declared

\$ Millions



Average Stockholders' Equity

\$ Billion



<sup>2</sup> 1991 Income and Earnings Per Share before cumulative effect of a change in accounting principle for postretirement benefits.

## Management's Discussion and Analysis of Results of Operations

(Stated in millions)

OPERATING REVENUE	1994	1993	1992
Oilfield Services	\$4,365	\$4,338	\$3,849
Measurement & Systems	\$2,339	\$2,370	\$2,484

### OILFIELD SERVICES

#### Wireline & Testing

Revenue in 1994 was 1% below last year. Healthy growth in North and South America was offset by a decline in the Eastern Hemisphere. Revenue in North America increased 11%, slightly higher than the rise in rig activity. Outside North America, the 5% decrease in revenue paralleled the drop in rig count.

Revenue generated by the new high-technology tools, expressed as a percentage of total Wireline & Testing revenue, increased 30%.

Building on technical and market leadership in formation evaluation services, worldwide deployment of the MAXIS 500\* Multi-task Acquisition and Imaging System, started in 1993, was aggressively pursued in 1994. Imaging tools combined with high-speed telemetry of the MAXIS 500 system allow acquiring and processing an unprecedented number of logging measurements in a single run in the well. This reduces rig time needed for logging, providing customers with significant cost reductions especially in deviated and horizontal wells and when using new data-intensive measurements.

The successful introduction of the MAXIS Express\* high-efficiency acquisition system was achieved in North America, and it is now being introduced worldwide. This innovative system features a compact but powerful

truck specifically designed to operate in high-volume, development markets.

Demand for DSI\* Dipole Shear Sonic Imager measurements increased significantly because of the tool's ability to orient natural fractures to optimize offset well spacing and identify in-situ stress directions which greatly affect drilling efficiency.

Client acceptance of the superior performance and time-saving features of the MDT\* Modular Dynamics Tester led to exceptional demand. The diverse capabilities of this tool include identification of fluid content of the formation and determination of anisotropy in complex reservoirs.

In testing and production services, the Universal Pressure Platform, a creative approach to downhole pressure measurements, has become a reference in the industry. These reservoir pressure acquisition tools, reengineered for efficiency and reliability, provide advanced features that allow customers to acquire invaluable information in hostile environments.

Modular Early Production Facilities and "fast track" production project management continue to grow by offering quick returns from fewer wells in a field, and the capability to fully evaluate reserves before the commitment of significant capital for production facilities.

In 1993, revenue increased 1% reflecting a natural gas driven recovery in North America that offset declines in the Eastern Hemisphere and Latin America.

#### Dowell

Revenue increased 9% over 1993, outperforming the 3% rise in rig count.

In North America, revenue rose 16% in

1994, while drilling rig activity increased 10%. The pace of fracturing growth declined during the second half of the year following the decrease in natural gas prices in the United States. This was offset by a significant increase in both Coiled Tubing services and rig-related activity, further boosted by positive customer response to the DESC<sup>®</sup> Design and Evaluation Services for Clients program.

Outside North America, revenue increased 2% from 1993, benefiting from the full impact of the newly acquired Drilling Fluids activity. Main improvements were recorded in both the Far East and Latin America, offsetting the decline of activity in the Middle East.

Rigless activity remained strong as a result of the DESC program in North America and cost-effective Coiled Tubing applications for slimholes and well reentries. In reentry operations of old wells, Coiled Tubing is used for horizontal drains during the drilling phase, for installing completions, and logging services in high-angle boreholes. Integration of International Drilling Fluids with Dowell provides benefits to both Dowell and its customers by leading to higher-quality wells through improved utilization of resources and technology. ULTIDRILL<sup>®</sup> synthetic oil-base mud for environmentally sensitive areas was successfully launched in the North Sea. This newly developed Drilling Fluids system provides excellent rheological properties and maintains its robustness at high drilling temperatures.

Revenue increased 13% in 1993, including the impact of International Drilling Fluids acquired in September 1993.

#### **Geco-Prakla**

Revenue was down 16% compared to 1993. During the first half of the year, Geco-Prakla

reorganized into worldwide product lines and significant cost reductions were undertaken while maintaining seismic crew capacity. This allowed strategic positioning that resulted in major improvements during the second half of the year.

Marine revenue was down 3% compared to 1993. Weaker prices in proprietary marine were offset by strong sales of Non-Exclusive data in the Gulf of Mexico and the North Sea. The Gulf of Mexico portfolio of Non-Exclusive Surveys is favorably positioned relative to the subsalt play, while in the North Sea there was a strong shift in activity from proprietary surveys toward multient TQ3D<sup>®</sup> Total Quality 3D and Non-Exclusive Surveys. Fleet upgrades continued with the expansion in the number of streamers towed per vessel. Upgrading of the *Geco Gamma* was completed in the second quarter; and in the fourth quarter, upgrading commenced on the *Geco Beta* and *Geco Searcher* to handle 8-plus streamer configurations. Geco-Prakla's Monowing<sup>®</sup> multi-streamer towing and TRILOGY<sup>®</sup> multi-streamer acquisition technologies will undoubtedly establish these vessels as industry leaders. The lower technology *Geco Alpha* was decommissioned during the year.

Land revenue was down 20% compared to 1993. Revenue was adversely affected by a slow down in activity outside North America and by civil unrest in Nigeria and Yemen, where three crews were shut down for part of the year. Results during the second half of the year improved and backlog at year end was significantly higher than last year. During the year the Digiseis-FLX<sup>®</sup>, an efficient, high-channel capacity radio telemetry acquisition system for the transition zone, a growing market segment, was successfully introduced in Louisiana. A second

Digiseis-FLX crew was deployed to a long-term contract in Abu Dhabi. Olympus-IMS\*, the new generation field information management system, was introduced at the end of the year. Olympus-IMS improves data management from complex 3D land operations, which increases crew efficiency.

Data Processing revenue was down 8% compared to 1993. Continuing price erosion for conventional onshore processing was partially offset by improved productivity. During the year, significant restructuring was undertaken to streamline and link local centers to high-capacity Megacenters in Gatwick and Houston. Concurrent processing, linking on-board vessel processing and onshore capabilities, sustained growth throughout the year with major breakthroughs achieved in turnaround time. VIVID\* structural inversion services, using massively parallel processing, also experienced continued growth. Inversion Services, a new Data Processing business unit, was formed to focus on expanding into stratigraphic inversion and provide momentum to VIVID services. These services will provide improved seismic data to help our clients find reserves in complicated geologic settings such as subsalt and subtle stratigraphic environments.

In 1993, revenue was 10% below 1992.

### **Sedco Forex**

Revenue for the year was flat compared to 1993. Weak activity in the North Sea and Africa in the first half of the year was offset by gathering momentum in the second half, particularly in the fourth quarter. Fleet repositioning at year-end 1993 and in early 1994 resulted in a 14% growth in Asia.

The 1994 average Sedco Forex offshore rig utilization rate increased to 84% from

82% in 1993. Industry-wide competitive offshore rig utilization decreased from 78% to 77% over that period. Sedco Forex average land rig utilization fell from 51% in 1993 to 40% in 1994, although fourth quarter 1994 utilization was up to 47% versus 43% in 1993.

At December 31, 1994, the Sedco Forex fleet consisted of 74 rigs: 40 offshore and 34 land. During the fourth quarter, the jackup *Sonny Voss* was purchased and renamed *Trident 18*. In January 1995, it will commence a one-year plus options contract in Dubai.

Three major tender-assisted drilling contracts commenced in 1994: the *Solco 600* in Malaysia, the *Solco 706* in the North Sea, and the *Souris 10* in Angola. The *Solco 700* and *Solco 701* semisubmersibles were life enhanced in 1994 and are contracted for tender-assisted drilling in the Congo in 1995.

In 1994, Sedco Forex realigned its management structure and opened offices in Dubai and Caracas to target improved growth in the Middle East land business and the developing South American market.

In 1993, revenue decreased 15%.

### **Anadrill**

Revenue in 1994 grew by 25% driven by strong activity in South America, North America, and Asia. Revenue in Europe increased mainly in Russia, while activity decreased in Africa due to the slowdown and strike in Nigeria.

Directional drilling activity increased by 46% mainly in North America, South America, and the Far East. This was made possible by the continued additions to the fleet of PowerPak\* steerable motors, the successful integration of Great Land Directional Drilling, and strong synergy with measurement products such as the Slim1\* MWD system and the GeoSteering\* tool, an instru-



mented steerable motor.

During 1994, Anadrill consolidated its market and technological leadership in measurements-while-drilling (MWD) and logging while drilling (LWD) services. Strong growth continued in MWD with Sliml increasing 56%. LWD services also continued to climb. New IDEAL\* Integrated Drilling Evaluation and Logging systems technologies were launched, and the fleet of existing tools introduced during 1993 was expanded. The GeoSteering tool was run in the Gulf of Mexico, North Sea, Africa, and Far East with excellent results. The increased use of the PowerPulse\* MWD tool further improves service quality and provides superior cost-effective functionality. The RAB\* Resistivity-at-the-Bit tool produced the industry's first borehole images while drilling. The ISONIC\* sonic-while-drilling tool was introduced in Europe, North and South America, and the Far East. TWI\* transportable wellsite information system created improved efficiency in Brazil, Canada, Germany, and the Middle East, especially for fast mobilizations, wash-down LWD jobs, and remote operations.

In 1993, revenue rose 19%, mainly in North America, South America, and Asia.

### **GeoQuest**

Revenue grew 11% in 1994, with brisk growth in Software Products and slower growth in Data Services. During the year, GeoQuest firmly established itself as a key player in the Information Technology market. Long-term contracts were secured in Africa, Europe, North America, Latin America, and the Middle East to provide products and services to assist oil companies in maximizing the value of their computing environments and their exploration and production data.

Software Products revenue in 1994 grew 25% over 1993, reflecting strong demand for GeoQuest's traditional seismic interpretation products and new growth in the emerging data management, petrophysical, geologic, and visualization software products. Software sales grew worldwide fueled by the late 1993 release of IESX\* interpretation software, and the introduction of enhanced versions of Charisma\* and the state-of-the-art visualization product GeoViz\*. Also contributing to this growth are new or enhanced software products including GeoFrame\* reservoir characterization, Finder\* and LogDB\* data management, and RM\* Reservoir Modeling. During 1994, GeoQuest acquired the CIS mapping software product line and the StratLog geologic interpretation software product line. These two industry-leading technologies served to continue the expansion of GeoQuest's integrated software offerings.

Interpretation, well data processing and related data services revenue increased 2% over last year as activity in North America and the Middle East continued to grow both in traditional and non-rig related services. Activity in Africa, Southeast Asia, and Latin America experienced a decline from 1993.

In 1993, revenue increased 30% due to internal growth and the GeoQuest Systems, Inc. acquisition.

### **MEASUREMENT & SYSTEMS**

#### **Electricity Management**

In 1994, revenue rose 3% while orders were down 3%. This increase was mainly due to the recent acquisition of AEG's European metering operations.

Revenue grew in France on a sharp increase in energy management product sales and high demand for electromechanical meters on the domestic market, along with

high exports to Middle East and Eastern Europe. Heliowatt Germany, acquired in 1993, also had a positive impact on revenue. Additional improvements included higher revenue from Asia and the US, increased demand for Automatic Meter Reading systems, and strength in Latin America, Portugal, and Spain. The improvements were offset by decreases in the UK, Italy, and Canada where revenue was significantly below last year. Confronted with high inventories at the beginning of the year and uncertainties as to the new governmental controls on electricity distribution, utilities in the UK slowed down their investment in prepayment meters, having a significant impact on results. In Italy, projects to privatize ENEL have significantly slowed investment decisions in electricity distribution, while a factory move in Canada disrupted production.

In 1993, revenue fell 2% while orders were up 2%.

#### **Water Management**

In 1994, revenue and orders rose by 5% and 7%, respectively. Growth was driven by the continued strength of the US economy, the economic recovery in France and Germany, and high demand for water meters in Mexico and Argentina following the privatization of utilities.

In France, fueled by the increased cost of water, demand for water meters was up strongly, while in Germany sales of water and heat meters were buoyant due to the construction recovery. Service activity in France was up significantly. These positive trends were only slightly offset by an unfavorable business environment in Italy and by weak demand from Eastern Europe due to financing constraints. North America had solid growth in remote-readable

water meters. In Mexico, demand for meters resulted from the modernization of water distribution systems following the privatization of utilities.

In 1993, revenue and orders were down 8% and 6%, respectively, compared with 1992.

#### **Gas Management**

Revenue for 1994 was down 1%, but orders were steady with lower demand for products being offset by growth in services. Maclean & Nuttall, a UK service company acquired in January 1994, expanded significantly during the year. The UK was strongly affected by the drastic curtailment in the conventional residential meter replacement program, while in Germany, high-pressure regulating and metering stations sales suffered from very weak demand and overcapacity in the sector. The effects of the domestic recession in Italy were compounded by delayed export orders for regulators and stations. France benefited from the growth in demand for residential meters in the CIS and Eastern Europe, as well as initial sales of the Dialogaz smart meter on the domestic market.

The stability in orders reflected the growth in services, particularly in the UK, where this increase compensated for the sharp downturn in residential meter demand. In Germany, orders were down as a result of the high pressure products sector but strengthened in the residential product range. France benefited significantly from strong export demand and a healthier domestic market, while orders in Italy remained flat despite the uncertain political climate.

In 1993, revenue and orders were down 12% and 16%, respectively.



## Electronic Transactions

In 1994, revenue and orders increased by 9% and 6%, respectively, compared with 1993.

Retail Petroleum Systems revenue increased for both equipment and services in most countries; lower product prices resulted in significantly lower margins. Lower revenue in France for parking and banking terminals was offset by ticket vending machine shipments, along with growth in Scandinavia, Latin America, and Asia for pay phones and subscriber cards for cellular telephone applications. A German parking meter distributor and a US secure card manufacturer were acquired in late 1994.

In 1993, revenue decreased by 4% and orders were flat compared with 1992.

## Automatic Test Equipment

Revenue and orders for the year grew 23% and 29%, respectively. Led by sustained strong demand in Component test for the ITS9000\* family of semiconductor test systems, all product lines experienced growth during 1994. Diagnostic systems successfully introduced the IDS10000\* system. Board systems rebounded from 1993 reflecting the growing success of its telecom test products. Automated systems doubled their 1993 activity run rate with the entire product range contributing.

Activity continued to increase in all regions, particularly Asia. All product lines grew in North America, while in Europe, gains in Component test more than offset a slight decrease in Board test systems.

In 1993, revenue and orders were up 22% and 35%, respectively, compared with 1992.

## Net Income

(Stated in millions except per share amounts)

	1994		1993		1992	
	Amount	Per Share	Amount	Per Share	Amount	Per Share
Net Income	\$536	\$2.21	\$583	\$2.40	\$662	\$2.75

*Income before cumulative effect of a change in accounting principle related to the Company's adoption of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions."*

In 1994, operating income of the Oilfield Services segment increased \$27 million, or 6%, to \$495 million. Strong oilfield activity in North America and an improved Geco-Prakla were only partially offset by declines in activity outside North America. Measurement & Systems operating income declined 34% to \$121 million due mainly to lower results at Electronic Transactions, Gas Management, and Electricity Management. Improvements at Automatic Test Equipment were not sufficient to offset these shortfalls.

In 1993, operating income of the Oilfield Services segment declined \$78 million, as strong oilfield activity in North America was more than offset by declines outside North America at Geco-Prakla, Sedco Forex and Wireline & Testing. Measurement & Systems operating income increased \$6 million as significant improvement at Automatic Test Equipment was nearly offset by the effect of the strong US dollar versus key European currencies.

In 1992, operating income of Oilfield Services decreased due to declines at Wireline & Testing North America and Dowell Schlumberger, partially offset by improved results at Wireline & Testing outside North America, Sedco Forex and Geco-Prakla. Operating income at Measurement & Systems rose \$8 million over 1991.

## Research & Engineering

Expenditures were as follows

	<i>(Stated in millions)</i>		
	1994	1993	1992
Oilfield services	\$ 279	\$ 290	\$ 260
Measurement & systems	139	158	161
Other	1	2	-
	<u>\$ 419</u>	<u>\$ 450</u>	<u>\$ 421</u>

## Interest Expense

Interest expense decreased \$6 million in 1994 and \$9 million in 1993. The decline in 1994 was largely due to the repayment of the Dowell acquisition financing in 1993. Excluding the Dowell debt, interest expense remained constant as an increase in average debt outstanding was offset by a drop in average rates.

The decrease in 1993 was due to a drop in average rates, which more than offset the increase in average debt outstanding.

## Liquidity

A key measure of financial position is liquidity, defined as cash plus short-term and long-term investments less debt. The following table summarizes the Company's change in consolidated liquidity for each of the past three years.

	<i>(Stated in millions)</i>		
	1994	1993	1992
Income before extraordinary item	\$ 536	\$ 583	\$ 662
Depreciation & amortization	776	790	709
Other	(5)	(8)	(86)
	<u>1,307</u>	<u>1,365</u>	<u>1,285</u>
(Increase) decrease in working capital requirements	(356)	76	(189)
Fixed asset additions	(783)	(691)	(809)
Dividends paid	(292)	(291)	(289)
Other	85	71	46
	<u>(39)</u>	<u>530</u>	<u>44</u>
Proceeds from employee stock plans	61	71	70
Purchase of shares for Treasury	(148)	-	-
Acquisition of Dowell Schlumberger	-	(590)	-
Other businesses acquired	(172)	(63)	(163)
Proceeds on sale of businesses	-	93	-
Other	6	(8)	(12)
Net (decrease) increase in liquidity	<u>\$ (292)</u>	<u>\$ 33</u>	<u>\$ (61)</u>
Liquidity - end of period	<u>\$ 404</u>	<u>\$ 696</u>	<u>\$ 663</u>

In 1993, the increase in liquidity was sufficient to provide for the acquisition of the remaining 50% of Dowell Schlumberger.

The current consolidated liquidity level, combined with liquidity expected from operations, should satisfy future business requirements.

### Common Stock, Market Prices and Dividends Declared per Share

Quarterly high and low prices for the Company's Common Stock as reported by The New York Stock Exchange (composite transactions), together with dividends declared per share in each quarter of 1994 and 1993 were:

	Price Range		Dividends Declared
	High	Low	
1994			
Quarters			
First	\$61%	\$50%	\$ 0.30
Second	61%	51	0.30
Third	63	53%	0.30
Fourth	59	50	0.30
1993			
Quarters			
First	\$62%	\$55%	\$ 0.30
Second	68%	59	0.30
Third	68	60%	0.30
Fourth	68%	56%	0.30

The number of holders of record of the Common Stock of the Company at December 31, 1994 was approximately 27,000. There are no legal restrictions on the payment of dividends or ownership or voting of such shares. United States stockholders are not subject to any Netherlands Antilles withholding or other Netherlands Antilles taxes attributable to ownership of such shares.

### Environmental Matters

The Company and its subsidiaries comply with government laws and regulations and responsible management practices for the protection of the environment. The Consolidated Balance Sheet includes accruals for the estimated future costs associated with certain environmental remediation activities related to the past use or disposal of hazardous materials. Substantially all such costs relate to divested operations and to facilities or locations that are no longer in operation. Due to a number of uncertainties, including uncertainty of timing, the scope of remediation, future technology, regulatory changes and other factors, it is possible that the ultimate remediation costs may exceed the amounts accrued. However, in the opinion of management, such additional costs are not expected to be material relative to consolidated liquidity, financial position or future results of operations. Consistent with the Company's commitment to protection of the environment, safety and employee health, additional costs, including capital expenditures, are incurred related to current operations.

**CONSOLIDATED STATEMENT OF INCOME**

*(Stated in thousands except per share amounts)*

Year Ended December 31,	1994	1993	1992
<i>Revenue</i>			
Operating	\$ 6,696,845	\$ 6,705,466	\$ 6,331,509
Interest and other income	83,898	98,801	123,489
	<b>6,780,743</b>	<b>6,804,267</b>	<b>6,454,998</b>
<i>Expenses</i>			
Cost of goods sold and services	5,107,889	5,024,596	4,579,402
Research & engineering	418,871	450,185	421,237
Marketing	251,750	285,628	291,546
General	321,433	311,088	337,448
Interest	63,328	68,888	77,394
Taxes on income	81,395	81,119	86,368
	<b>6,244,666</b>	<b>6,221,504</b>	<b>5,793,395</b>
Income before cumulative effect of a change in accounting principle	536,077	582,763	661,603
Postretirement benefits	-	(248,000)	-
<b>Net Income</b>	<b>\$ 536,077</b>	<b>\$ 334,763</b>	<b>\$ 661,603</b>
<i>Net income per share:</i>			
Before cumulative effect of a change in accounting principle	\$ 2.21	\$ 2.40	\$ 2.75
Postretirement benefits	-	(1.03)	-
<b>Net income per share</b>	<b>\$ 2.21</b>	<b>\$ 1.37</b>	<b>\$ 2.75</b>
<b>Average shares outstanding (thousands)</b>	<b>243,423</b>	<b>242,672</b>	<b>240,878</b>

*See Notes to Consolidated Financial Statements*

*Schlumberger Limited (Schlumberger N.V., incorporated in the Netherlands Antilles) and Subsidiary Companies*

**CONSOLIDATED BALANCE SHEET**

<b>ASSETS</b>	<i>(Stated in thousands)</i>	
December 31,	1994	1993
<i>Current Assets</i>		
Cash and short-term investments	\$ 1,231,893	\$ 1,185,635
Receivables less allowance for doubtful accounts (1994 \$52,700; 1993 \$45,158)	1,761,022	1,545,949
Inventories	696,272	621,385
Other current assets	134,564	123,199
	3,823,751	3,476,168
<i>Long-Term Investments, held to maturity</i>	273,052	356,874
<i>Fixed Assets less accumulated depreciation</i>	2,857,490	2,818,948
<i>Excess of Investment Over Net Assets</i>		
<i>of Companies Purchased less amortization</i>	1,204,690	1,109,050
<i>Other Assets</i>	163,116	155,907
	<b>\$ 8,322,099</b>	<b>\$ 7,916,947</b>
<hr/>		
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	\$ 1,704,755	\$ 1,722,773
Estimated liability for taxes on income	301,269	371,929
Bank loans	621,470	339,784
Dividend payable	73,389	73,605
Long-term debt due within one year	85,771	60,245
	2,786,654	2,568,336
<i>Long-Term Debt</i>	394,167	446,942
<i>Postretirement Benefits</i>	327,282	299,989
<i>Other Liabilities</i>	231,042	195,340
	3,739,145	3,510,607
<i>Stockholders' Equity</i>		
Common stock	695,946	660,129
Income retained for use in the business	6,350,433	6,106,461
Treasury stock at cost	(2,406,321)	(2,283,743)
Translation adjustment	(57,104)	(76,507)
	4,582,954	4,406,340
	<b>\$ 8,322,099</b>	<b>\$ 7,916,947</b>

See Notes to Consolidated Financial Statements

Schlumberger Limited (Schlumberger N.V., Incorporated in the Netherlands Antilles) and Subsidiary Companies

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year Ended December 31,	<i>(Stated in thousands)</i>		
	1994	1993	1992
Cash flows from operating activities:			
Income before extraordinary item	\$ 536,077	\$ 582,763	\$ 661,603
Adjustments to reconcile income before extraordinary item to net cash provided by operating activities:			
Depreciation and amortization	776,167	790,169	708,788
Earnings of companies carried at equity, less dividends received (1994 \$5,377; 1993 \$10,408; 1992 \$18,000)	(1,621)	(1,039)	(29,777)
Provision for losses on accounts receivable	23,039	15,820	5,018
Other adjustments	(3,574)	(7,106)	(55,242)
Change in operating assets and liabilities:			
(Increase) decrease in receivables	(182,989)	140,929	(38,750)
(Increase) decrease in inventories	(37,444)	2,654	17,428
(Decrease) increase in accounts payable and accrued liabilities	(77,412)	16,546	(65,879)
Decrease in estimated liability for taxes on income	(73,801)	(101,119)	(151,747)
Other - net	(15,379)	15,861	(52,598)
Net cash provided by operating activities	943,063	1,455,478	998,844
Cash flows from investing activities:			
Purchases of fixed assets	(782,837)	(691,101)	(809,486)
Sales/retirements of fixed assets	105,240	50,287	62,760
Proceeds from sale of businesses	-	93,000	-
Acquisition of Dowell Schlumberger	-	(590,000)	-
Payment for purchase of businesses	(171,631)	(39,450)	(172,616)
Decrease (increase) in investments	50,230	(181,329)	118,995
(Increase) decrease in other assets	(88)	(8,567)	38,621
Net cash used in investing activities	(799,086)	(1,367,160)	(761,726)
Cash flows from financing activities:			
Dividends paid	(292,368)	(290,793)	(288,622)
Proceeds from employee stock purchase plan	36,183	37,049	35,805
Proceeds from exercise of stock options	25,145	33,788	34,036
Purchase of shares for Treasury	(148,089)	-	-
Proceeds from issuance of long-term debt	143,889	182,861	201,047
Payments of principal on long-term debt	(176,420)	(85,887)	(204,710)
Net increase (decrease) in short-term debt	261,616	58,122	(13,374)
Net cash used in financing activities	(150,044)	(64,860)	(235,818)
Net (decrease) increase in cash	(6,067)	23,458	1,300
Cash, beginning of year	63,738	40,280	38,980
Cash, end of year	\$ 57,671	\$ 63,738	\$ 40,280

See Notes to Consolidated Financial Statements  
Schlumberger Limited (Schlumberger N.V., Incorporated in the Netherlands Antilles) and Subsidiary Companies

**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**

*(Dollar amounts in thousands)*

	Issued		Common Stock In Treasury		Translation Adjustment	Income Retained for Use in the Business
	Shares	Amount	Shares	Amount		
Balance, January 1, 1992	304,943,447	\$ 468,274	64,981,729	\$ 2,351,130	\$ 45,154	\$ 5,690,588
Translation adjustment, 1992					(77,638)	
Sales to optionees less shares exchanged		760	(920,472)	(33,276)		
Shares issued for acquisition	236,813	13,300				
Employee stock purchase plan	715,388	35,805				
Net income						661,603
Dividends declared (\$1.20 per share)						(289,186)
Balance, December 31, 1992	305,895,648	518,139	64,061,257	2,317,854	(32,484)	6,063,005
Translation adjustment, 1993					(44,023)	
Sales to optionees less shares exchanged		(323)	(943,146)	(34,111)		
Dowell acquisition		100,000				
Shares issued for acquisition	77,961	5,264				
Employee stock purchase plan	693,559	37,049				
Net income						334,763
Dividends declared (\$1.20 per share)						(291,307)
Balance, December 31, 1993	306,667,168	660,129	63,118,111	2,283,743	(76,507)	6,106,461
Translation adjustment, 1994					19,403	
Sales to optionees less shares exchanged		(366)	(702,621)	(25,511)		
Purchases for Treasury			2,754,000	148,089		
Employee stock purchase plan	734,284	36,183				
Net income						536,077
Dividends declared (\$1.20 per share)						(292,105)
Balance, December 31, 1994	307,401,452	\$ 695,946	65,169,490	\$ 2,406,321	\$ (57,104)	\$ 6,350,433

See Notes to Consolidated Financial Statements

Schlumberger Limited (Schlumberger N.V., Incorporated in the Netherlands Antilles) and Subsidiary Companies



### Summary of Accounting Policies

The Consolidated Financial Statements of Schlumberger Limited and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States.

#### *Principles of Consolidation*

The Consolidated Financial Statements include the accounts of majority-owned subsidiaries. Significant 20%-50% owned companies are carried on the equity method and classified in Other Assets. The pro rata share of revenue and expenses of 50% owned companies is included in the individual captions in the Consolidated Statement of Income. Equity in undistributed earnings of all 50% owned companies at December 31, 1994 amounted to \$3 million. The Company's pro rata share of after-tax earnings of other equity companies is included in Interest and other income.

#### *Translation of Non-US Currencies*

All assets and liabilities recorded in functional currencies other than US dollars are translated at current exchange rates. The resulting adjustments are charged or credited directly to the Stockholders' Equity section of the Consolidated Balance Sheet. Revenue and expenses are translated at the weighted average exchange rates for the period. All realized and unrealized transaction gains and losses are included in income in the period in which they occur. Included in the 1994 results were transaction gains of \$2 million, compared to gains of \$4 million and losses of \$22 million in 1993 and 1992, respectively.

Currency exchange contracts are entered into as a hedge against the effect of future settlement of assets and liabilities denomi-

nated in other than the functional currency of the individual businesses. Gains or losses on the contracts are recognized when the currency exchange rates fluctuate, and the resulting charge or credit offsets the unrealized currency gains or losses on those assets and liabilities. At December 31, 1994, contracts were outstanding to purchase the US dollar equivalent of \$56 million in various foreign currencies and to sell the equivalent of \$58 million at forward rates on the dates the contracts were entered. These contracts mature on various dates in 1995.

#### *Investments*

In May 1993, Statement of Financial Accounting Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, was issued by the Financial Accounting Standards Board. As permitted, the Company implemented this Standard on December 31, 1993; retroactive application is not permitted. The Consolidated Balance Sheet reflects the Company's investment portfolio separated between current and long-term based on maturity. Except for \$95 million of investments which are considered trading at December 31, 1994, it is the Company's intent to hold the investments until maturity.

Both short-term and long-term investments held to maturity are stated at cost plus accrued interest, which approximates market, and comprise primarily Eurodollar time deposits, certificates of deposit and commercial paper and Euronotes, substantially all denominated in US dollars. Short-term investments that are designated as trading are stated at market. The adoption of this Standard had no material effect on the results of operations.



For purposes of the Consolidated Statement of Cash Flows, the Company does not consider short-term investments to be cash equivalents as they generally have original maturities in excess of three months. Short-term investments at December 31, 1994 and 1993 were \$1.2 billion and \$1.1 billion, respectively.

#### *Inventories*

Inventories are stated principally at average or standard cost, which approximates average cost, or at market, if lower.

#### *Excess of Investment Over Net Assets of Companies Purchased*

Cost in excess of net assets of purchased companies is amortized on a straight-line basis over periods ranging from 10 to 40 years. Accumulated amortization was \$216 million and \$162 million at December 31, 1994 and 1993, respectively.

#### *Fixed Assets and Depreciation*

Fixed assets are stated at cost less accumulated depreciation, which is provided for by charges to income over the estimated useful lives of the assets by the straight-line method. Fixed assets include the cost of oil-field technical equipment manufactured by subsidiaries of the Company. Expenditures for renewals, replacements and betterments are capitalized. Maintenance and repairs are charged to operating expenses as incurred. Upon sale or other disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged or credited to income.

#### *Taxes on Income*

The Company and its subsidiaries compute taxes on income in accordance with the tax rules and regulations of the many taxing

authorities where the income is earned. The income tax rates imposed by these taxing authorities vary substantially. Taxable income may differ from pretax income for financial accounting purposes. To the extent that differences are due to revenue or expense items reported in one period for tax purposes and in another period for financial accounting purposes, an appropriate provision for deferred income taxes is made. The provisions were not significant in 1994, 1993 or 1992.

Approximately \$1.8 billion of consolidated income retained for use in the business at December 31, 1994 represented undistributed earnings of consolidated subsidiaries and the Company's pro rata share of 20%-50% owned companies. No provision is made for deferred income taxes on those earnings considered to be indefinitely reinvested or earnings that would not be taxed when remitted.

Tax credits and other allowances are credited to current income tax expense on the flow-through method of accounting.

In February 1992, Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, was issued by the Financial Accounting Standards Board. The Company implemented this Standard in 1993. The Company's US consolidated group is in an operating loss carryforward position and has no net deferred tax asset recorded. The adoption of this Standard did not have a material effect on the Company's results of operations or financial position.

#### *Net Income per Share*

Net income per share is computed by dividing net income by the average number of common shares outstanding during the year. The effect of common stock equivalents on the computation of earnings per share was not significant.

### Research & Engineering

All research & engineering expenditures are expensed as incurred, including costs relating to patents or rights that may result from such expenditures.

### Acquisitions

During 1994, subsidiaries of the Company acquired the European metering activities of AEG, Messerschmidt Apparate, a parking equipment distributor, and Malco Plastics, a secure card manufacturer; the purchase prices were \$113 million, \$9 million, and \$34 million, respectively. These acquisitions were accounted for as purchases and the accounts have been fully consolidated with those of the Company. Costs in excess of net assets acquired were \$108 million which are being amortized on a straight line basis over periods between 20 and 40 years.

In January 1993, Schlumberger acquired the remaining 50% interest in the Dowell Schlumberger group of companies. The purchase price was \$675 million in cash and a warrant, expiring in 7.5 years and valued at \$100 million, to purchase 7.5 million shares of Schlumberger Common Stock at an exercise price of \$59.95 per share. The warrant is fully-vested and non-transferable. The acquisition was accounted for as a purchase; cost in excess of net assets acquired of \$525 million, is being amortized on a straight-line basis over 40 years. If the acquisition had taken place on January 1, 1992, consolidated operating revenue for 1992 would have increased by 8% with an immaterial effect on consolidated net income after taking into account goodwill amortization and financing costs.

### Fixed Assets

A summary of fixed assets follows:

	<i>(Stated in millions.)</i>	
December 31,	1994	1993
Land	\$ 71	\$ 75
Buildings & improvements	966	968
Machinery and equipment	7,501	7,131
Total cost	8,538	8,174
Less accumulated depreciation	5,681	5,355
	<u>\$2,857</u>	<u>\$2,819</u>

Estimated useful lives of Buildings & improvements range from 8 to 50 years and of Machinery and equipment from 2 to 18 years.

### Long-Term Debt

Long-term debt of \$394 million is primarily denominated in US dollars, Italian lire, Japanese yen, British pounds and German marks, at money market-based rates varying up to 11%.

Long-term debt at December 31, 1994 is due \$235 million in 1996, \$154 million in 1997, \$1 million in 1998, \$1 million in 1999 and \$3 million thereafter.

Interest rate swap arrangements are entered into to adjust non-US dollar denominated debt and interest rates into US dollars. At December 31, 1994, interest rate swap arrangements were outstanding with commercial banks having a total principal amount of \$73 million. These arrangements mature at various dates through 1997 and the interest rates are adjusted semiannually. Interest rate swap arrangements had an immaterial effect on consolidated interest expense in 1994. In 1993 they reduced interest expense by \$5 million. The exposure in the event of nonperformance by the other parties to the arrangements is not significant.

### Lines of Credit

At December 31, 1994, the Company's principal US subsidiary had an available unused Revolving Credit Agreement with a group of banks. The Agreement provided that the subsidiary may borrow up to \$500 million until December 1998 at money market-based rates. In addition, at December 31, 1994, the Company and its subsidiaries had available unused short-term lines of credit of approximately \$552 million.

### Capital Stock

The Company is authorized to issue 500,000,000 shares of Common Stock, par value \$0.01 per share, of which 242,231,962 and 243,549,057 shares were outstanding on December 31, 1994 and 1993, respectively. The Company is also authorized to issue 200,000,000 shares of cumulative Preferred Stock, par value \$0.01 per share, which may be issued in series with terms and conditions determined by the Board of Directors. No shares of Preferred Stock have been issued. Holders of Common Stock and Preferred Stock are entitled to one vote for each share of stock held.

The Company has a non-compensatory Employee Discounted Stock Purchase Plan. Under the Plan, employees may purchase Common Stock at the end of the Plan year through payroll deductions of up to 10% of compensation. The price per share is equal to 85% of the lower of the beginning or end of Plan year market price. With stockholder approval, in 1992 the Company amended the Plan to increase the aggregate number of shares available for purchase to 8,000,000 shares. During 1994, 734,284 shares were purchased under the Plan.

In 1994, the Company adopted the Schlumberger 1994 Stock Option Plan, under which stock options may be granted until January 26, 2004. The number of shares that may be issued under this plan cannot exceed 10,000,000 shares.

Options to purchase shares of the Company's Common Stock have been granted under various incentive plans to officers and key employees at prices equal to 100% of the fair market value at the date of grant.

Transactions under stock incentive plans were as follows:

	Number of Shares	Option Price Per Share
Outstanding Jan. 1, 1993	10,097,828	\$29.25-67.00
Granted	848,250	\$59.81-64.81
Exercised	(966,402)	\$29.25-67.00
Lapsed or cancelled	(387,680)	\$29.25-67.00
Outstanding Dec. 31, 1993	9,591,996	\$29.25-67.00
Granted	3,178,150	\$53.25-57.94
Exercised	(728,637)	\$29.25-44.63
Lapsed or cancelled	(480,660)	\$33.13-67.00
Outstanding Dec. 31, 1994	11,560,849	\$29.25-67.00
Exercisable at Dec. 31, 1994	5,389,722	\$29.25-67.00
Available for grant Dec. 31, 1993	2,557,070	
Dec. 31, 1994	9,853,745	

### **Income Tax Expense**

The Company and its subsidiaries operate in over 100 taxing jurisdictions with statutory rates ranging up to about 50%.

The Company's US consolidated group has net operating loss carryforwards of \$725 million and net deductible temporary differences of \$650 million at December 31, 1994, and has no net deferred tax asset recorded. The tax benefit of these items is available to reduce future US federal income tax expense. Most of the carryforward will expire, if unutilized, in the years 2001-2003.

### **Leases and Lease Commitments**

Total rental expense was \$192 million in 1994, \$177 million in 1993 and \$166 million in 1992. Future minimum rental commitments under noncancelable leases for years ending December 31 are: 1995 \$90 million; 1996 \$63 million; 1997 \$50 million; 1998 \$40 million; and 1999 \$35 million. For the ensuing three five-year periods, these commitments decrease from \$39 million to \$3 million. The minimum rentals over the remaining terms of the leases aggregate \$9 million.

### **Contingencies**

The Company and its subsidiaries comply with government laws and regulations and responsible management practices for the protection of the environment. The Consolidated Balance Sheet includes accruals for the estimated future costs associated with certain environmental remediation activities related to the past use or disposal of hazardous materials. Substantially all such costs relate to divested operations and to facilities or locations that are no longer in operation. Due to a number of uncertainties, including uncertainty of timing, the scope of remediation, future technology, regulatory

changes and other factors, it is possible that the ultimate remediation costs may exceed the amounts accrued. However, in the opinion of management, such additional costs are not expected to be material relative to consolidated liquidity, financial position or future results of operations.

In a case in Texas involving the validity of a 1988 settlement and release in connection with an incidental business venture, the trial court, in 1993, rendered a judgment notwithstanding the verdict of the jury, exonerating Schlumberger from any liability. In late 1994, a Texas Court of Appeals reversed the trial court judgment and reinstated the jury award of about \$75 million against Schlumberger. Schlumberger's motion to the Court of Appeals for rehearing is now pending. Schlumberger and outside counsel believe the decision of the trial court was correct, and Schlumberger intends to appeal any adverse decision of the Court of Appeals. Consequently, no provision has been made in the consolidated financial statements for this matter.

In addition, the Company and its subsidiaries are party to various other legal proceedings. Although the ultimate disposition of these proceedings is not presently determinable, in the opinion of the Company any liability that might ensue would not be material in relation to the consolidated financial statements.

### **Segment Information**

The Company's business comprises two segments: Oilfield Services and Measurement & Systems. Services and products are described in more detail on pages 126-127 in this report.

Financial information for the years ended December 31, 1994, 1993 and 1992 by industry segment and by geographic area is as follows:

(Stated in millions)

	Oilfield Services	Measurement & Systems	Adjust & Elim	Consolidated
<b>INDUSTRY SEGMENT 1994</b>				
Operating revenue				
Customers	\$4,362	\$2,335	\$ -	\$6,697
Intersegment transfers	3	4	(7)	-
	\$4,365	\$2,339	\$ (7)	\$6,697
Operating income	\$ 495	\$ 121	\$(23)	\$ 593
Interest expense				(63)
Interest and other income plus other credits - \$3				87
Income before taxes				\$ 617
Depreciation expense	\$ 625	\$ 92	\$ 5	\$ 722
Fixed asset additions	\$ 661	\$ 91	\$ 31	\$ 783
At December 31				
Identifiable assets	\$4,766	\$1,936	\$(14)	\$6,688
Corporate assets				1,634
Total assets				\$8,322
<b>INDUSTRY SEGMENT 1993</b>				
Operating revenue				
Customers	\$4,337	\$2,368	\$ -	\$6,705
Intersegment transfers	1	2	(3)	-
	\$4,338	\$2,370	\$ (3)	\$6,705
Operating income	\$ 468	\$ 184	\$(23)	\$ 629
Interest expense				(69)
Interest and other income plus other credits - \$5				104
Income before taxes				\$ 664
Depreciation expense	\$ 638	\$ 95	\$ 6	\$ 739
Fixed asset additions	\$ 570	\$ 100	\$ 21	\$ 691
At December 31				
Identifiable assets	\$4,707	\$1,620	\$(41)	\$6,286
Corporate assets				1,631
Total assets				\$7,917
<b>INDUSTRY SEGMENT 1992</b>				
Operating revenue				
Customers	\$3,849	\$2,483	\$ -	\$6,332
Intersegment transfers	-	1	(1)	-
	\$3,849	\$2,484	\$ (1)	\$6,332
Operating income	\$ 546	\$ 178	\$(28)	\$ 696
Interest expense				(77)
Interest and other income plus other credits - \$6				129
Income before taxes				\$ 748
Depreciation expense	\$ 570	\$ 99	\$ 2	\$ 671
Fixed asset additions	\$ 693	\$ 111	\$ 5	\$ 809
At December 31				
Identifiable assets	\$3,865	\$1,719	\$(11)	\$5,573
Corporate assets				1,434
Total assets				\$7,007



Transfers between segments and geographic areas are for the most part made at regular prices available to unaffiliated customers. Certain Oilfield Services segment fixed assets are manufactured within that segment.

During the years ended December 31, 1994, 1993 and 1992, neither sales to any government nor sales to any single customer exceeded 10% of consolidated operating revenue.

Corporate assets largely comprise short-term and long-term investments.

	Western Hemisphere		Eastern Hemisphere			(Stated in millions)	
	US	Other	France	Other European	Other	Adjust. to Elim.	Consolidated
<b>GEOGRAPHIC AREA 1994</b>							
Operating revenue							
Customers	\$ 1,650	\$ 749	\$ 690	\$ 1,609	\$ 1,999	\$ -	\$ 6,697
Interarea transfers	251	10	111	29	30	(431)	-
	\$ 1,901	\$ 759	\$ 801	\$ 1,638	\$ 2,029	\$ (431)	\$ 6,697
Operating income	\$ 177	\$ 106	\$ 58	\$ (9)	\$ 304	\$ (43)	\$ 593
Interest expense							(63)
Interest and other income plus other credits - \$3							87
Income before taxes							\$ 617
At December 31							
Identifiable assets	\$ 1,660	\$ 620	\$ 596	\$ 1,791	\$ 2,210	\$ (189)	\$ 6,688
Corporate assets							1,634
Total assets							\$ 8,322
<b>GEOGRAPHIC AREA 1993</b>							
Operating revenue							
Customers	\$ 1,491	\$ 671	\$ 748	\$ 1,821	\$ 1,974	\$ -	\$ 6,705
Interarea transfers	253	5	148	21	17	(444)	-
	\$ 1,744	\$ 676	\$ 896	\$ 1,842	\$ 1,991	\$ (444)	\$ 6,705
Operating income	\$ 129	\$ 86	\$ 41	\$ 100	\$ 306	\$ (33)	\$ 629
Interest expense							(69)
Interest and other income plus other credits - \$5							104
Income before taxes							\$ 664
At December 31							
Identifiable assets	\$ 1,485	\$ 536	\$ 576	\$ 1,953	\$ 1,854	\$ (118)	\$ 6,286
Corporate assets							1,631
Total assets							\$ 7,917
<b>GEOGRAPHIC AREA 1992</b>							
Operating revenue							
Customers	\$ 1,014	\$ 554	\$ 850	\$ 2,110	\$ 1,804	\$ -	\$ 6,332
Interarea transfers	242	7	158	29	39	(475)	-
	\$ 1,256	\$ 561	\$ 1,008	\$ 2,139	\$ 1,843	\$ (475)	\$ 6,332
Operating income (loss)	\$ (13)	\$ 78	\$ 61	\$ 210	\$ 388	\$ (28)	\$ 696
Interest expense							(77)
Interest and other income plus other credits - \$6							129
Income before taxes							\$ 748
At December 31							
Identifiable assets	\$ 1,011	\$ 438	\$ 656	\$ 2,006	\$ 1,528	\$ (66)	\$ 5,573
Corporate assets							1,434
Total assets							\$ 7,007

## Pension and Other Benefit Plans

(Stated in millions)

### US Pension Plans

The Company and its US subsidiary sponsor several defined benefit pension plans that cover substantially all employees. The benefits are based on years of service and compensation on a career-average pay basis. These plans are substantially fully funded with a trustee in respect to past and current service. Charges to expense are based upon costs computed by independent actuaries. The funding policy is to contribute annually amounts that can be deducted for federal income tax purposes. These contributions are intended to provide for benefits earned to date and those expected to be earned in the future.

Net pension cost in the US for 1994, 1993 and 1992 included the following components:

	(Stated in millions)		
	1994	1993	1992
Service cost -			
benefits earned			
during the period	\$25	\$20	\$16
Interest cost on projected			
benefit obligation	44	42	38
Expected return on			
plan assets (actual			
return: 1994 5%;			
1993 5.87%; 1992 5.44)	(46)	(42)	(41)
Amortization of			
transition asset	(2)	(2)	(2)
Amortization of prior			
service cost/other	6	3	5
Net pension cost	\$27	\$21	\$16

The funded status of the plans at December 31, 1994 and 1993 was as follows:

	1994	1993
Actuarial present value		
of obligations:		
Vested benefit obligation	\$577	\$567
Accumulated benefit		
obligation	\$579	\$570
Projected benefit obligation	\$645	\$643
Plan assets at market value	584	587
Excess of projected benefit		
obligation over assets	(61)	(56)
Unrecognized net loss (gain)	9	(3)
Unrecognized prior service cost	28	31
Unrecognized net asset		
at transition date	(10)	(12)
Pension liability	\$ (34)	\$ (40)

For 1994, assumed discount rate and rate of compensation increases used to determine the projected benefit obligation were 7.5% and 4.5%, respectively; the expected long-term rate of return on plan assets was 8.5%. For 1993, the rates were 7%, 4.5% and 9%, respectively. Plan assets at December 31, 1994 consist of common stocks (\$367 million), cash or cash equivalents (\$55 million), fixed income investments (\$102 million) and other investments (\$60 million). Less than 1% of the plan assets at December 31, 1994 represents Schlumberger Limited Common Stock.

### Non-US Pension Plans

Outside of the US, subsidiaries of the Company sponsor several defined benefit and defined contribution plans that cover substantially all employees who are not covered by statutory plans. For defined benefit plans, charges to expense are based upon costs computed by independent actuaries. These plans are substantially fully funded with trustees in respect to past and current service. For all defined benefit plans, pension expense was \$16 million, \$23 million and \$20 million in 1994, 1993 and 1992,

respectively. The only significant defined benefit plan is in the UK.

Net pension cost in the UK plan for 1994, 1993 and 1992 (translated into US dollars at the average exchange rate for the periods) included the following components:

	<i>(Stated in millions)</i>		
	1994	1993	1992
Service cost - benefits earned during the period	\$ 10	\$ 12	\$ 14
Interest cost on projected benefit obligation	10	10	10
Expected return on plan assets (actual return: 1994 (\$11); 1993 \$58; 1992 \$30)	(15)	(13)	(12)
Amortization of transition asset and other	(3)	-	(1)
<b>Net pension cost</b>	<b>\$ 2</b>	<b>\$ 9</b>	<b>\$ 11</b>

During 1992, the UK pension plan was amended to improve retirement benefits for retirees. The improvement is reflected as prior service cost.

The funded status of the plan (translated into US dollars at year-end exchange rates) was as follows:

	<i>(Stated in millions)</i>	
	1994	1993
Actuarial present value of obligations:		
Vested benefit obligation	\$ 106	\$ 122
Accumulated benefit obligation	\$ 106	\$ 122
Projected benefit obligation	\$ 130	\$ 146
Plan assets at market value	187	210
Excess of assets over projected benefit obligation	57	64
Unrecognized net gain	(60)	(72)
Unrecognized prior service cost	4	5
Unrecognized net asset at transition date	(6)	(6)
<b>Pension liability</b>	<b>\$ (5)</b>	<b>\$ (9)</b>

The assumed discount rate and rate of compensation increases used to determine the projected benefit obligation were 7.5% and 5%, respectively; the expected long-term rate of return on plan assets was 8.5%. Plan assets consist of common stocks (\$149 million), cash or cash equivalents (\$2 million) and fixed income investments (\$36 million). None of the plan assets represents Schlumberger Limited Common Stock.

For defined contribution plans, funding and cost are generally based upon a predetermined percentage of employee compensation. Charges to expense in 1994, 1993 and 1992 were \$12 million, \$9 million and \$14 million, respectively.

#### *Other Deferred Benefits*

In addition to providing pension benefits, the Company and its subsidiaries have other deferred benefit programs. Expense for these programs was \$71 million, \$63 million and \$57 million in 1994, 1993 and 1992, respectively.

#### *Health Care Benefits*

The Company and its US subsidiary provide health care benefits for certain active employees. The cost of providing these benefits is recognized as expense when incurred and aggregated \$34 million, \$36 million and \$31 million in 1994, 1993 and 1992, respectively. Outside of the United States, such benefits are mostly provided through government-sponsored programs.

#### *Postretirement Benefits Other Than Pensions*

In December 1990, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. This statement requires the use of the accrual method for future postretirement benefits rather than accounting for these benefits on a pay-as-you-go



basis. The Company adopted this Statement effective January 1, 1993, as required.

The Company and its US subsidiary provide certain health care benefits to former employees who have retired under the US pension plans. The accumulated postretirement benefit charge on January 1, 1993 for all current retirees and the pro rata amount for active employees based on years of service was \$248 million. Such amount was recorded as an extraordinary item (cumulative effect of an accounting change) in the first quarter of 1993.

In 1994 service cost and interest cost expenses were \$13 million and \$24 million, respectively, compared to \$9 million and \$23 million in 1993. The principal actuarial assumptions used to measure the above-mentioned costs were a discount rate of 7% in 1994 and 8.5% in 1993, and a medical cost trend rate of 13% graded to 6% over 10 years and 6% thereafter.

The funded status at December 31, 1994 and 1993 was as follows:

	<i>(Stated in millions)</i>	
	1994	1993
Accumulated Postretirement Benefit Obligation:		
Retirees	\$ 155	\$ 196
Fully eligible	4	2
Actives	175	131
	\$ 334	\$ 329
Unrecognized net loss	(7)	(29)
Postretirement benefit liability at December 31	\$ 327	\$ 300

The assumed discount rate used to determine the accumulated postretirement benefit obligation was 7.5% and 7% for 1994 and 1993, respectively.

If the assumed medical cost trend rate was increased by one percentage point, health care cost in 1994 would have been \$43

million, and the accumulated postretirement benefit obligation would have been \$386 million at December 31, 1994.

#### Supplementary Information

Operating revenue and related cost of goods sold and services comprised the following:

Year ended December 31,	<i>(Stated in millions)</i>		
	1994	1993	1992
Operating revenue			
Sales	\$ 2,632	\$ 2,576	\$ 2,379
Services	4,065	4,129	3,953
	\$ 6,697	\$ 6,705	\$ 6,332
Direct operating costs			
Goods sold	\$ 1,673	\$ 1,619	\$ 1,533
Services	3,435	3,406	3,047
	\$ 5,108	\$ 5,025	\$ 4,580

Cash paid for interest and income taxes was as follows:

Year ended December 31,	<i>(Stated in millions)</i>		
	1994	1993	1992
Interest	\$ 64	\$ 69	\$ 81
Income taxes	\$ 148	\$ 136	\$ 206

Accounts payable and accrued liabilities are summarized as follows:

December 31,	<i>(Stated in millions)</i>	
	1994	1993
Payroll, vacation and employee benefits	\$ 385	\$ 393
Trade	470	464
Other	850	866
	\$ 1,705	\$ 1,723

The caption "Interest and other income" includes interest income, principally from short-term and long-term investments, of \$78 million, \$89 million and \$102 million for 1994, 1993 and 1992, respectively.

To the Board of Directors and Stockholders  
of Schlumberger Limited.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Schlumberger Limited and its subsidiaries at December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether

the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

In 1993, the Company changed its methods of accounting for income taxes, certain investment securities and postretirement benefits as described in the Summary of Accounting Policies and Pension and Other Benefit Plans notes.



New York, New York  
January 24, 1995

**QUARTERLY RESULTS (UNAUDITED)**

The following table summarizes results for each of the four quarters for the years ended December 31, 1994 and 1993. Gross profit

equals operating revenue less cost of goods sold and services.

*(Stated in millions except per share amounts)*

	Operating		Net Income / (Loss)	
	Revenue	Gross Profit	Amount	Per Share
<b>QUARTERS-1994</b>				
First	\$1,640	\$ 376	\$ 121	\$ 0.50
Second	1,639	383	123	0.51
Third	1,637	399	137	0.56
Fourth	1,781	431	155	0.64
	<u>\$6,697</u>	<u>\$1,589</u>	<u>\$ 536</u>	<u>\$ 2.21</u>
<b>QUARTERS-1993</b>				
First	\$1,598	\$ 411	\$ (115)	\$(0.48)
Second	1,719	447	163	0.67
Third	1,642	429	163	0.67
Fourth	1,746	394	124	0.51
	<u>\$6,705</u>	<u>\$1,681</u>	<u>\$ 335</u>	<u>\$ 1.37</u>

*Includes the cumulative effect of a change in accounting principle of \$248 million (\$1.03 per share)*

**FIVE YEAR SUMMARY**

*(Stated in millions except per share amounts)*

Year Ended December 31	1994	1993	1992	1991	1990
<b>SUMMARY OF OPERATIONS</b>					
Operating revenue:					
Oilfield Services	\$ 4,365	\$ 4,338	\$ 3,849	\$ 3,847	\$ 3,240
Measurement & Systems	2,339	2,370	2,484	2,300	2,066
Total operating revenue	\$ 6,697	\$ 6,705	\$ 6,332	\$ 6,145	\$ 5,306
% Increase over prior year	-%	6%	3%	16%	13%
Operating income:					
Oilfield Services	\$ 495	\$ 468	\$ 546	\$ 602	\$ 542
Measurement & Systems	121	184	178	170	153
Eliminations	(23)	(23)	(28)	(38)	(17)
	\$ 593	\$ 629	\$ 696	\$ 734	\$ 678
% (Decrease) increase from prior year	(6%)	(10%)	(5%)	8%	37%
Interest expense	63	69	77	102	87
Taxes on income	81	81	86	166	128
Income, before cumulative effect of a change in accounting principle	\$ 536	\$ 583	\$ 662	\$ 816 <sup>1</sup>	\$ 570
% (Decrease) increase from prior year	(8%)	(12%)	(19%)	43%	36%
Postretirement benefits	-	(248)	-	-	-
Net income	\$ 536	\$ 335	\$ 662	\$ 816 <sup>1</sup>	\$ 570
Income per share:					
Before cumulative effect of a change in accounting principle	\$ 2.21	\$ 2.40	\$ 2.75	\$ 3.42 <sup>1</sup>	\$ 2.40
Postretirement benefits	-	(1.03)	-	-	-
Net income	\$ 2.21	\$ 1.37	\$ 2.75	\$ 3.42 <sup>1</sup>	\$ 2.40
Cash dividends declared	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20
<b>SUMMARY OF FINANCIAL DATA</b>					
Income as % of revenue	8%	9%	10%	13%	11%
Return on average stockholders' equity	12%	14%	16%	24%	19%
Fixed asset additions	\$ 783	\$ 691	\$ 809	\$ 921	\$ 675
Depreciation expense	\$ 722	\$ 739	\$ 671	\$ 627	\$ 520
Average number of shares outstanding	243	243	241	239	238
<b>AT DECEMBER 31</b>					
Liquidity	\$ 404	\$ 696	\$ 663	\$ 724	\$ 527
Working capital	\$ 1,037	\$ 908	\$ 1,242	\$ 1,094	\$ 812
Total assets	\$ 8,322	\$ 7,917	\$ 7,007	\$ 6,854	\$ 6,176
Long-term debt	\$ 394	\$ 447	\$ 374	\$ 341	\$ 332
Stockholders' equity	\$ 4,583	\$ 4,406	\$ 4,231	\$ 3,853	\$ 3,255
Number of employees	48,000	48,000	51,000	53,000	50,000

<sup>1</sup>Includes a gain of \$177 million (\$0.74 per share) on the sale of an investment and a \$25 million (\$0.10 per share) charge for restructuring the North American oilfield operations.

48,000 people of 95 nationalities at  
930 facilities in 100 countries

**OILFIELD SERVICES**

Wireline & Testing

Dowell

Geco-Prakla

Sedco Forex

Anadrill

GeoQuest

**MEASUREMENT & SYSTEMS**

Electricity Management

Water Management

Gas Management

Electronic Transactions

Automatic Test Equipment

*Organizing for Profitable Growth*

**S**chlumberger today concentrates its expertise in two groups, OILFIELD SERVICES and MEASUREMENT & SYSTEMS. These groups comprise 11 product lines pursuing a coordinated plan for profitable growth. Common elements of this strategy are to:

- *Intensify our local presence worldwide.* Develop multi-cultural teams with talented people from the 100 countries where we work.
- *Boost efficiency.* Optimize resources to lower internal costs, building on established synergy between related product lines.
- *Expand technology leadership.* Deliver the highest value to clients and to Schlumberger, drawing on our unparalleled breadth of superior technology and services.
- *Be nimble.* Anticipate evolving needs of customers by continuing to cultivate a pool of resourceful, mobile professionals.
- *Build on existing financial strength.* Maintain independence of action to seize emerging opportunities.

To implement this strategy, the company maintains a decentralized structure, with responsibility devolved to those who are closest to the changing needs of customers—the teams that run the 11 product lines.

Here are their stories.



**OILFIELD SERVICES**

**Victor E. Grijalva**  
*Executive Vice-President*



**PREVIOUS JOB** Executive vice-president, Wireline, Testing & Anadrill, New York

**FIRST JOB** Electrical design engineer, Philadelphia

**EDUCATION** MS degree in electrical engineering, University of Pennsylvania, Philadelphia; BS degree in electrical engineering, Carnegie-Mellon University, Pittsburgh

**BORN** Guayaquil, Ecuador, 1938

**MEASUREMENT & SYSTEMS**

**Clermont A. Matton**  
*Executive Vice-President*



**PREVIOUS JOB** Executive vice-president, Schlumberger Technologies, New York

**FIRST JOB** Chartered accountant, Montréal

**EDUCATION** MDA and master's degrees in accounting, BA degree in commerce, Université de Sherbrooke, Québec, Canada

**BORN** Asbestos, Québec, 1942

*Wireline & Testing*

*Dowell*

*Geco-Prakla*

*Sedco Forex*

*Anadrill*

*GeoQuest*

*Electricity Management*

*Water Management*

*Gas Management*

*Electronic Transactions*

*Automatic Test Equipment*



*Wireline & Testing*

*Dowell*

*Geco-Prakla*

*Sedco Forex*

*Anadrill*

*GeoQuest*

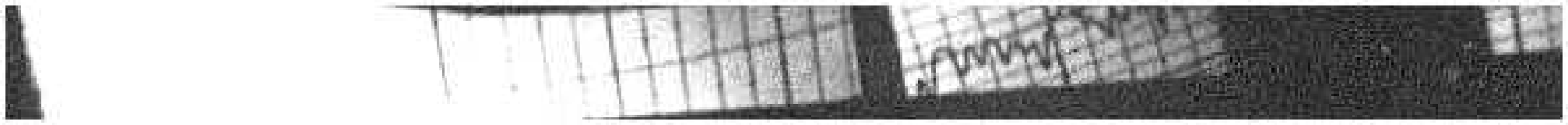
*Electricity Management*

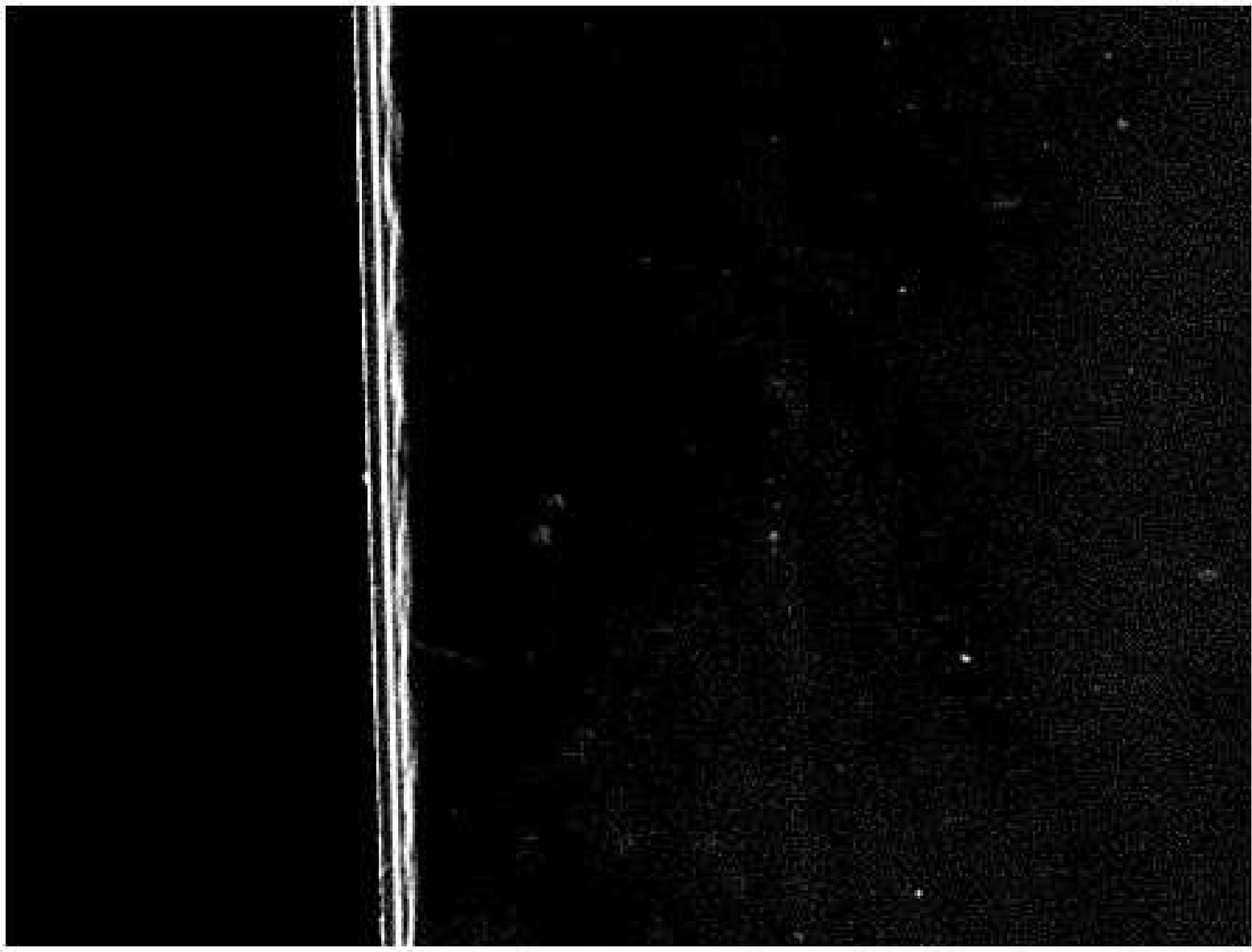
*Water Management*

*Gas Management*

*Electronic Transactions*

*Automatic Test Equipment*





Since its founding, Schlumberger has maintained undisputed leadership in formation evaluation services, pioneering technologies that provide the energy industry with valuable knowledge of hydrocarbon reservoirs. Today, with oil and gas prices stabilized at low levels, energy companies strive to improve profitability by streamlining operations and boosting recovery from established fields. Wireline & Testing, drawing on its leadership in formation evaluation services, is seizing this opportunity by placing a new emphasis on production services—procedures that enhance the productivity of existing fields.

"Demands of our customers are changing," says Andrew Gould, head of Wireline & Testing. "Until recently, producers focused on finding new reserves. Today they also want to maximize return on existing assets and reduce risk by reexamining familiar turf and using new technologies to enhance reserves. We are equipped to help them do this job with unmatched efficiency."

Paralleling this changing demand is the evolving role of production services, mainly from well monitoring and maintenance to seeking new ways to boost hydrocarbon recovery from existing fields. The viability of such services hinges on their ability to deliver technical, low-cost innovation. Three leading examples are the RST\* Reservoir Saturation Tool, the HEGS\*



(left) Schlumberger Production logging contributes to extending the life of wells in the 50-year-old Kern River field in California, the fifth largest in the United States.

(previous page) ELAN\* Elemental Log Analysis helps find oil in a Kern River well.

High-Efficiency Gun System, and the Pivot Gun\* system.

The RST measurement, a unique service in the industry, gives the customer previously unobtainable information about how to revive sick wells. New technology includes a sensor design that significantly improves the surveying of flowing


wells. It provides the accurate diagnostics needed to plan more effective enhanced oil recovery—a procedure in which injected water or steam helps produce the remaining oil. It can detect where water is encroaching on oil, which can reduce oil flow. Unlike other formation evaluation measurements, it works through steel casing to determine the volume of hydrocarbons previously bypassed.

Schlumberger is working with Texaco, the major operator of the 518-million-barrel Kern River field in California, the fifth largest in the US, in investigating the use of RST logs over time to track methods of extending the life of

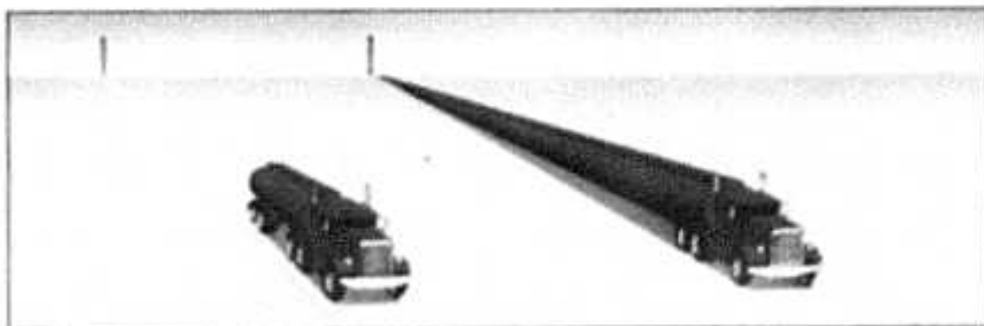
7000 producing wells. The RST measurement has the potential of identifying the "sweetest" areas to heat up with steam, which helps the thick oil flow more easily into wells and to the surface.

Once additional reserves are found, they are tapped with a perforating gun, which uses explosive charges to make small holes through the steel pipe cemented in the borehole. These holes let hydrocarbons flow from the rock into the well.

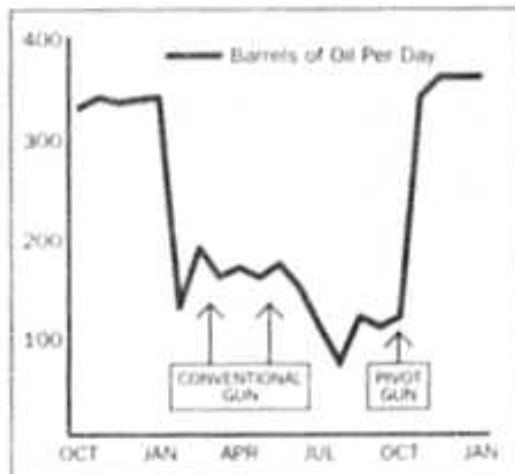
The making of these holes is a critical step. One perforating innovation is the HEGS High-Efficiency Gun System, which has a



*Schlumberger Sales Engineer Rod Kane, left, and Doug Eberts, president of Sierra Resources, review well logs before perforating a gas well with the Pivot Gun service. "Without Pivot Gun perforating, this would not have been a commercial well," Eberts says. Sierra Resources, an independent in Bakersfield, California, has restored slumped production in other wells with the Pivot Gun technology.*



**Pivot Gun services help Marathon Alaska give new life to an aging well.** Productivity of an oil well at Cook Inlet declined due to buildup of solid material that restricted the flow of oil. Conventional perforating guns were used twice to restore productivity, but provided only a minor and short lived improvement. The deeper penetration of the Pivot Gun reached beyond the flow restriction to increase production from 70 barrels of oil per day to more than 300 barrels of oil per day. Productivity has been maintained at this level.



lower operating cost than conventional guns, providing a competitive advantage in mature areas. Originally designed for cost-sensitive markets in California, where wells are less than 8000 feet deep, it has found application in many shallow-well markets. Cost saving comes not only from the gun itself—a design that uses recyclable parts and requires less machining—but in its deployment from a high-efficiency Blue Streak\* truck.

As customers seek oil from marginal and mature reservoirs, they need a perforating gun that can penetrate deeper into the rock. Longer perforations often mean greater flow of hydrocarbons. In these settings, the Pivot Gun system has become a

## Horizontal Well Production Logging, Offshore Australia

**D**rilling technology has matured to the point where wells can be routinely extended horizontally for a mile or more. In certain geologic conditions, horizontal drilling provides a dramatic improvement in efficiency, allowing hydrocarbon production from fewer wells at a higher rate per well, and increasing recoverable reserves.

Once a well is drilled, engineers need more information to manage the reservoir and plan future wells: How much oil will flow? From what parts of the well? Will water or gas encroach on the well and hinder oil production?

When the Australian company BHP Petroleum drilled its first horizontal wells in the Griffin Development, located 40 miles offshore Western Australia, a key part of the answer to these and other questions came from Schlumberger production logs.

BHP's horizontal wells were drilled with a sinuous path so that each made multiple intersections with all the oil-bearing sands of the thin, layered reservoir.

True Vertical Depth (meters)

3000

0

200

400

600

Horizontal Displacement from Griffin-6 Surface Location (meters)

Production logs measure the flow, physical properties, and behavior of fluids entering the well. They are run with the well producing and may be repeated over a period of years to track changes in well behavior.

For BHP and partners Mobil and Inpex Alpha, the goal of the production logging program was to characterize the oil reservoir as completely as possible, and provide baseline measurements that would assist in later development of the field. Wells were drilled from the Sedco Forex semisubmersible *Saico 708*. Production logging was performed with the aid of Dowell coiled tubing—a semirigid steel tube unreeled like a garden hose to push sensors to the depth of interest.

In one of the wells, BHP's detailed interpretation of 12 production logging measurements revealed which parts of

the well produced oil, proved the success of the well design, and provided valuable information for reservoir management.

For BHP, an added value of the logging program was obtaining several measurements in one trip into the well. With rig time costing more than \$150,000 per day, every minute counts. Making several measurements simultaneously with the PLT<sup>®</sup> Production Logging Tool and TDT<sup>®</sup> Thermal Decay Time tool meant less time logging and resulted in significant savings.

"We needed the highest quality information for the lowest cost," says Rick Aldred, the BHP petrophysicist overseeing the project. "Combinability of these tools gave us reliable, accurate measurements that we needed at the best price."

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valuable tool for establishing flow, providing the deep penetration of a large-diameter gun, but in a slim package. The gun fits through tubing—a pipe in the well, like a straw, that carries hydrocarbons to the surface. The well can therefore be perforated without the expense of deploying a rig to remove tubing. Because the well is perforated with tubing in place, there is no need to kill the flow of hydrocarbons, which can permanently damage well productivity.

The RST and Pivot Gun services have contributed to the success of Production Enhancement Groups, a new service in the ClientLink\* framework that helps customers improve production of existing wells. Production Enhancement Groups consist of specialists from Wireline & Testing and Dowell, working in hydrocarbon provinces worldwide. The team examines a customer's field to locate wells with potential for increased production and recommends a program to raise well productivity.

"Our revenue used to nearly parallel rig count," says Rod Nelson, an engineer who helped establish the first Production Enhancement Group in 1993. "Now with additional technologies, such as RST and Pivot Gun services, we provide a greater range of precision diagnostics for designing remedial treatments and cost-effective workovers. These technologies help our clients lower their overall cost, increase production, and boost our revenue, making it less dependent on the number of rigs."

"Creativity like this is key to increasing the profitability of production services," says Gould. "We grow not only by technical leadership, but by meeting customer's needs for efficiency."

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**B**y simply going to the office, Engineer Lee Ramsey moves Dowell to the forefront of a new, more productive way of doing business.

A well treatment specialist with 20 years experience, Ramsey doesn't work at a Dowell facility. His desk, phone, and networked computer are in the office of his customer, Mobil Exploration & Producing U.S. in Midland, Texas. He works 10 steps away from his key client and one floor below the data archive. Arranging a brainstorming session takes nothing more than a stroll down the hall.

Lee Ramsey is one of more than 100 specially trained Dowell engineers providing DESC Design and Evaluation Services for Clients. Posted in oil and gas company offices worldwide, DESC engineers embody the ClientLink approach in its purest form, giving both parties higher profitability by lowering the total cost of supplying well treatment services. For customers, the DESC program provides a dedicated resource, additional technical knowledge, and a close relationship that results in greater productivity. For Dowell, the DESC program increases understanding of client needs, enhances logistics and two-way communication, and provides access to the expanding market for well treatment services that extend the life of producing fields.

#### DOWELL AT A GLANCE

Fluids engineering  
and pumping services:

- Cementing
- Drilling fluids
- Stimulation
- Sand control
- Coiled tubing

6400 people of  
70 nationalities  
at 160 service centers  
in 67 countries

*(left) Equipment Technician David Battlett prepares Dowell pumping equipment to treat a well in Denver City, Texas. (previous page) Preparing for well treatment in Denver City, Texas. From left, Dowell DESC Engineer Lee Ramsey, Mobil Operations Engineer David Ulfao, Danny Kiser, consultant to Mobil, and Dowell Equipment Technician Nelson Shanklin.*

# ON THE JOB WITH A DESC ENGINEER

DAY 1, MORNING.

DOWELL DESC ENGINEER LEE RAMSEY REPORTS TO WORK AT THE MOBIL OFFICE IN MIDLAND, TEXAS, AND MEETS HIS CONTACT, MOBIL STAFF OPERATIONS ENGINEER RICK ADAMS.

WELCOME TO MIDLAND, LEE. LET ME KNOW IF YOU NEED A HAND SETTING THAT UP.

THANKS, BUT IT'S A ONE-MAN JOB RICK. SHOULD BE UP AND RUNNING BY LUNCH TIME.

THE ANALYSIS SHOWS THESE WELLS COULD BE MAKING AT LEAST ANOTHER 30 BARRELS PER DAY.

AND KNOWING THE CLEAR FURK FORMATION WE'RE LOOKING AT AN ACID FRAC<sup>2</sup> TREATMENT.

DAY 1, AFTERNOON. CANDIDATE RECOGNITION: RICK, LEE AND MOBIL OPERATIONS ENGINEER DAVID DELAO REVIEW THE EXISTING STATUS OF THE FIELD. FracCADE<sup>1</sup> AND NODAL<sup>2</sup> SOFTWARE HELP FIND WELLS THAT ARE THE BEST CANDIDATES FOR TREATMENT TO BOOST PRODUCTION.

DAY 5

TREATMENT DESIGN: HAVING IDENTIFIED CANDIDATE WELLS, LEE AND RICK USE FracCADE SOFTWARE TO DESIGN A TREATMENT PROGRAM—THE PRECISE COMPOSITION, VOLUME, AND ORDER OF SPECIAL FLUIDS TO BE PUMPED TO INCREASE WELL PRODUCTIVITY

THE CONDUCTIVITY PROFILE PLOT<sup>3</sup> SHOWS THAT WE NEED TO DO A LARGER ACID FRAC TO GET THE LENGTH AND CONDUCTIVITY WE NEED.

HOW MUCH LARGER DOES THE TREATMENT NEED TO BE?

LET'S RUN IT THROUGH THE COMPUTER AND SEE...

<sup>1</sup>NODAL analysis determines whether a well is producing at or near its maximum potential. FracCADE is one of six Computer Aided Design & Evaluation software packages that simulate well conditions and help evaluate treatment options.

<sup>2</sup>Acid frac: Creation of fractures in subsurface rock formations by injection of a dilute acid under pressure. The pressure opens existing fractures or creates new ones, and the acid etches the faces of the fractures, enhancing their ability to carry hydrocarbons into the well.

DAY 6:  
THE ACID FRAC JOB NEAR DENVER CITY, TEXAS, WITH THE TREATMENT DESIGN COMPLETE, LEE AND RICK OVERSEE TREATMENT EXECUTION AT THE WELLSITE, ENSURING EXECUTION PER DESIGN AND TREATMENT QUALITY CONTROL.

LOOKS LIKE WE'RE READY TO START. DOES THE POD\* BLENDER\* HAVE DISCHARGE PRESSURE, LEE?

YES, RICK AND ACID PUMPS ARE PRIMED AFTER THE FINAL SAFETY CHECK WE CAN START PUMPING.



DAY 8  
POSTJOB EVALUATION AT THE MOBIL OFFICE IN MIDLAND: FracCADE SOFTWARE HELPS EVALUATE THE TREATMENT TO DETERMINE ITS SUCCESS AND PROVIDE EVEN BETTER FUTURE TREATMENTS.

INSTEAD OF 30 BARRELS OF OIL PER DAY, WE GOT 60, THE POSTJOB EVALUATION SHOWS WHY - WE ACHIEVED MORE LENGTH THAN PREDICTED.



LATER: NEWS SPREADS FAST OF THE SUCCESSFUL REJUVENATION OF THE DENVER CITY WELL.

CALL ME WHEN YOU'RE DONE HERE, LEE. I'VE GOT ANOTHER FIELD I'D LIKE TO TALK WITH YOU ABOUT.



\*Conductivity profile plot: A FracCADE output showing for a treatment plan how easily hydrocarbons will flow through various parts of an artificially produced fracture. The longer and more conductive the fracture, the more hydrocarbons it can carry toward the well.

\*The POD (Progratecable Optimum Density) blender provides precise control of the properties of fluids pumped into the well.



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The DESC program leverages Dowell's leadership in a wide range of fluids engineering and pumping services, including coiled tubing services, high-pressure pumping, and well stimulation. The program also advances growth of drilling fluids services.

In a relatively short time, the DESC program has made a big impact. This year in North America, where the service started in 1990, the DESC program contributed significantly to the 16% jump in revenue, despite only a 10% increase in drilling rigs and a 5% drop in workover rigs. Building on this success, plans call for nearly doubling the number of DESC engineers worldwide in 1995.

"The DESC program moves us toward a more efficient way of collaborating with customers to manage treatment of fields over the long term," says Roberto Monti, president of Dowell. "The goal is to grow by helping customers increase production while reducing cost—both ours and theirs."

The DESC engineer works closely with the customer to perform four tasks that are part of the Dowell overall Design-Execution-Evaluation\* strategy. The first task is candidate



recognition. In this step, the engineer makes a rapid and accurate study of the customer's wells. Together with the customer, the engineer selects the best candidate wells for cost-effective remedial treatments that will boost hydrocarbon recovery.

Next comes treatment design. Using Dowell CADE Computer-Aided Design & Evaluation software, the DESC engineer and customer plan the optimum treatment. This involves selecting the type, volume, and sequence of fluids that Dowell will pump, and predicting the result of the treatment. The CADE programs provide seamless transition in the management of well treatments.

The third task is execution, in which the team goes to the wellsite to assure quality of the treatment. The fourth and final task is treatment evaluation. Results are compared with the predicted outcome to determine the effectiveness of the treatment and to learn ways of improving future treatments.

This process saves money for both the client and Dowell. For clients, a team devoted to meeting their needs means more cost-effective evaluation and treatment of wells. For Dowell, cost saving comes from being able to focus on delivery of the most efficient services. The logistics of setting up a job, for example, are easier to coordinate.

"In the past when the customer called, we might have had to bring in a pump truck from 500 miles away," says Ramsey, who works as a DESC engineer in the Mobil Oil/Dowell



*The Mobil/Dowell Enhanced Supplier Relationship Performance Improvement Team received the Mobil Corporation Chairman's Award in 1994. The team, operating in the ClientLink spirit, is helping to build "an organization committed to the relentless pursuit of cost reduction, productivity improvement, and breakthrough innovation," said W. S. Pountek, Mobil Executive Vice-President Americas, Exploration & Production Division.*

Enhanced Supplier Relationship. "Now, because we work right next to the customer daily, we can plan further in advance to set logistics that best suit everyone."

"The DESC service has eliminated much wasted time and redundancy of effort," says Kevan Jenkins, drilling superintendent for Mobil's Southern Region Gas Asset Team. "It has reduced cycle time and made us more proactive in our efforts to cut costs and improve well productivity." Between 1993 and 1994, for example, the program helped the Mobil team reduce the cost of fracture treatments by 25% and raise average well productivity by 20 to 25%. Simultaneously, the program significantly boosted Dowell's business and therefore its profitability.

A less tangible but fundamental benefit of the DESC program is the dissolution of barriers between companies.

"The foremost benefit is improved communication with the supplier," says Rick Adams, Mobil's staff operations engineer for the Southern Region Gas Asset Team. "Our relationship has progressed to the point where we have a mutual sense of trust and have become partners in the design function. And it goes beyond the DESC engineer to personnel at the wellsite and in other support functions. At the end of the day, what matters is people, first and foremost."

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The seismic industry has been characterized by repeated swings in activity levels, never-ending capital requirements to stay competitive, and an erosion of data acquisition and processing unit prices, especially in marine seismic. How can a seismic company create new opportunities in this tough market?

In 1994, Geco-Prakla addressed this challenge in two ways: by focusing on business basics to increase efficiency throughout the organization, and by continuing technical innovations that boost the value of seismic data and give long-term differentiation over competitors.

A focus on business basics was achieved by an aggressive and far-reaching Revenue, Quality and Cost (RQC) campaign, spearheaded by Claus Kampmann, president of Geco-Prakla. "In a nutshell, focusing on business essentials, with the involvement of the whole Geco-Prakla organization, is key to profitable seismic operations," says Kampmann. "During the second half of 1994, the RQC campaign contributed to major improvements in results."

Key elements in maximizing revenue included aggressive introduction of new technology and better communications with customers. "By working closer with our clients, we improve our understanding of their needs, and we better communicate the

## GECO-PRAKLA AT A GLANCE

Seismic data acquisition, processing, and interpretation

- Ocean
- Land and transition zone
- Seismic data processing and interpretation

Also exploration services, primarily planning, acquisition, processing, and editing of non-exclusive seismic data

2,500 people of 60 nationalities at 44 facilities in 22 countries

(left) On board Geco Diamond in Galveston, Texas, Steinar Fjeldby, foreground, and Barry Buhler load equipment for a three month project in the Gulf of Mexico

(previous page) New vibrators at work in a gas field in Oman. These 20-ton all terrain vehicles have retractable base-plates that literally shake the earth, sending down acoustic pulses used in the search for hydrocarbons. A state of the art transmission allows the vibrator to move quickly between sample points, increasing efficiency by reducing survey time

value-added technology we can provide," says Svein Kjellesvik, vice-president marketing and sales, and head of the Revenue Campaign. New technology released this year included the Digiseis-FLX (FLX for flexibility) acquisition system, designed for seismic surveys in areas overlapping land and sea, called the transition zone. The Digiseis-FLX system meets the technology needs of the transition zone, where demand for seismic surveys is on the rise. VIVID structural inversion services using massively parallel processing to help locate hydrocarbons in complex geologic settings, is another example of technology addressing a growing market need.

In 1994, Geco-Prakla reorganized from a geographically based to a product line organization. This move was a major contributor to the Cost Campaign. It allowed optimization of support organizations, closure of 17 facilities, and reduction in management layers and overhead. Cost saving also came from taking advantage of shared Schlumberger resources and the Schlumberger Information Network (SINet), a worldwide communications system. With SINet, 22 data processing facilities worldwide were linked to supercomputer capability concentrated at two Megacenters: Gatwick, England and Houston, Texas. This provided significant optimization of local resources and further reduced costs.

"Improving quality requires continuous review of the way things are done and how they can be improved by new technology, methodology, and training," says Philippe Régnault, director of quality, health, safety, and environment, and head of the Quality Campaign. In 1994, a major effort was undertaken to

improve seismic crew productivity in land and marine. In marine, the innovative Monowing technology boosted productivity and pioneered an unprecedented towing efficiency of the vast array of in-sea equipment used in marine surveys. This proprietary technology permitted the upgrading of several seismic vessels with very low capital expenditure. In land seismic, launch of the industry's first integrated land information management system, Olympus-IMS technology, supersedes many patchwork software packages. The Olympus-IMS system performs tasks faster, with greater flexibility, reliability, and accuracy, hence improving quality.

Geco-Prakla continues to invest in the future through research and by sustaining significant engineering efforts. The fruits of these undertakings include: marine acquisition systems providing new measurements that help improve models of oil and gas reservoirs and better predict the presence of hydrocarbons; a new generation land acquisition system that will improve efficiency and data quality; and new data processing technologies that help customers locate reserves in complex geologic settings. These investments assure a continued flow of technical innovations that increase the value of seismic data to customers and will provide technical differentiation for Geco-Prakla over the long term.



*The Digisels-FLX system assists with the search for hydrocarbons in nearshore Southern California. Data acquisition units connected to receivers pick up acoustic pulses and transmit them to a central computer. Use of radiotelemetry, instead of transmission by cable, allows quick and flexible deployment of receivers, reducing survey time and resulting in less disturbance to sensitive nearshore environments.*



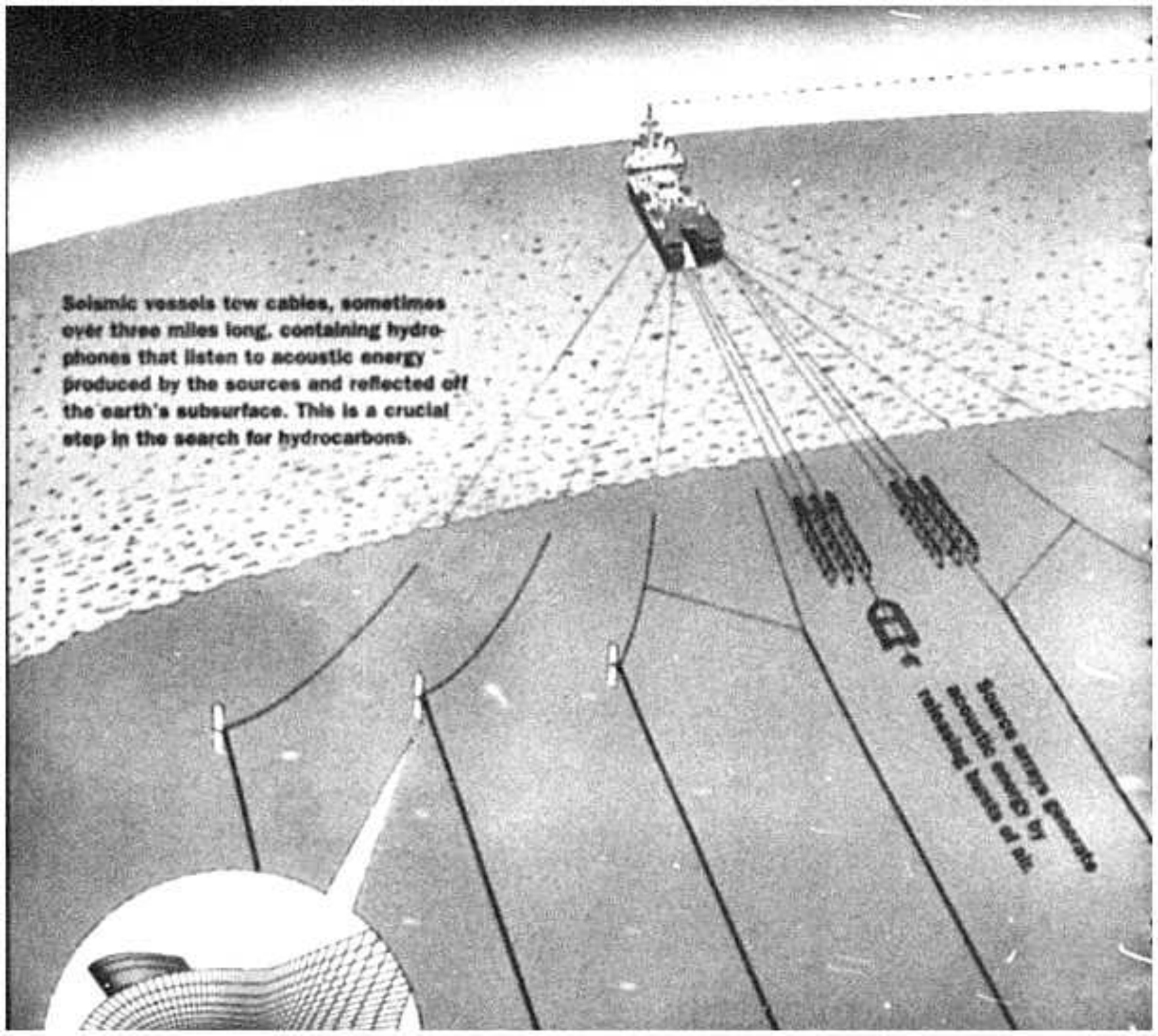
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Seismic vessels tow cables, sometimes over three miles long, containing hydrophones that listen to acoustic energy produced by the sources and reflected off the earth's subsurface. This is a crucial step in the search for hydrocarbons.

Source areas generate acoustic energy by releasing bursts of air.

## Geco-Prakla and the Concurrent Processing Revolution

The challenge of seismic data is managing its massive volume, squeezing the greatest value from that volume, and converting data into accurate, meaningful information as quickly as possible. "Speed is important," says Terje Flaten, a geophysicist with Statoil, the Norwegian national oil company, "because we need to cut the time between first money spent and first revenue."

As recently as 1992, a typical seismic survey took 52 weeks from the beginning of acquisition of seismic data to the first interpretation. Now, this time has been compressed to 10 weeks or less, thanks in part to data processing with the TRILOGY on-board data management system, the industry's only integrated system for data management. In the case of a North Sea survey for a group consisting of Mobil Exploration Norway Inc., Saga Petroleum a.s., and Statoil, that time shrank to only six and a half weeks.

Mobil, Saga, and Statoil wanted to see how fast high-quality data could be collected in Block 33/6, a 125-square-mile area in the Norwegian North Sea. The block is thought to be rich in oil, since adjacent reservoirs contain 700 to 900 million barrels of oil. The survey was conducted to prepare for development bids, which the Norwegian government has scheduled for 1995.

A major factor in reducing turn-around time is processing data on-board concurrently with acquisition. This eliminates time normally spent in manually transporting and loading data at an on-shore center. With TRILOGY technology,

Geco-Prakla geophysicists on board *Geco Gamma* started processing as soon as acquisition began.

As an added benefit, advanced on-board processing provided the customers significant savings by proving that data collected during rough weather passed quality checking. Without this on-board processing, data quality could not have been assured and data would have had to have been collected again during calm weather, further delaying data delivery and increasing costs.

"We made *Geco Gamma* into a floating processing center networked to onshore facilities," says John Close, vice-president of data processing for Geco-Prakla. While new data were being gathered, analyzed data were beamed from the vessel by satellite to Geco-Prakla offices, where the Schlumberger Information Network completed the link to Statoil in Stavanger. There, geoscientists worked around the clock to check data quality and make critical decisions. The communications network enabled Statoil geophysicists to monitor data acquisition and processing from their office and send their decisions to Geco-Prakla geophysicists aboard the vessel.

"Thanks to good planning by Geco-Prakla, we didn't have one second of downtime on the computers or transmission lines," says Flaten. "Altogether, we learned what kind of technology and organization you need to get the job done. After all, we're in the business of exploiting data. Anything that slows us down is a waste of time and ultimately money."

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**S**edco Forex, the largest drilling contractor to use cost-effective tender-assisted drilling, has solidified its position as the leader in global offshore drilling through its competitive advantage in growing markets for land drilling.

While maintaining expertise in the demanding offshore environment, the company is developing new resources to tap expanding markets in land drilling, a highly diverse business with smaller margins and driven by intensely local needs. On land, providing high-value services therefore rests even more on the human element.

"Profitable growth, especially in land drilling, requires superior knowledge of customer requirements," says Jean-Marie Brodin, head of Sedco Forex. "This knowledge comes from building good, local market intelligence."

Local intelligence will come from deepening the company's presence in areas with the highest potential for increased drilling demand. The cornerstone is a new management center in Dubai. This center is charged not only with securing customer contracts in expanding land markets in the Middle East, North Africa, and Pakistan, it will also liaise with other centers to identify and exploit opportunities in land drilling. Another center for Latin America was established in Caracas, Venezuela.

*(left) Drillers work in a long twilight in Oman.*

*(previous page) Chief Mechanic Michel Piron, left, and Rig Superintendent Bernard Verge of a mobile rig in Oman. Teflon feet, low-pressure tires allow the rigs to safely and easily move in about a half day.*



"The Dubai center will establish new rules of the game," Brodin says. The basic thrust is to draw on the company's global experience to develop local expertise worldwide.

The Dubai center functions as a technical and business hub, experimenting with new methodologies and making recommendations to other offices. Specialists there coordinate the rig fleet and select assignments, matching client needs with rig characteristics. They also assess new opportunities for drilling. Foremost, the center will eventually be staffed, from top to bottom, with local specialists.

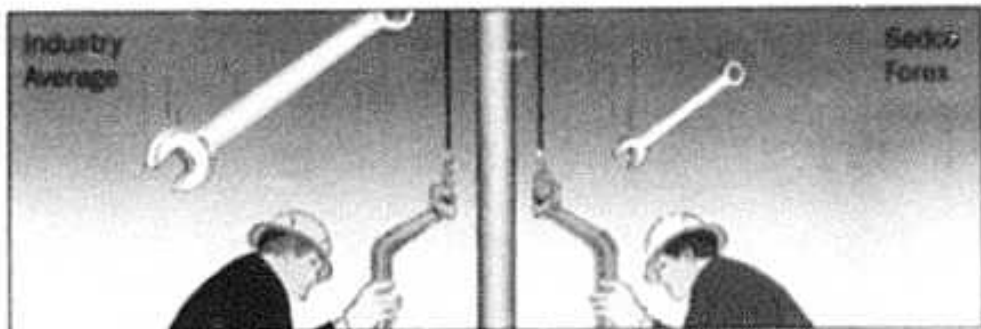
The strategy of developing local talent and market intelligence has four benefits. First, hiring locally improves understanding of client needs by enriching the company with people of the same background as their customers. Second, it opens access to a larger pool of expertise. Third, it builds motivation

by promoting based on merit, irrespective of cultural origin. And fourth, it makes for deeply rooted relationships in countries where Sedco Forex works.

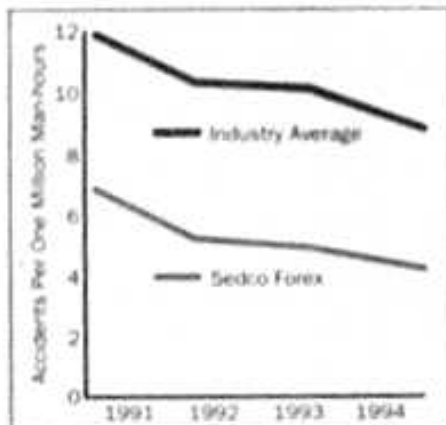
"In land drilling, success in growth markets means speaking the local language and mastering the subtleties of custom and culture," Brodin says. "You can do this only by fully integrating into the culture." The Dubai center, for example, draws on the company's global experience and integrates people from the countries served—and not just on the rig floor, but vertically throughout the regional organization. It is headed by Adil



*Adil Teubia heads the new land drilling management center in Dubai.*



**Safety training keeps the Sedco Forex injury rate below the industry average.** Every technical employee receives 50 hours of training per year, a large component of which covers health, safety, and protection of the environment (HSE). "Training is the key to maintaining leadership in technically challenging areas," says Don Munro, director of quality and HSE. "Our excellence in performance is linked with excellence in quality and HSE—you can't have one without the other."

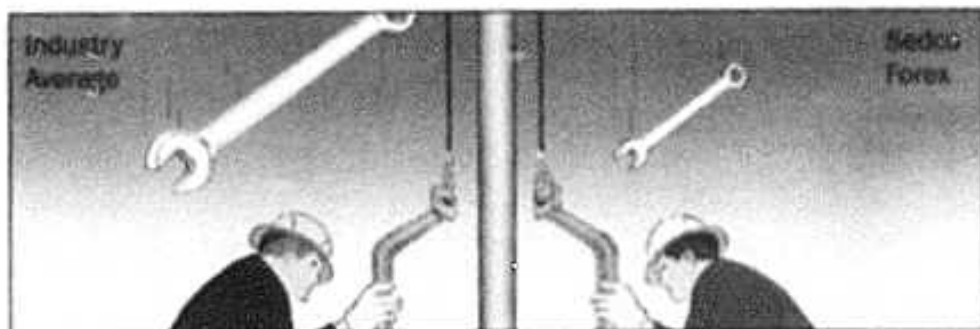


Toubia, who speaks Arabic, English, Norwegian, and German.

The Caracas and Dubai centers occupy the same sites as other Schlumberger oilfield companies. This colocation speeds the integration of Sedco Forex into expanding markets by drawing on the local expertise of established Schlumberger companies.

Cross-pollination between OILFIELD SERVICES companies has already begun to pay off, mainly through the ClientLink integrated services initiative. In Oman this year, integrated services by Sedco Forex, Dowell, and Anadrill helped a customer successfully drill difficult sidetracks—new horizontal wells that extend from existing vertical boreholes. The sidetracks doubled





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of management centers in  
Dubai and Caracas.



## Growing a Business in Oman

**L**and drilling in Oman is typically competitive and, for the Middle East, atypically challenging. The geology is complex, wells are deep and hot, and hydrocarbon recovery per well is lower than usually encountered in the Middle East. Efficient production and cost-effective operations therefore rely on an integrated approach to horizontal drilling.

The largest operator in the country is Petroleum Development Oman (PDO), a consortium of the Oman Government, Shell, Partex, and Total. As part of a technology trial program, PDO used services from four Schlumberger companies—Sedco Forex, Dowell, Anadrill, and Wireline & Testing—with the ultimate goal of boosting recovery. Coiled tubing was used to drill horizontal wells from the side of existing vertical wells. This approach, and improved efficiencies of rig logistics, is aimed at ultimately cutting drilling time from 15 to 10 days, and reducing cost by more than 30%.

"Technology is a key lever for reducing cost," says Brian Straub, PDO drilling manager. "Efficient horizontal drilling is the way of the future." Last year, 43% of PDO wells were horizontal; in 1994, the number rose to 71%.

"We've established our ability to provide superior technology, safety, and rig efficiency," says Adil Toubia, head of Sedco Forex in Dubai. "A key to growth is working closer with customers like PDO. This will enable us to anticipate their needs and provide our local expertise with the right rig in the right place at the right time."



or tripled well productivity for significantly less cost than starting new wells from the surface. Sedco Forex supplied the rigs and a team of drillers knowledgeable about Oman, Dowell provided coiled tubing expertise, and Anadrill furnished directional drilling specialists and technology.

"Opportunities like this in land drilling are increasing," says Brodin, "but only for those who are in the business for the long term, who contribute to the local economy, and who are prepared, as we are, to invest their experience and technology as well as their dollars."

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OILFIELD SERVICES

Anadrill



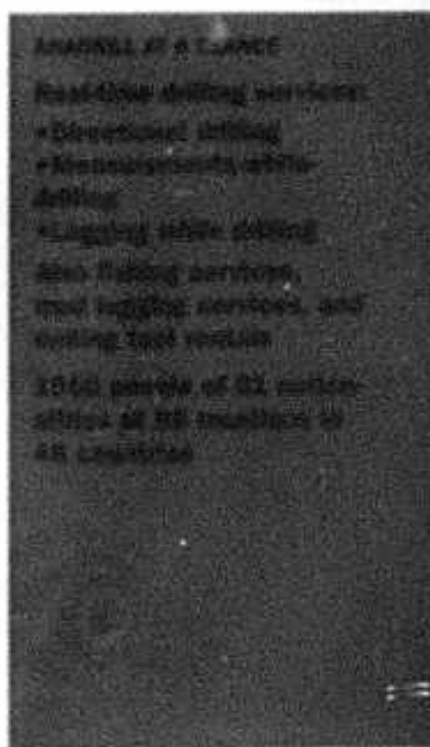
**L**ow oil and gas prices are driving energy companies to find ways to produce more hydrocarbons for less money. Since drilling is the largest expense in field development, efficiencies in drilling can provide substantial value.

"More oil for fewer drilling dollars," says Tom Bates, Anadrill president, "requires technology that allows you to thread the needle—to precisely place a horizontal borehole, miles long, within a few yards of a target. This is what we're helping energy companies achieve in their battle to reduce field development costs."

Tom Bates heads the fastest growing division of OILFIELD SERVICES, with revenue up 25% from 1993. Driving this increase is a focus on directional drilling, coupled with technical innovations that are changing how energy companies realize the full potential of oil and gas reservoirs, and an ongoing campaign that boosts operational efficiency.

Anadrill's expertise addresses two changes in how energy companies drill for hydrocarbons. First, oil and gas increasingly come from wells that pierce the reservoir horizontally. These wells drain longer segments of a reservoir than vertical wells, thereby dramatically increasing production cost efficiency.

Second, energy companies increasingly use extended-reach



ANADRILL AT A LARGE

Real-time drilling services

• Directional drilling

• Measurements while

drilling

• Logging while drilling

• Wellbore services

• Well logging services

• Wellbore cleanout

2000 people of 60 nationalities

drilling 600000000 ft of wellbore

in 45 countries

(left) The drilling rig at Wyth Farm, visible at top center, makes a minimal impact on the surrounding natural area on the south coast of England.

(previous page) The GeoSteering tool, an instrumented steerable motor, undergoing a prejob checkup at the Anadrill shop in Aberdeen, Scotland. GeoSteering measurements are made immediately behind the bit, allowing for rapid correction to the direction of the well path.



wells—wells that slant at a steep angle and traverse the subsurface for miles before reaching the reservoir target. Offshore, this technique allows a reservoir to be tapped from fewer platforms, dramatically reducing field development cost. The technique is allowing BP Exploration and partners to develop a nearshore field from the coastline using a land rig, reducing costs and minimizing environmental impact.

These drilling revolutions are fueled by two technologies, which are combined in Anadrill's IDEAL Integrated Drilling Evaluation and Logging system. In one technology, advanced sensors are engineered into the drill string near the drill bit, providing measurements-while-drilling (MWD) and logging while drilling (LWD) data in real time. The data reveal the precise trajectory of the well and the nature of the rock formations being drilled. They also enhance the safety and efficiency of the drilling process. This wealth of information allows energy companies to make crucial decisions as drilling progresses. Anadrill has established worldwide leadership in this market.

The other technology is advanced directional drilling, with revenue approaching that of MWD/LWD services. Special down-hole equipment is used to guide the borehole along a precise path for thousands of feet. With its PowerPak drilling motor and GeoSteering technology, Anadrill has nearly tripled its activity in this market since 1992. The PowerPak motor sets new standards in reliability under tough drilling conditions of heat, shock, and pressure, while the GeoSteering technology places sensors at the drill bit—an industry first that enables rapid corrections to the direction of the well path. Both the PowerPak

motor and Slim1 MWD system have advanced the company's lead in cost-sensitive markets. "Integrating MWD/LWD services with directional drilling creates a service with benefits greater than those of its parts," Bates says. "It ultimately adds up to fewer dry holes and faster, safer drilling."

During a project, Anadrill teams remain at the wellsite 24 hours a day, 7 days a week, and sometimes months at a time until the well has been completed. This presence enhances teamwork between Anadrill and its client. Anadrill also provides customers with complete well engineering services—the know-how required to design and drill complex wells.

Anadrill has three essential ingredients for sustaining profitable growth: a team of professionals committed to meet client needs, innovative technology, and an expanding market. Anadrill's teamwork with clients has produced a string of successful wells in challenging settings, from Wytch Farm in England to Lake Maracaibo, where Anadrill engineered Venezuela's first successful horizontal well. Meanwhile, the company's Houston-based team of 160 scientists and engineers provides a fresh stream of technological advances, pushing back the limits of drillable hydrocarbon reserves, and adding to the increasing number of extended-reach and horizontal wells. This combination—people and technology to address a growing demand—secures Anadrill's leadership in the expanding markets for extended-reach and horizontal drilling.

ANADRILL

# Extended-Reach Drilling at Wythch Farm

Wellsite at Wythch Farm

3300 FT.

5300 FT.

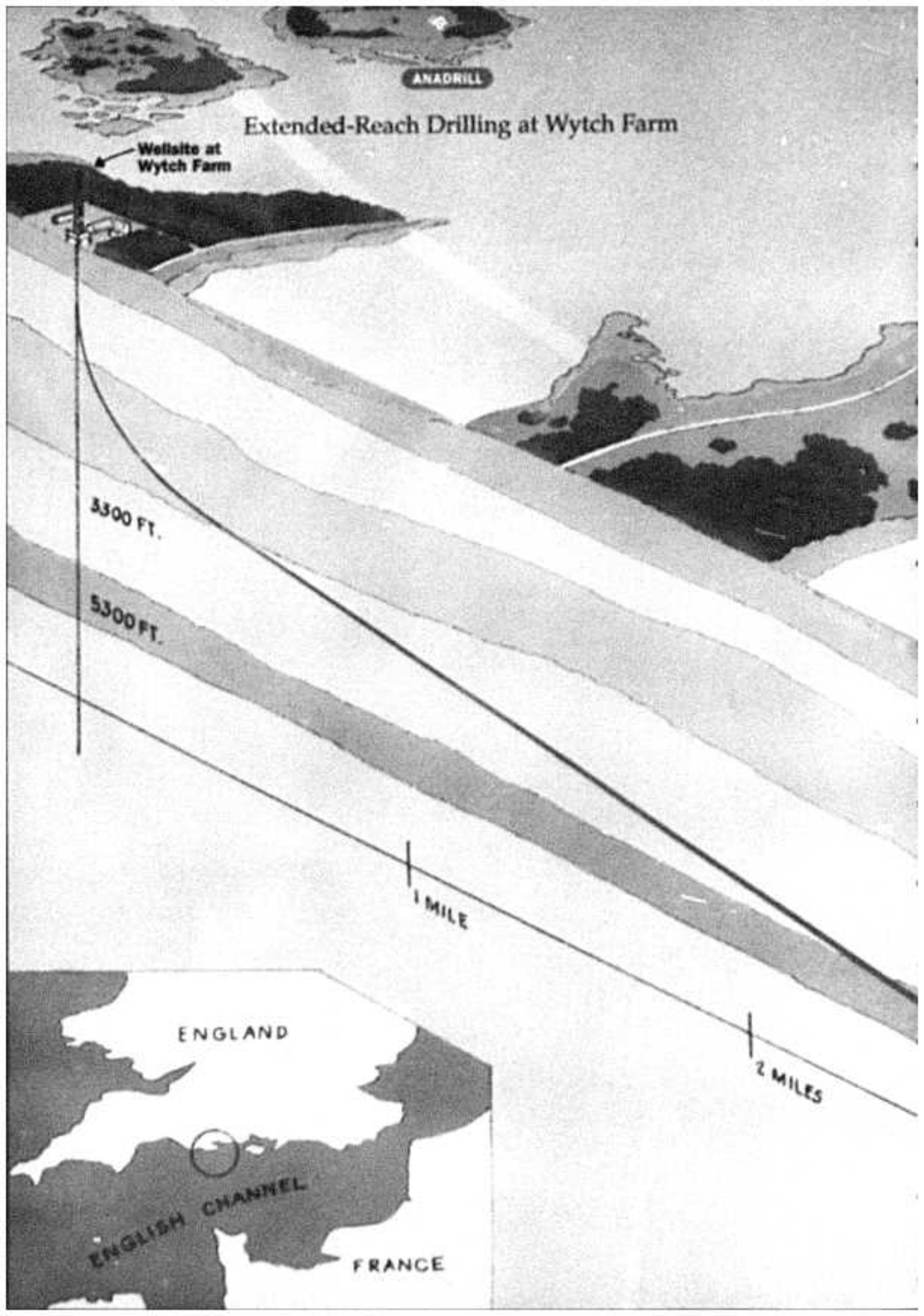
1 MILE

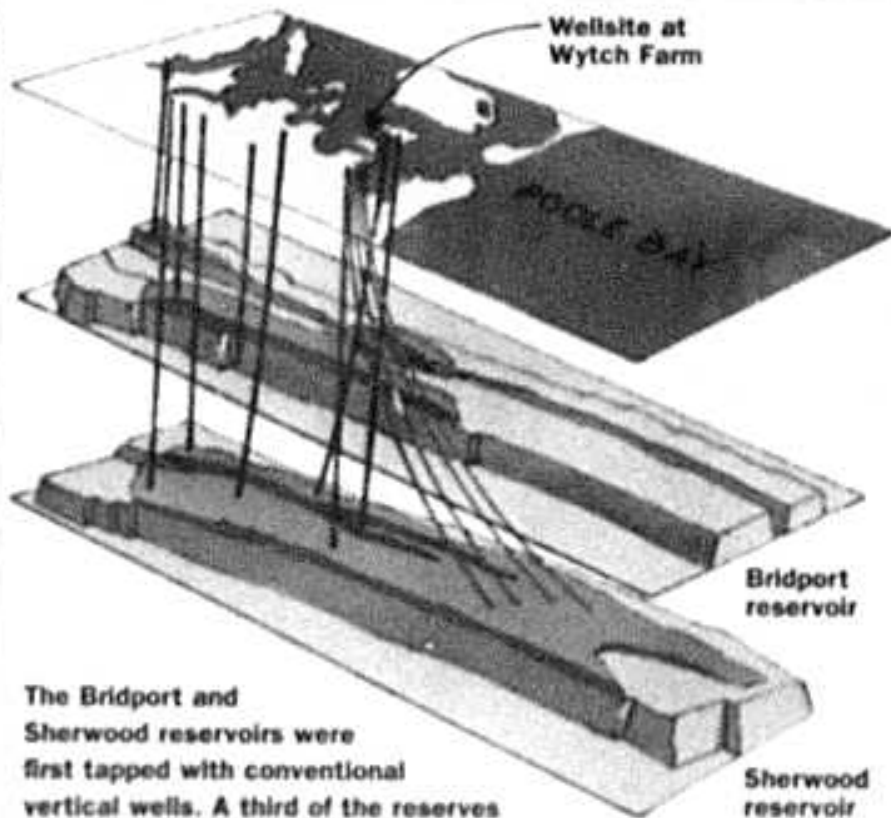
2 MILES

ENGLAND

ENGLISH CHANNEL

FRANCE





The Bridport and Sherwood reservoirs were first tapped with conventional vertical wells. A third of the reserves in the Sherwood reservoir lies under Poole Bay and is produced with extended-reach wells.



3 MILES

4.2 MILES

## Extended-Reach Drilling at Wytch Farm

In a National Heritage coastline area in the south of England, BP Exploration has contracted with Anadrill to drill some of the world's longest extended reach wells into an offshore oil reservoir. To develop the Wytch Farm reservoir, BP chose innovative extended-reach drilling rather than the approach of building an artificial island from which to drill. The results of this decision are impressive: no expensive offshore production facilities, well-concealed onshore facilities that lie adjacent to sites of special ecological value and adhere to strict environmental guidelines, a project cost estimated at \$150 million less than a conventional offshore development, and production of oil three years sooner.

The most productive part of the Wytch Farm reservoir lies more than one mile offshore under Poole Bay. The entire field contains an estimated 300 million barrels of oil and produces about 90,000 barrels a day, the most prolific onshore development in Europe. BP is developing the field with extended-reach wells, the most recent of which is a record-setting 4.7 miles long.

The wells begin on land and have to be carefully steered to avoid crossing other existing wells. They head offshore at more than 80° from vertical, then flatten to

horizontal, passing through the reservoir for nearly a mile while staying within a 13-foot vertical window to maintain adequate distance from the water table.

Drilling and completing these technically sophisticated wells required close, daily collaboration among a team of specialists from BP, Anadrill, and several other service contractors. Anadrill's

contribution has been in well trajectory design and providing MWD/LWD and directional drilling services, including the PowerPak and Geo-Steering technologies.

"The most important factors have been teamwork, good communication, and advanced technologies," says Mike Hazell, BP's drilling manager at Wytch Farm. "The GeoSteering system, for example, has made a huge difference." Its inclination measurement at the drill bit permits rapid course

corrections that keep the well within the required 13-foot depth window.

The offshore section of the Wytch Farm development represents new and exciting territory, where Anadrill is providing the means to produce previously unreachable reserves from an onshore drilling location. With the Wytch Farm success, BP is looking forward to pushing the envelope further, planning even longer extended-reach wells.



*Mike Hazell of BP leads the drilling program at Wytch Farm in England.*



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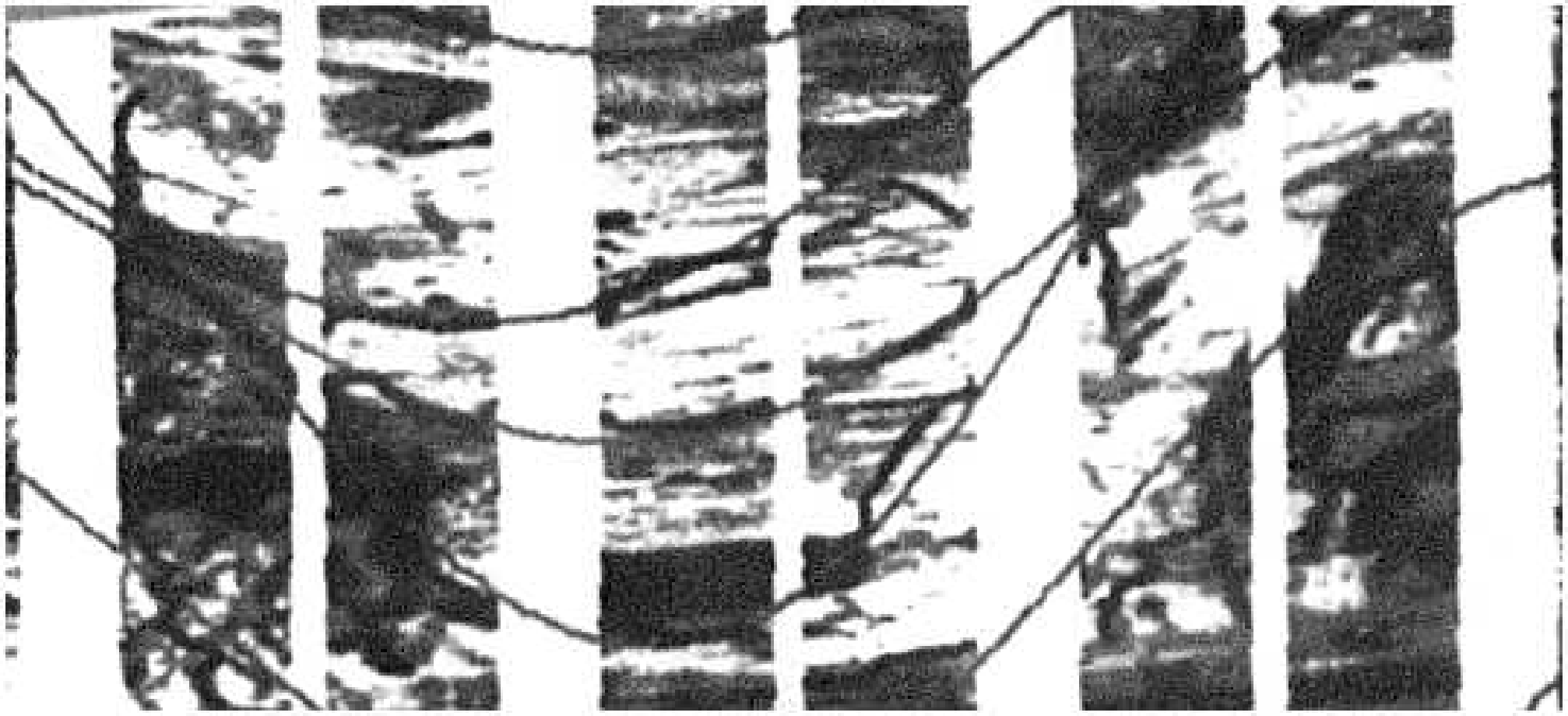
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"In the ten years since their introduction, geoscience workstations have dramatically changed the exploration and production business," says Rex Ross, president of GeoQuest, Schlumberger's software products and computing services company. "With the technology and efficiency advantages provided by workstations, our customers are at the point where they wouldn't consider working without them."

Desktop computing has transformed how geoscientists find and produce hydrocarbons. Starting in the mid-1980s, geoscientists began shifting most of their work from mainframe computers and paper documents to desktop computer software that allows rapid, interactive analysis and viewing of data and interpretations. The microchip revolution—ever-faster integrated circuits at ever-lower prices—is the enabling technology that meets the demand for more powerful workstation software. Capitalizing on this technology shift is GeoQuest, the newest Schlumberger oilfield services company. GeoQuest has become the leader in software sales and data services that help customers make crucial decisions with greater efficiency and accuracy.

GeoQuest software allows geoscientists to display and interpret measurements of the earth's subsurface, giving a clear

#### GEOQUEST AT A GLANCE

Integrated technology for hydrocarbon exploration and production

- Software products
- Data services
- Information technology services

1200 people of 64 nationalities in 70 Data Service and Software Support centers in 50 countries

*(left) Hard copy libraries of exploration and production data, sometimes dating back 100 years, are being replaced with computer systems. Moving data to Geol frame\* applications boosts exploration and production efficiency by providing rapid access to data and flexibility in processing and interpretation.*

*(pages 10 and 11) Images of geologic layers in a wellbore, from the FMI\* Fullbore Formation Microimager, can be interactively interpreted in the Geol frame\* ForView\* module.*

picture of where hydrocarbons might be and how they may be best extracted. The user can easily apply knowledge of the reservoir to test many what-if scenarios, thereby refining the interpretation and reducing the chance of error. GeoQuest software is used both by customers in their offices as well as by the GeoQuest Data Services group—65 Data Services Centers and 35 Dedicated Client Centers in 50 countries.

Today, as energy companies look for ways to boost efficiency, they are reaching outward to suppliers for computer software and data services. This switch to "buy not build" technology is changing the landscape of the energy business, contributing this year to GeoQuest's 25% increase in software revenue. By combining the strengths of the software and data services businesses, the company is positioned for further expansion.

The centerpiece for continued growth is the GeoFrame reservoir characterization system. This suite of exploration and production software products, the first components of which were released in 1993, addresses the needs of diverse geoscience disciplines. The GeoFrame system is the architecture that will guide GeoQuest software development. When fully implemented, the GeoFrame system will allow users to easily share and analyze data in a fully integrated fashion. This will enable them to reach more accurate well placement decisions in less time. As today's customers seek to reduce turn-around time in exploration and development, and maximize well productivity, GeoFrame tools will make an increasing contribution to swift and accurate decision making.

Growth of the GeoFrame system over the next few years pivots on more software products with more functions, more

speed and greater ease of use. Today, the GeoFrame system consists of four software product families. By 1996, it will expand to seven, becoming an unrivaled tool for analyzing and visualizing the intricacies of hydrocarbon reservoirs. Wider usage of GeoFrame products is expected to come from both deeper penetration into existing markets and expansion to new users.

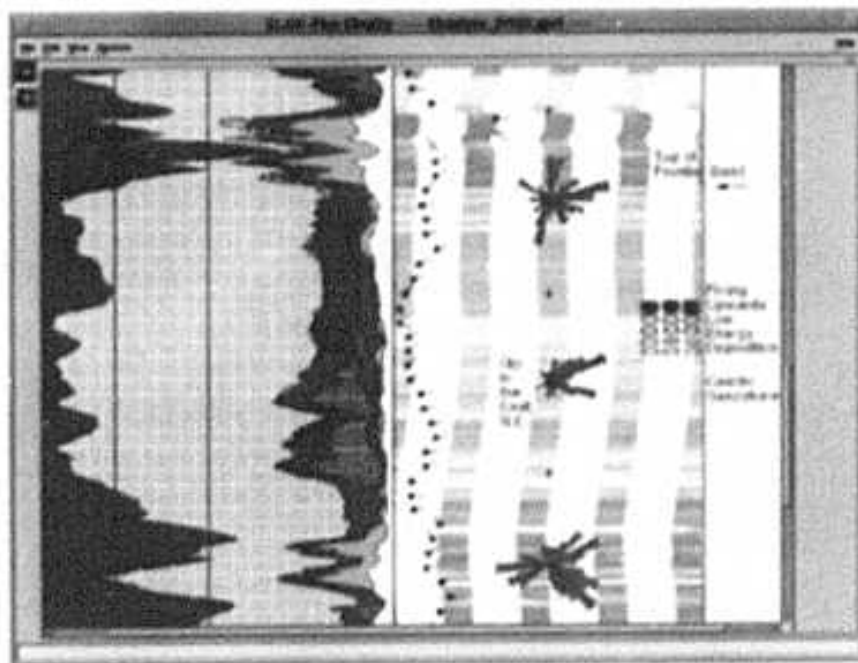
"Our strength," says Ross, "is that GeoQuest products are the point of convergence for integrating all oilfield measurements. In building and supporting our products, we can draw on talent from any exploration and production discipline, all of which are represented in the Schlumberger family. None of our competition can tap as rich a reserve of knowledge."

Another vehicle for GeoQuest's growth is an organizational structure that is highly sensitive and responsive to customers' near- and long-term needs. Various teams within the company—research, engineering, and marketing—are managed to create a high level of flexibility and foresight. This ensures that software development anticipates rapidly changing customer demands.

This flexibility also applies to the Data Services business. The traditional source of revenue—processing and interpretation of well data and measurements—is closely related to the number of drilling rigs. By shifting its resources, however, Data Services is accelerating growth in four new markets that are less sensitive to the number of drilling rigs: data needs associated with rigless work, enhanced reprocessing of old data to extract new answers, data processing outsourced by customers, and integrated field studies.

As a complement to its existing product lines, GeoQuest has created a new business segment known as Information Technology (IT) Services. Thus, with its unsurpassed expertise in geoscience applications, data management, and computing technology, GeoQuest is ideally positioned to handle the increasing data management and IT services needs of the industry.

"The creation of GeoQuest within Schlumberger," Ross says, "has advanced a software culture with a visionary entrepreneurial spirit, and a global reach in diverse and leading-edge oilfield services. It's a powerful formula for profit and growth."



*Geological borehole geology applications identify significant geologic features that can point the way to hydrocarbon deposits. This dipmeter and image processing program includes capabilities for processing and interpreting images of the earth made from borehole measurements. Schlumberger and AGIP are collaborating on a further enhancement of a dipmeter program (see "Increasing the Value of Dipmeter Data," page 84)*

## What is the GeoFrame System?

The exploration geoscientist focuses on answering two questions: Where to drill next and how to optimally drain the reservoir? These questions are addressed by manipulating and interpreting measurements on a workstation, testing ideas of how and where hydrocarbons might be trapped. The geoscientist uses various software tools to create a 3D picture of the earth's subsurface, and map the exact shape and location of hydrocarbon deposits.

Traditionally, the geophysicist worked with one set of software, the geologist with another, the reservoir engineer with a third. Often, data and interpretations resided only on paper, not in computerized form. Integrating ideas and insights was difficult.

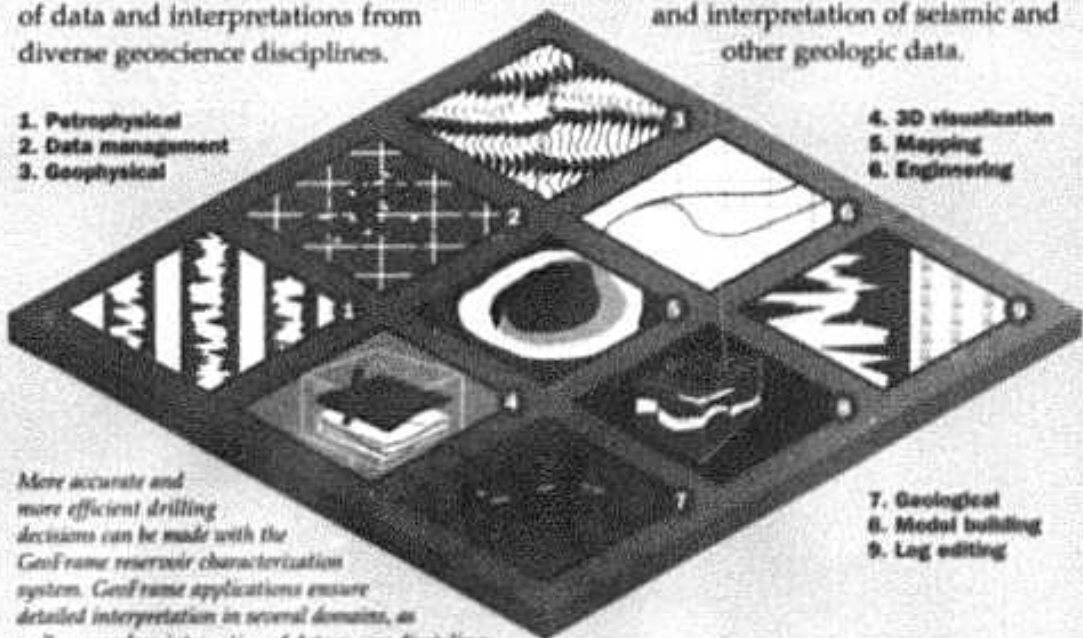
This problem is solved by the GeoFrame system. For geoscientists to quickly and thoroughly consider as many scenarios as possible, they need software that enables interactive sharing of data and interpretations from diverse geoscience disciplines.

The GeoFrame system is a computing architecture and environment: a software structure that allows diverse software applications to operate and easily communicate with each other to address a full range of exploration and reservoir development needs of oil companies.

Today, four families of GeoFrame software products allow geoscientists to easily share information about several properties of subsurface rocks: the shape of rock bodies, their mineral composition, how fluids behave in porous rock, and the extent and shape of hydrocarbon deposits. GeoFrame data management software helps organize voluminous geoscience data bases for efficient use. This is no small task, since these data bases can contain more than one trillion bytes of data—equivalent to a stack of encyclopedias more than nine miles high. By the end of next year, three additional GeoFrame software families will be added for mapping, and interpretation of seismic and other geologic data.

1. Petrophysical
2. Data management
3. Geophysical

4. 3D visualization
5. Mapping
6. Engineering



*More accurate and more efficient drilling decisions can be made with the GeoFrame reservoir characterization system. GeoFrame applications ensure detailed interpretation in several domains, as well as seamless integration of data across disciplines.*

7. Geological
8. Model building
9. Log editing



## Increasing the Value of Dipmeter Data

In its drive for higher efficiency, the Italian oil company AGIP decided to streamline handling of a special kind of geologic information called dipmeter logs. As one of the leading international oil companies, AGIP has thousands of dipmeter logs from wells worldwide, and acquires more than 200 new dipmeter logs each year. These logs provide information about the earth's subsurface that helps determine the likelihood and location of hydrocarbons.

At AGIP, a full, integrated interpretation of dipmeter logs required various software programs running on different platforms, and was performed partially by hand. AGIP needed software that would allow easy and standardized interpretation of dipmeter data. This would increase the value of dipmeter logs by allowing integration with other kinds of data. "We realized that the oil industry was not making the best use of increasingly complex new data and of huge investments in a large archive of logs," says Franco Frigoli, AGIP vice-president of Subsurface Geology. "In our pursuit of technical excellence, we sought an innovative way of working."

To design and develop software to meet these requirements, AGIP investigated an alliance with a service company and selected Schlumberger. Through a ClientLink joint R&D initiative, a team of five AGIP and five Schlumberger specialists is integrating geologic concepts in the development of new software on the GeoFrame platform. The platform will simplify the merging of dipmeter with other kinds of data.

The program, due for completion in 1995, is designed to improve analysis of

subsurface data and correlation with other information, such as seismic. It will also allow more efficient quality control of dipmeter information by automating certain steps now done manually.

"Thanks to the new program," Frigoli says, "We will not only make an important step in improving interpretation of dipmeter logs, but also transfer to all AGIP branches the know-how that today is confined to a few specialists at headquarters."



Piero Balossino, left, of the Italian energy company AGIP with Hervé Anxionnaz of Schlumberger at Piazza del Duomo in Milan, Italy. Balossino and Anxionnaz jointly lead the AGIP/Schlumberger alliance developing a new GeoFrame software package for integrated analysis of hydrocarbon reservoirs. "The alliance reduces development costs for both parties," says Balossino, "and results in the best possible software product."

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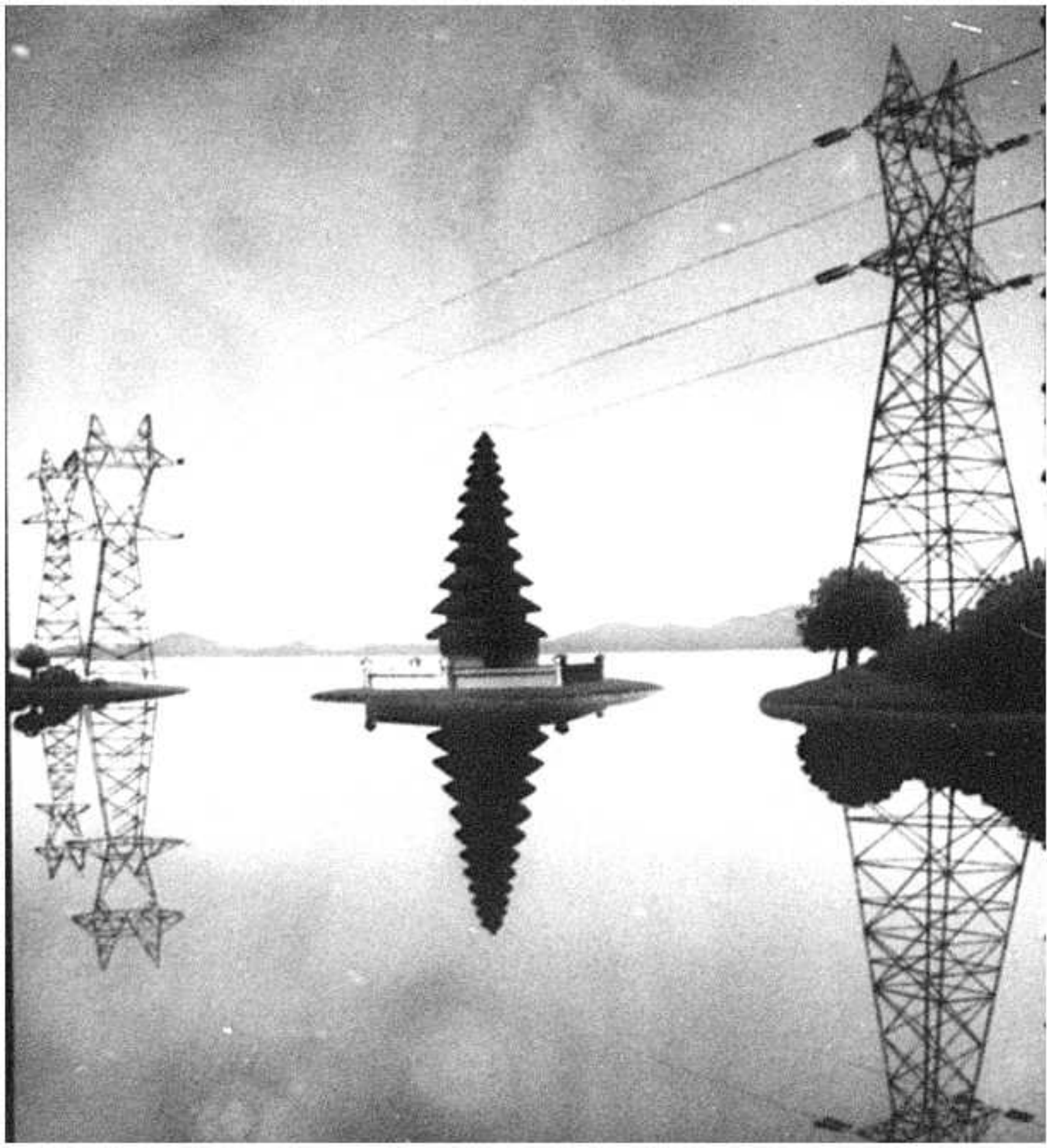
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Asia's heady juxtaposition of ancient traditions and gleaming new cities floods the streets with a palpable energy. Bustling crowds, where rusty bicycles weave among crisp pinstripes, leave an overwhelming impression: Asia is on the move, bursting at the seams. The enviable problem is not how to propagate growth, but how to control it. This is why Electricity Management is providing metering systems and services to electric utilities and their customers.

Any long-term economic development demands a solid infrastructure—from railroads to runways, escalators to refrigerators—all dependent on the uninterrupted flow of electricity. This is particularly true of Asia, where gross domestic product increases at more than 6% per year, about twice that of the US. Safe, effective electricity management is integral to regional plans for modernization. As the only electricity management company focused expressly on electricity metering technology and expertise, Electricity Management is uniquely positioned to help direct this explosive growth. It brings to the local market a coherent global vision, garnered from more than a century of experience in more than 100 countries.

In Indonesia, for example, the numbers are staggering. Following recent industrialization and the government's push

#### ELECTRICITY MANAGEMENT AT A GLANCE

Systems for management of electricity usage:

- Residential metering and energy management systems
- End-user and industrial management systems
- Industrial transmission and distribution measurement and control products and services
- Local and remote automatic meter reading and load management systems

5000 people of 30 nationalities at 46 facilities in 30 countries

(page 85) Schlumberger electricity meters produced at P.T. Merusida in Jakarta, Indonesia. In 1995, with the opening of a new factory in Indonesia, Schlumberger will have the capacity to produce 1 million meters customized for installation in 10 countries in Asia.

to broaden electricity access for the country's 193 million residents, more than 2 million new electricity consumers are added each year. The number of meters increases 13% per year, and consumption is projected to grow 15% each year for the next 5 years. By helping to manage the principal components of a utility's business—revenue, through better cash flow; resources, through better energy management; and utility-client relationships, through improved end-user services—Electricity Management helps ease the pressures of rapid modernization.

"We do not build factories in a country to realize short-term gains," says Gérard Léger, head of Electricity Management. "We are resident there with reciprocal responsibility for the construction of the local infrastructure, as supplier, as employer, as end user." In Indonesia, for example, Electricity Management has 500 people working at its Mecoindo factory, only 4 of which are not Indonesian. "Obviously, we have something at stake," Léger says. "And certainly, because we are creating strong partnerships during this buildup, we believe we will be an integral player when the market is fully developed."

It also helps to locally produce meters that are deployed in less-than-ideal environments. Electricity meters are typically built to be tamper-proof and to withstand extreme temperatures. To ensure optimum manufacturing efficiency, meters are largely the same worldwide, but they are customized for specific needs of the Asian market. For example, many are fitted with large numeric displays to facilitate reading when mounted some six feet high to avoid damage during seasonal floods.

"Local customization of our products," adds Léger, "is one

to broaden electricity access for the country's 193 million residents, more than 2 million new electricity consumers are added each year. The number of meters increases 13% per year, and consumption is projected to grow 15% each year for the next 5 years. By helping to manage the principal components of a utility's business—revenue, through better cash flow; resources, through better energy management; and utility-client relationships, through improved end-user services—Electricity Management helps ease the pressures of rapid modernization.

"We do not build factories in a country to realize short-term gains," says Gérard Léger, head of Electricity Management. "We are resident there with reciprocal responsibility for the construction of the local infrastructure, as supplier, as employer, as end user." In Indonesia, for example, Electricity Management has 500 people working at its Mecoindo factory, only 4 of which are not Indonesian. "Obviously, we have something at stake," Léger says. "And certainly, because we are creating strong partnerships during this buildup, we believe we will be an integral player when the market is fully developed."

It also helps to locally produce meters that are deployed in less-than-ideal environments. Electricity meters are typically built to be tamper-proof and to withstand extreme temperatures. To ensure optimum manufacturing efficiency, meters are largely the same worldwide, but they are customized for specific needs of the Asian market. For example, many are fitted with large numeric displays to facilitate reading when mounted some six feet high to avoid damage during seasonal floods.

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*At the site of a new MEASUREMENT & CONTROL factory in Cikarang, Indonesia. Special Project Manager Bruno de Lottard, right, a mechanical engineer, with Sanjaya Utama, site manager for P.T. Indomobilnagami. De Lottard, a former Wireline engineer, coordinates construction of the multipurpose factory that will produce electricity meters, water meters, and pay phones for distribution in Asia.*

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Still, the cultural logistics of doing business in Asia are daunting. Unlike Latin America, where only two languages dominate, nearly every Asian country has its own language. China alone has at least seven major languages and dozens of dialects. To smooth the way, Electricity Management has long taken advantage of borderless careers. Schlumberger professionals move routinely between OILFIELD SERVICES and

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## Sarawak on the Move

**A** progressive program of electricity development is sweeping the Malaysian state of Sarawak. The state government's push toward industrialization has attracted large commercial and industrial companies that require a clean, reliable supply of electricity. Since 1990, electricity consumption has increased more than 10% each year. These largest users require the most sophisticated measurement and control systems, like Electricity Management's QUANTUM\* or SPECTRA\* meters.

"For our clients to remain competitive in tight markets while controlling costs, they need as much information as possible about their patterns of consumption," says Victor Wong, senior engineer with Sarawak Electricity Supply (SESCO). "Schlumberger's multifunction solid-state meters and the data we get from them provide the information they need to run at improved efficiency."

Another service-driven solution, automatic meter reading, allows remote and automatic meter reading over telephone lines, power lines, or using one- or two-way radio signals. This means data can be collected accurately at more regular intervals with better metering security. And because manual reading is all but eliminated, remote reading does away with scheduling and access problems associated with traditional methods. With promising early results, SESCO started Sarawak's first remote reading trial for select industrial clients in 1994.

*Tut Pek Kong, the oldest Chinese temple in Kuching, Malaysia. Gross domestic product of Malaysia, a country of 19.5 million people, grew more than 8% in 1994.*

MEASUREMENT & SYSTEMS, or between business units within these groups. This provides fresh, energetic talent, bringing new perspectives and new insights. In turn, this translates into sales.

In 1994, the ninth year of Schlumberger manufacturing in Asia, 750,000 Asian-produced electricity meters were sold, most for first-time installations. To meet increased demand, new factories were opened in Thailand and Taiwan, a Malaysian factory was enlarged, and in Indonesia, near Jakarta, a new flagship plant will be completed in mid-1995.

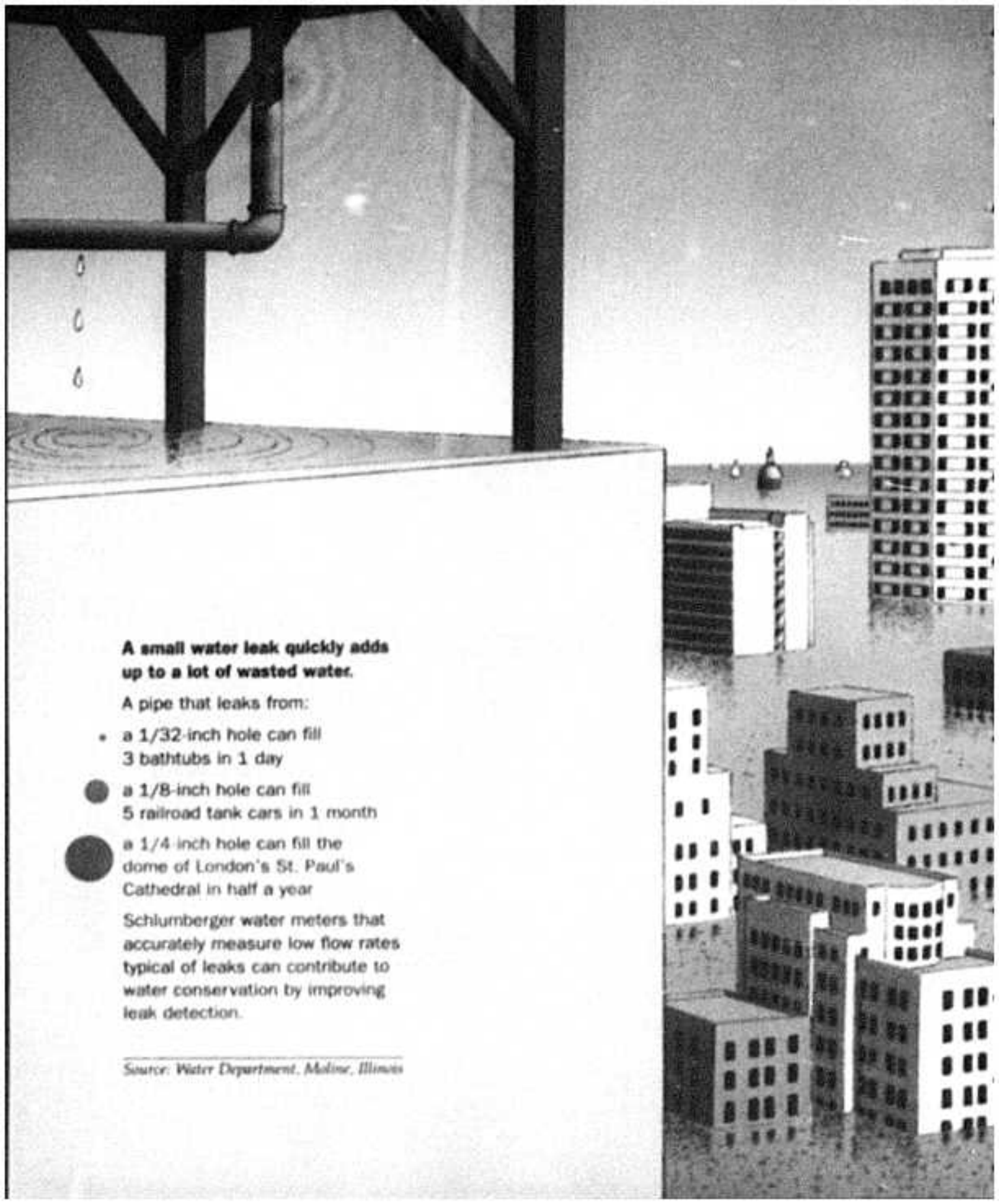
"As more competitors move into Asia," says Léger, "sustained growth will hinge on our ability to translate our technical and manufacturing expertise into a regional market presence. We have achieved success worldwide for many years, and while Asia presents its own set of challenges, the opportunities are tremendous. Our success in this area over the past nine years gives us a strong foundation."

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**A small water leak quickly adds up to a lot of wasted water.**

A pipe that leaks from:

- a 1/32-inch hole can fill 3 bathtubs in 1 day
- a 1/8-inch hole can fill 5 railroad tank cars in 1 month
- a 1/4-inch hole can fill the dome of London's St. Paul's Cathedral in half a year

Schlumberger water meters that accurately measure low flow rates typical of leaks can contribute to water conservation by improving leak detection.

*Source: Water Department, Moline, Illinois*

The fastest growth in Water Management is being stimulated by economic and social reforms in developing countries. There, lowering of trade barriers, privatization of utilities, and rising gross domestic product are driving the modernization of water distribution systems. These changes are dramatic in Latin America, and typified by sweeping improvements underway in Mexico City.

The world's largest city, with more than 16 million residents, Mexico City faces two challenges typical of burgeoning urban centers: water consumption exceeds additions to water reserves, and revenue does not cover the cost of supplying water.

High consumption has two causes. An estimated 30% of water is lost to leaks in distribution pipes, many of which are more than 100 years old. In addition, users are billed at a fixed rate regardless of consumption, which discourages water conservation. Per capita water usage in Mexico City averages 94 gallons per day, compared to 60 in Paris and 52 in Hamburg. To compound the problem of meeting escalating demand, insufficient cash flow hinders investment to improve the system.

To gather the capital and technology to renovate water services, the city's water utility, La Comisión de Aguas del Distrito Federal, awarded concessions for water distribution

#### WATER MANAGEMENT AT A GLANCE

Systems for management of water usage

- Automatic meter reading and billing systems
- Water management and meter installation services
- Water submetering services for multiunit buildings
- Meters for measuring water, thermal energy, and industrial fluids consumption

3000 people of 20 nationalities at 41 facilities in 24 countries

*(page 93) Residential water meters produced in Lerma, Mexico: As of September, the Lerma factory produced 12,000 meters per month for a large-scale modernization project in Mexico City. Schlumberger is the leader in water metering, producing and selling worldwide more than six million meters per year for residential and industrial use.*

and invoicing to four joint ventures between Mexican, French, and British companies. The joint ventures are taking the first step toward modernization with the installation of meters. This allows invoicing by usage rather than at a fixed rate, which stimulates water conservation. Metering also permits quantifying how much water is lost through leaks and helps locate leaks for repair.

Schlumberger will provide nearly half the 1.2 million meters to be installed by the end of 1996. In one agreement, Schlumberger will supply meters; in another, it will perform installation and maintenance of the metering system.

"We chose Schlumberger not only because the product could meet all of the client specifications," says Thierry Krieg, general manager of one of the joint ventures, "but also because we could get a global package that includes the meter and meter installation." Krieg heads TECSA S.A. de C.V., the company created by Bufete Industrial, S.A. de C.V. of Mexico and Lyonnaise des Eaux of France.

The Mexico City program is being studied by other cities throughout Mexico—Puebla, Naucalpan and Cancún—and the rest of Latin America. Similar programs are emerging in other developing areas in the region.

To meet the immediate need for meters in Mexico City and the expected demand elsewhere in Latin America, a meter factory was opened last year in Lerma, near Mexico City. It is the fifth Schlumberger factory producing water meters in Latin America. As with many MEASUREMENT & SYSTEMS sites, Lerma and other Water Management facilities in Mexico will also be

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*Remote reading of a water meter in Mexico City. This technology speeds reading and reduces errors through automation. The meter reader does not enter the dwelling but downloads meter data into a hand held computer through a coupling on the outside of the building.*

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“Colocation of multiple products is a key factor that gives us opportunities for profitable growth,” says Alden Kiefer, manager of the Water and Services Division in Mexico. “Our work in Mexico embodies other factors,” says Phil Marlar, head of Water Management. “We are committed to have a presence close to our customers, to hire and promote locally, and to provide complete water management services using innovative technology with high accuracy and long-term durability.”

One technical innovation—remote meter reading—proves vital for the Mexico City program. Remote reading permits quick, automated download of meter data without entering the

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## Meeting the Challenge of Low Flow

**A** water meter serves as a utility company's cash register. The more accurately it measures the volume of water used, the more accurate the water utility's invoicing.

The engineering challenge, which has been met by Schlumberger, is to develop a reliable, economic meter that achieves the highest accuracy over the widest range of flow rates. The main objective is to achieve high accuracy at low flow rates, which are typical of many domestic uses and characteristic of leaks. The flow can be so slow that it escapes measurement by some meters. This results in lost revenue for the utility.

Metering inaccuracies of only a few percent can translate into significant losses in revenue from slow but persistent flow of water. For example, if water costs \$2 per cubic meter (264 gallons), a running toilet that wastes 3 gallons per hour—a rate unmeasurable by some meters—would add up to \$230 of unmetered water per year. Much of this lost revenue can be recovered by installing a high-accuracy meter.

Schlumberger has become the leader in Class C meters—those with an extended range of accuracy at low flow rates. Their higher cost is offset by recovery of revenue from improved leak detection and measurement of uses at low flow rates. Schlumberger Class C meters have been selected for several meter replacement programs in Latin America, where the World Bank has encouraged modernization with meters that maximize return on investment.

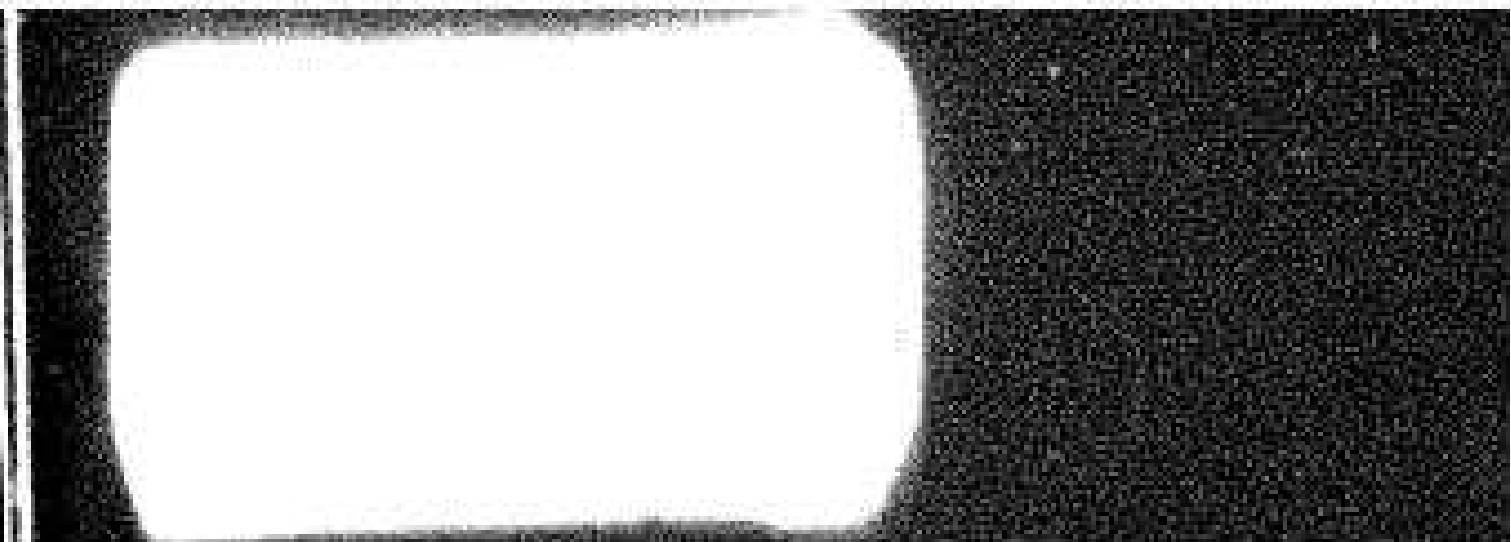
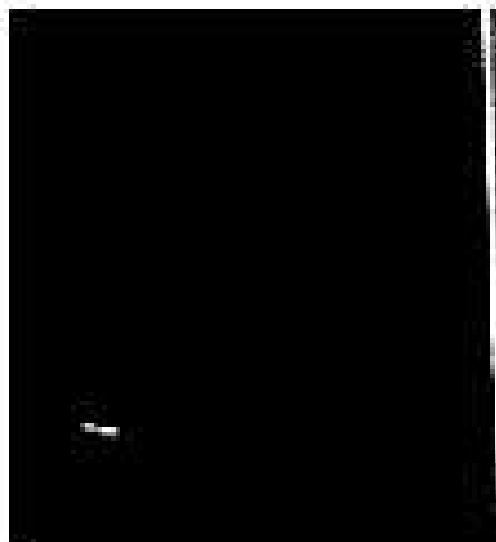
dwelling. The meter is read using a hand-held computer that connects to a coupling on the outside of the building. This ensures that meters can be read, even if the resident is not home.

"Mexico is moving quickly toward a sophisticated way of managing water resources," says Marlar. "Our unparalleled global experience and technical edge efficiently address their needs—not only for today, but also for tomorrow."



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From the Baltic States to the shores of the Caspian, generations of Eastern Europeans grew up with the kitchen stove perpetually aflame. Under the Soviet system, a combination of plentiful gas and price subsidies made gas too inexpensive to meter, so consumers were charged a flat rate regardless of consumption. Gas was cheaper than matches—a family of four in Kiev, Ukraine typically paid less than a half dollar per month.

Now, with the rapid movement toward a free-market economy, all this is changing. When gas prices were independent of consumption, there was rarely a need to measure usage or encourage conservation. In Ukraine, for example, a country of 55 million people, gas meters are installed in less than 10% of residences. Across the Commonwealth of Independent States (CIS), an estimated 40 million users are unmetered.

With the disappearance of cheap gas and the escalating cost of imported gas, the demand for gas management in the CIS is surging. Ukraine, a major gas producer 20 years ago, now imports 80% of its gas, mostly from Siberia, at international prices plus tariffs. Throughout the CIS, gas utilities are under pressure to reduce costs and cut trade deficits.


*(left) Dominique Facke, head of Schlumberger operations in the CIS, during renovations at the Kiev factory where Schlumberger and Ukrgas, the Ukrainian Gas Corporation, will produce gas meters (previous page) Birth of a partnership: Michael V. Mutsaers, president of Ukrgas, left, and Michel Fonteny of Schlumberger at a ceremony in Kiev establishing a joint venture. Schlumberger and its Ukrainian partner will manufacture, sell, and distribute gas meters in Ukraine. "We will need almost seven million meters by the turn of the century," says Mutsaers. "Schlumberger meters, besides being more precise, are priced competitively because the company has committed to manufacturing here in Kiev. That counts for a lot."*

Utilities are therefore initiating metering programs to measure usage, charge for consumption, and encourage conservation. Developing a commitment to energy conservation is becoming recognized as a critical consideration, since it is often a prerequisite for international financing.

This year, the Schlumberger MEASUREMENT & SYSTEMS organization opened offices in Saint Petersburg, Russia, with Gas Management paving the way for other MEASUREMENT & SYSTEMS services and technologies, such as smart cards, pay phones and water, heat, and electrical management systems. A joint venture with Ukgas, the Ukrainian government organization that manages gas distribution, has established a significant presence in this potentially huge market. Under the agreement, Schlumberger will initiate meter manufacturing and assembly at a renovated factory in Kiev. "We will basically help Ukgas manage its business," says Mario Galletto, director of Gas Management.

Failed Western enterprises in the CIS are almost legend. What is the trick to making it work today—and to keeping it going tomorrow?

"We follow the rule of the three P's," says Michel Fonteny, vice-president for marketing and business development, "patience, persistence, and presence." Schlumberger established its first office, in Moscow, in 1990 after developing relations in



*In Brovary, Ukraine, Galina Ivanovna Pampukha, a Ukgas employee, reads a meter installed in her kitchen as part of a pilot project.*

the Soviet Union since the early 1980s. This presence built knowledge of the local utilities and central government agencies. "For most of those early years, we had very little business," Fonteny says. "You could say we were laying a foundation for the future."

This year, the future is arriving. More than 60,000 meters were purchased for Ukraine, and a factory in Kiev is being prepared for the assembly of state-of-the-art Gallus 2000\* residential meters, from kits made in France and Italy. The factory will be the first in the CIS with modern calibration equipment and a test bench for domestic meters. Calibration of meters locally and immediately after assembly assures that they perform to specification when delivered.

"The cornerstone of success in the CIS is a commitment to invest in the region," says Dominique Fache, a Frenchman fluent in Russian who heads the Schlumberger group from the MEASUREMENT & SYSTEMS office in Saint Petersburg. "Anyone can come in and sell meters. We are working from the ground up to build a Ukrainian business with Ukrgas." A key to this commitment is hiring and training locally. Today the Schlumberger staff comprises 25% expatriates, a percentage that is expected to decrease rapidly.

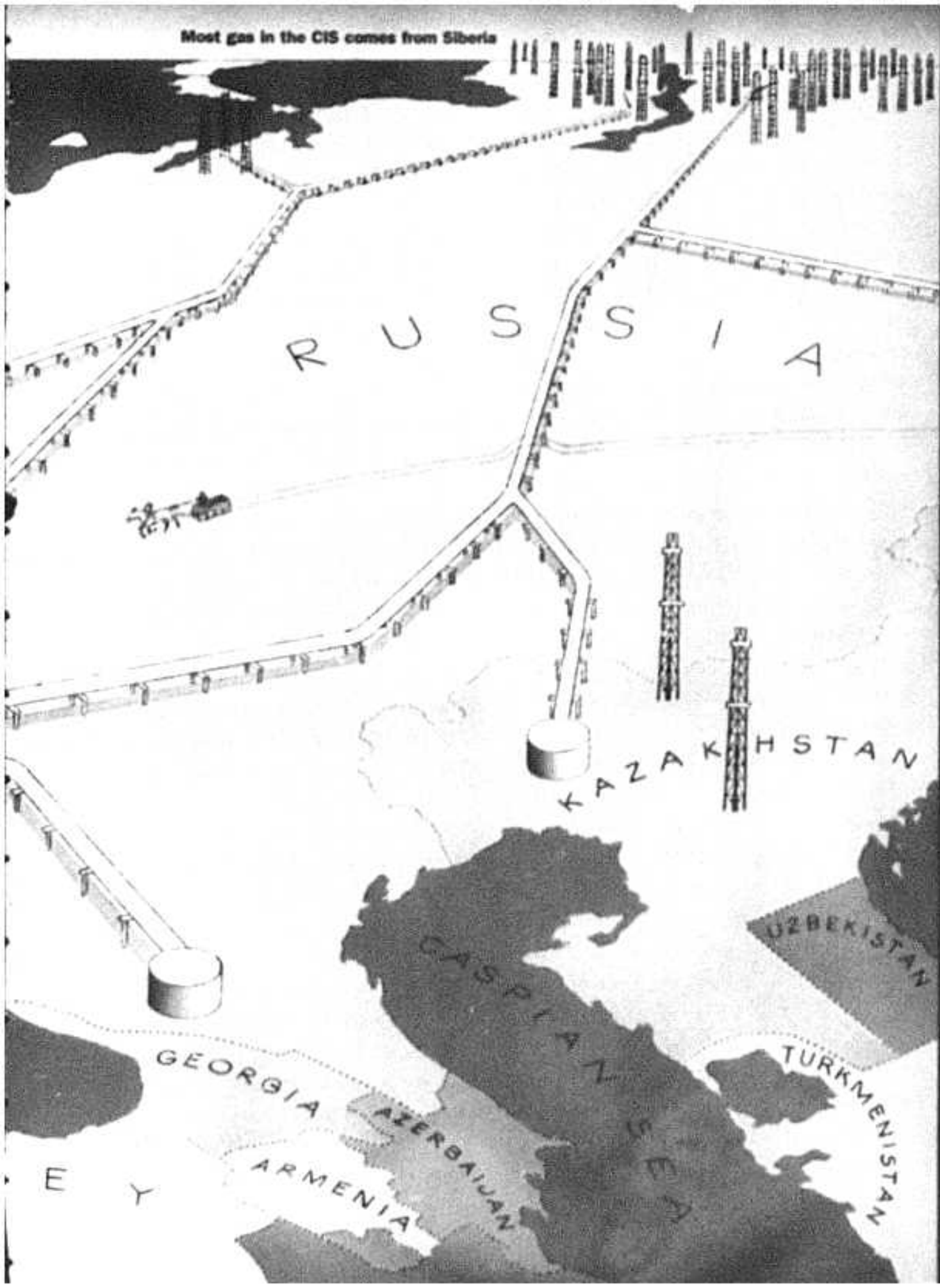
Another component to success in the CIS is having the flexibility and resources to meet large orders quickly. Until the Kiev factory comes on line, factories in France and Italy will meet demand in other parts of the CIS. "In 1994, we had 100% on-time delivery of calibrated meters," says Fache. "No one else matched this."

# Gas Distribution in the Commonwealth of Independent States





Most gas in the CIS comes from Siberia



A third strength is the ability to meet existing needs of customers. In parts of the CIS where utilities cannot afford new meters, Gas Management is recalibrating existing gas meters to improve their accuracy.

"The importance of a presence as proof of our commitment is essential," says Galletto. "We are not only selling meters but making available the knowledge we've gathered in markets worldwide. However our customers may grow, we can meet their demands."



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The flow of cash and printed information is increasingly giving way to the flow of electrons. Transactions with currency and on paper are being replaced with electronic transactions using an emerging technology—the smart card.

A smart card is a plastic card containing information on an imbedded microchip. The chip has 60 times more memory than a conventional magnetic stripe, and has the added intelligence of a microprocessor, affording greater security. Smart cards were pioneered in France by Schlumberger, and today about 300 million Schlumberger cards have been produced and are used in 60 countries for pay phones, ticket vending machines, retail sales, and medical and banking applications.

Why take the trouble of replacing a simple magnetic stripe with a complex chip? There are several compelling reasons. Financial institutions like smart cards because of their ability to hold more information—about 30 pages of data on a chip, compared to a half page on the stripe. Greater capacity and increased intelligence provide the ability to add services other than simply recording a debit or credit. One possibility is expanding the range of loyalty services, such as frequent flier



*(left top) In Bayonne, France, Schlumberger smart card systems have been installed in pharmacies as part of a country-wide program to boost health care efficiency. (left bottom) Children take advantage of an empty stage at the Chinese Culture & Music Center in Taipei. In Taiwan, replacement of 24 million magnetic stripe bank cards began this year with a program that calls for a half million Schlumberger banking smart cards.*

*(previous page) Manager of Health Management Systems Laurence de Talencé, left, with Marketing Assistant Stéphane Lasserre at the French social security headquarters in Bayonne. Use of Schlumberger smart card systems results in faster reimbursement for the cost of health care and a ten-fold reduction in the time for processing claims.*

mileage or discount points applied toward the purchase of merchandise. Also in the near future are expanded financial services, such as banking from home over phone lines using a smart card-equipped personal computer or special terminal. The card can also act like an electronic purse: credit can be loaded onto the card, much like telephone cards now used in Europe.

Another motivation for adopting smart card technology is their tighter security. While card issuers have developed techniques to combat fraud, magnetic stripe technology affords limited protection—revenue losses from card fraud are skyrocketing worldwide. With the computing power of an integrated circuit, smart cards provide more sophisticated security to help verify that the person using the card is the legitimate card holder, and that card is not a counterfeit. In France from 1988 to 1992, a 20% increase in the number of banking smart cards paralleled a 50% drop in fraud.

This year, Schlumberger Cards and Systems expanded in two key growth markets, banking and health care. Schlumberger is one of two vendors selected by Visa International to develop the earliest available chip cards for payment services. The smart cards will replace credit and debit cards that use existing magnetic stripe technology. The cards will be made to international banking standards established jointly by Visa, MasterCard, and Europay. These financial service organizations have an annual growth rate in bank cards exceeding 15%.

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initiate a program for the gradual replacement of 24 million magnetic stripe cards now circulating in Taiwan. "It's a smart and secure payment instrument," says Silvia S.F. Lee, executive vice-president of the Financial Information System Center, which oversees the replacement program.

The transition to banking smart cards will open a new era in international banking. "Banks will be able to conduct business wherever their customers are, through smart card interfaces on phones, personal communicators, and the information superhighway," says Nadaradjane Ramatchandirane, Schlumberger's manager of strategic development for smart cards. Expansion of banking smart cards will also stimulate demand for smart card use in

electronic fund transfer and point-of-sale applications, markets in which Schlumberger is a key player.

To fuel growth in banking applications of smart cards, Schlumberger has established a partnership with Diebold, the North American leader in ATMs. Diebold will distribute Schlumberger terminals that can read cards containing either the microchip or the conventional magnetic stripe. To meet growing demand for all applications of smart cards, Schlumberger acquired Malco, Inc., the leading manufacturer of secure bank cards in North America.

*(above) On Park Avenue in New York City, Peter Hill and Philip Yen of Visa International, center and right, with from left, Mike Smith, Jim Davis, and Nadaradjane Ramatchandirane of Schlumberger. "The agreement between Visa and Schlumberger provides us with the best implementation experience of Schlumberger," says Yen, director of payment technologies for Visa. "It will help us grow our worldwide smart card program in the best way possible." Visa is the industry leader in financial services, carrying \$560 billion in transactions in more than 112 countries.*

In coming years, a substantial market for smart cards will develop in health care. With health care costs doubling every 10 years, and absorbing more than 10% of gross domestic product of most European countries, there is a strong incentive to reduce administrative costs and increase the productivity and quality of health care.

Applying expertise from leadership in pay phones and point-of-sale terminals, Schlumberger is entering the health care sector by providing patient cards, smart card readers, and software systems for health providers and payers. The replacement of paper trails with automated electronic systems reduces costs and raises the efficiency and quality of care.

One of several projects is for diabetes care in France. In this program, patients with diabetes are issued a smart card. About 100 items covering basic medical history and diabetes therapy are loaded onto the smart card by a nurse or doctor, using a special pen computer and an attached card reader. Each day at home, the patient then enters his or her blood sugar level onto the card, using a specially equipped smart card reader connected to a glucometer. During routine check-ups, the patient hands the card to the practitioner, who can study an entire recent record and download it into the patient's medical records. The system helps ensure accuracy and reduces redundancy in information and procedures. In a pilot project this year, patients at home can use a network to enter information into data bases at the hospital or their general practitioner's office.

"Security and privacy of data are paramount," says Laurence de Talancé, Schlumberger's manager of Health

Management Systems. "State-of-the-art encryption helps prevent unauthorized personnel from accessing medical files."

In another project, GIE SESAM-VATALE is working on behalf of the French Social Security Administration to develop a smart card-based project to replace paper claims for reimbursement with electronic transactions. By introducing the smart card, processing costs and reimbursement time will be drastically reduced. The project is currently in pilot phase; Schlumberger has been selected to provide the smart card readers in four pilot cities.

"Smart cards are only the visible tip of the iceberg," says Jean-Paul Bize, head of Electronic Transactions. "We are in the unique position of developing entire packages: the chip, the card, high-security software for operating systems, readers, and networks that move electronic transactions in the coming paperless world. This is the basis for our competitive advantage."



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**Irwin Pfister**  
*President and General Manager*



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previous job vice-president and  
general manager of Component  
Test, San Jose, California

earlier job Software programmer,  
Pasadena, California

earned BA degree in  
mathematics, California State  
University, Los Angeles

born Covington, Kentucky, 1944

In the Darwinian world of semiconductor manufacturing, survival belongs not only to the fittest, but to the fastest. Semiconductor technology evolves so quickly that only manufacturers working at peak efficiency can meet the demand for more powerful semiconductors at lower prices.

Tools to achieve this efficiency come from Automatic Test Equipment (ATE), the leader in high-performance testers for semiconductor manufacturers. The ITS 9000\* family of testers provides unmatched productivity, flexibility, accuracy, and speed in testing semiconductors on the assembly line. This year, ATE expanded this strong core business in testing to include device handlers, which automate various phases of semiconductor assembly.

The logic of adding handlers to the product line is simple. Integrated circuit manufacturing involves hundreds of steps and is only as efficient as the slowest step. The ITS 9000 testers remove the bottleneck at the stage of the most sophisticated testing. Now, an expanded product line enhances the efficiency of other steps in the chain. Linkage of similarly engineered handlers and testers helps semiconductor makers achieve three key goals: faster throughput of devices at each step, shorter production time from beginning to end, and higher yield of semiconductors that pass quality testing.

#### AUTOMATIC TEST EQUIPMENT AT A GLANCE

Systems for semiconductor design and manufacture:

- Automated systems for back-end processes
- Board test systems
- Diagnostic systems
- Test systems

1200 people of 35 nationalities at 15 facilities in 12 countries

(left) K. P. Fan of TSMC, the leading semiconductor maker in Taiwan, uses a microscope during testing of a semiconductor on the ITS 9000 tester. "Productivity and versatility are the main reasons we chose the ITS 9000 system," says John Chen, senior director for TSMC. (previous page) Celebratory wreaths in Taiwan.

“Adding handlers not only expands our offering to customers,” says Irwin Pfister, president of ATE, “it gives customers the cost-effectiveness of one-stop shopping when assembling and maintaining a manufacturing line.” The handlers pave the way for ATE to become the leader in integrating the back-end phase of semiconductor manufacturing—from the sawing of a thin, round silicon disk, called a wafer, into individual units, to testing them and packaging them for shipment.

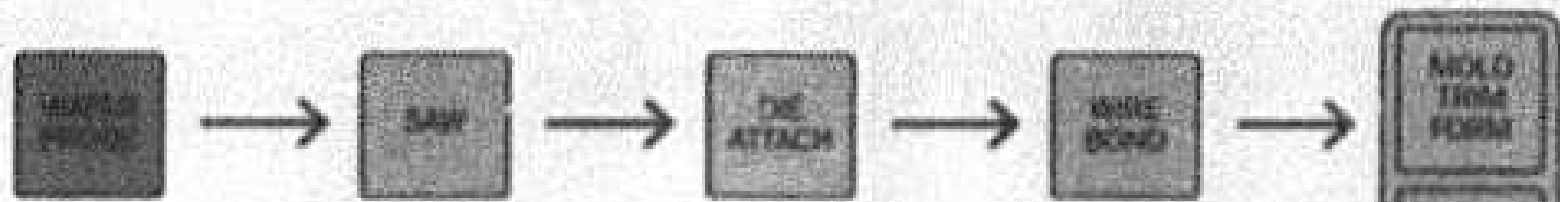
The handlers arrive at an opportune time. ATE revenue increased 23% in 1994, paralleling an upswing in the semiconductor industry fueled by new generations of microprocessors. Driving this growth is demand for computers, telecommunications equipment, and automotive electronics.



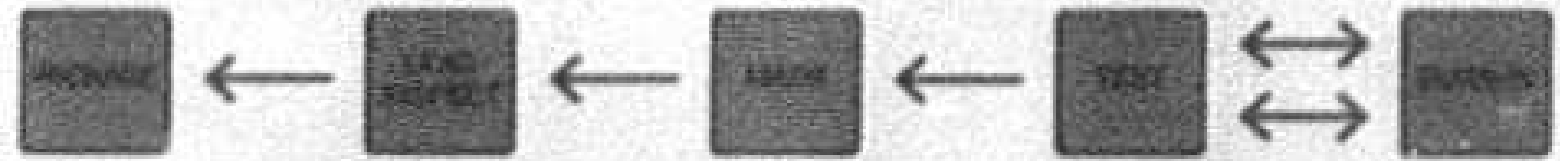
*Senior Test Specialist Neil Mao, left, and Electronic Technician Tamara Hanson set up a calibration test for a device handler at the ATE factory in Simi Valley, California.*

"Adding handlers not only expands our offering to customers," says Irwin Pfister, president of ATE, "it gives customers the cost-effectiveness of one-stop shopping when assembling and maintaining a manufacturing line." The handlers pave the way for ATE to become the leader in integrating the back-end phase of semiconductor manufacturing—from the sawing of a thin, round silicon disk, called a wafer, into individual units, to testing them and packaging them for shipment.

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ATE has expanded its product lines to include machines for greater productivity in the back-end process of semiconductor manufacturing. The back-end refers to separating wafers, testing and assembling each component, and packaging them for shipment. The ITS 9000 tester is used for wafer probe and final test of assembled semiconductors. ATE machines perform steps shown in blue.



With ATE's expansion into the back-end process comes renewed commitment to customer service. In 1994, customer support was increased for Russia and China, expanding ATE's established presence in 100 locations in 31 countries. ATE continues to expand its presence in Southeast Asia.

"Wherever semiconductors are built, ATE has established a presence," says Pfister. "But technical leadership is not enough. Our continued profitability depends on our commitment to lifetime customer support, often with an engineer posted at the customer facility." This presence, and an emphasis on training, has fueled growth by speeding up the process of installing equipment. What took weeks a few years ago now takes five days.

"Prompt installation, coupled with on-time delivery and vigilant support, means customers can work sooner and more productively," Pfister says. When a customer relies on ATE

equipment to make 100,000 semiconductors per week, at \$400 per device, success rests on maximizing utilization time.

Expansion of the product line also means redefining relationships with customers. "Our partnering with key customers has become integral to how we work," says Pfister. Senior managers with ATE meet monthly with their customer counterparts to understand their changing business requirements, define the next generation of equipment, and keep support programs on track.



*(above) Optical self-calibration of the NGH next generation handler allows the robotic arm to align components with a precision finer than the thickness of a human hair*

*(far right) Electromechanical Assembler Horacio Hurtado checks circuitry on the test head of the IT's 9000 tester in Santa Valley, California*



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(above) Optical self-calibration of the NGH new-generation handler allows the robotic arm to align components with a precision finer than the thickness of a human hair.

(far right) Electromechanical Assembler Horacio Hurtado checks circuitry on the test head of the IT5-9000 tester in San Jose, California.



"We've been highly focused and successful this year," Pfister says. "By working closely with our customers, we help maximize their productivity and encourage partnering to create complete solutions. We are confident that we can uniquely meet the growing demand for even higher productivity."

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