

CONFIDENTIAL - CONTAINS BUSINESS SECRETS

**Standardized notification
of a concentration
to the Norwegian Competition
Authority (*Konkurransetilsynet*)**

In accordance with the Norwegian Competition Act
Section 18 first and second paragraphs

REGARDING THE MERGER BETWEEN

Baker Hughes Incorporated (“BHI”)

AND

BJ Services Company (“BJS”)

(Individually referred to as “Party” and jointly referred to as the “Parties”)

**OSLO
3 NOVEMBER 2009**

Lawyer in charge: Stein Ove Solberg

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1 THE NOTIFYING PARTIES

1.1 First notifying party

Baker Hughes Incorporated, a company incorporated under the laws of Delaware, USA (hereinafter referred to as “**BHI**”).

Contact information:

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I.R.S. Employer Identification No.: 76-0207995

1.2 Second notifying party

BJ Services Company, a company incorporated under the laws of Delaware, USA (hereinafter referred to as “**BJS**”).

Contact information:

BJ Services Company
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Houston, Texas 77041
USA
Tel.: + 1 713-462-4239
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I.R.S. Employer Identification No.: 63-0084140

1.3 Representative for both notifying parties

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We kindly request the Authority that all contact with the notifying parties is done through Arntzen de Besche.

2 THE CONCENTRATION

The concentration constitutes a merger of two previously independent undertakings, cf. the Competition Act Section 17 (1) a.

Pursuant to an Agreement and Plan of Merger concluded on 30 August 2009, Baker Hughes will merge with BJ Services. This transaction will below be described as “the Concentration” or “the Merger”.

The plans to merge BHI and BJS were made public on 31 August 2009: <http://www.premieroilservices.com/>

Closing of the Merger is subject to the satisfaction of various conditions precedent, including receipt of the required antitrust approvals, hereunder approval of the Norwegian Competition Authority.

Combining BJS’ pressure pumping capabilities with BHI’s drilling, formation evaluation, and completion and production product/service lines is the principal motivating factor for the proposed merger. Schlumberger and Halliburton are the only two oilfield service companies that can currently offer customers a fully-integrated bundle of products and services that includes pressure pumping stimulation. Neither BHI nor BJS can provide their customers a comparable package, and this puts both companies at a significant competitive disadvantage vis-à-vis Schlumberger and Halliburton. While BHI offers a number of products and services for drilling, formation evaluation, completion and production, it lacks pressure pumping stimulation. BJS, on the other hand, offers pressure pumping stimulation, but not various other key products and services necessary to offer an integrated bundle. Together, BHI and BJS will be able to compete against Schlumberger and Halliburton far more successfully than either BHI or BJS could on a stand-alone basis. The proposed merger is pro-competitive since it is overwhelmingly complementary in nature and provides customers with a third "full service" integrated oilfield services supplier.

Combining BHI and BJS operations is expected to generate significant cost savings and other efficiencies that will enable the post-merger company to compete more effectively. BHI currently estimates these synergies at USD 75 million in 2010 and USD 150 million in 2011.

3 STRUCTURE AND BUSINESS AREAS OF THE UNDERTAKINGS CONCERNED

3.1 Baker Hughes

3.1.1 Introduction

Baker Hughes Incorporated (BHI) is a global oilfield services company, headquartered in Houston, Texas (United States) with approximately 40 000 employees and with operations in more than 90 countries, including Norway. BHI was formed in April 1987 in connection with the combination of Baker International Corporation and Hughes Tool Company.

BHI is the ultimate parent company of the Baker Hughes group of companies.

The only shareholder with more than a 10 percent ownership stake in BHI is Wellington Management Company, LLP 75 State Street, Boston, MA 02109, USA who per 30 June 2009 owned 10,65 percent of BHI's common stock.

A list of all the subsidiaries in the Baker Hughes group of companies is attached.

Encl. 1: Baker Hughes Incorporated – Wholly Owned Entities as of September 1, 2009.

We also attach an organizational chart showing all BHI subsidiaries.

Encl. 2: Baker Hughes Organizational Chart.

BHI stock is listed on the New York Stock Exchange under the ticker “BHI”.

At the end of its fiscal year, on 31 December 2008, BHI generated approximately USD 11.9 billion in total worldwide revenues, of which 38 percent was in the United States and 62 percent in other countries.

BHI offers a broad range of wellbore-related products and services for drilling; formation evaluation; and completion and production; as well as reservoir technology and consulting services.

For financial reporting purposes, BHI divides its business into two segments: 1) Drilling and Evaluation, and 2) Completion and Production. Total worldwide revenues for the Drilling and Evaluation segment in 2008

were USD 6.0 billion, while the Completion and Production segment generated USD 5.9 billion.

An overview of both of these segments is provided below. We also attach a vocabulary list explaining how the Parties understand the terms used below.

Encl. 3: Vocabulary list.

3.1.2 *Drilling and Evaluation*

The Drilling and Evaluation segment includes the following business units:

- *Baker Hughes Drilling Fluids* – drilling and completion fluids and related products and services; fluids environmental services (or “waste management”).
- *Hughes Christensen* – Tricone® and diamond drill bits; reamers.
- *INTEQ* – directional drilling, measurement-while-drilling (“MWD”), logging-while-drilling (“LWD”), surface logging and coring.
- *Baker Atlas* – wireline formation evaluation and wireline completion and production services.
- *Reservoir Technology & Consulting* – technical and commercial consulting services relating to reservoir engineering, geomechanics and subsurface engineering.

3.1.3 *Completion and Production*

The Completion and Production segment includes the following business units:

- *Baker Oil Tools* – liner systems, open-hole completions, cased-hole completions, sand control, intervention, remedial and stimulation fishing, multilaterals and expandables, “intelligent” well systems and gas lift.
- *Baker Petrolite* – production chemical services and process chemical services, as well as specialty polymers, crop protection chemicals, and pipeline management products and services.
- *Centrilift* – electric submersible pump systems and progressing cavity pumps.
- *Integrated Operations & Project Management*
 - *Integrated Operations* – coordinating the delivery of multiple BHI product and services lines to a specific customer or project under a single contract.
 - *Project Management* – coordinating and delivering multiple BHI products/services, along with the products and services of third parties, to a given customer or project.

3.1.4 *BHI in Norway*

Baker Hughes has the following subsidiary in Norway:

- Baker Hughes Norge AS, organisation number 980353273, with approximately 1 000 employees.

The annual reports and accounts for this subsidiary are available in the Register of Company Accounts in Brønnøysund.

3.1.5 *Further information*

Further information about BHI and its business can be found in the Annual Report 2008 which can be downloaded from the Internet at <http://investor.shareholder.com/bhi/ar2008/index.html>

For more information about BHI please visit the group's internet site: <http://www.bakerhughesdirect.com>.

3.2 **BJ Services**

3.2.1 *Introduction*

BJ Services Company (BJS) is the ultimate parent company of the BJ Services group of companies. BJS was organized in 1990 under the corporate laws of the state of Delaware.

As of 15 September 2009, the stockholders that held beneficially 5 per cent or more of BJS' common stock were:

Shareholder	Percentage of beneficial ownership of securities
FMR LLC 82 Devonshire Street Boston, Massachusetts 02109	13.752%
Capital World Investors 333 South Hope Street Los Angeles, California 90071	11.8%
T. Rowe Price Associates, Inc. 100 East Pratt Street Baltimore, Maryland 21202	10.3%

BJ Services Company is listed on the New York Stock Exchange and its common stock trades under the symbol BJS.

A list of all subsidiaries in the BJ Services group of companies is attached.

Encl. 4: List of all subsidiaries in the BJS group of companies.

We also attach a simplified version of the BJS organizational chart that covers the Norwegian entities of the group.

Encl. 5: BJS organizational chart (simplified).

BJS is a global provider of pressure pumping and other various oilfield services to the oil and natural gas industry. BJS' worldwide core business is pressure pumping operations (cementing, stimulation and sand control services). BJS also provides oilfield services such as process and pipeline services, casing and tubular services, completion tools, completion fluids and chemical services. For its fiscal year ending 30 September 2008, BJS had total worldwide revenues of USD 5.4 billion. Approximately 57 percent of these revenues were generated in the United States and 43 percent from international operations, primarily in Canada, United Kingdom, Brazil, India, Mexico, and Argentina.

BJ Services has more than 14 500 employees and operations in 50 countries, including Norway.

For financial reporting purposes, BJS divides its operations into four principal segments, though three of these segments are simply geographic groupings of the same basic business – pressure pumping services: 1) U.S./Mexico Pressure Pumping Services, 2) Canada Pressure Pumping Services, 3) International Pressure Pumping Services, and 4) Oilfield Services Group. In the aggregate, the three pressure pumping segments generated approximately USD [REDACTED] in worldwide revenues in fiscal year 2008 ([REDACTED] percent of total BJS revenues), while the Oilfield Services Group generated USD [REDACTED] ([REDACTED] percent).

The pressure pumping and oilfield services segments are described in greater detail below.

3.2.2 *Pressure Pumping*

Pressure pumping involves injecting fluids or slurries – often under high pressure – into a wellbore. It is used for a range of well completion and workover/servicing applications.

BJS divides its pressure pumping services into two distinct categories:

- Cementing Services – cementing casing in place in the wellbore.
- Stimulation Services – hydraulic fracturing, acidizing, sand control, nitrogen and coiled tubing.

3.2.3 *Oilfield Services*

- Casing and tubular services – “running” (installing) casing and production tubing into a wellbore.
- Completion tools – includes a broad range of downhole equipment and services, such as packers, subsurface and surface safety valves and flow control products to control fluid flow between the casing and the production tubing and within the tubing.
- Completion fluids – completion fluids and related services, e.g., fluids filtration and reclamation.
- Process services – pre-commissioning and maintenance services provided to midstream and downstream oil and gas facilities, as well as to the power generation, mining, petrochemical and other industries.
- Pipeline services – pre-commissioning, maintenance and inspection, and cleaning of oil and gas pipelines.
- Chemical services – production chemicals and capillary services for the oil and gas industry; specialty chemical applications for the refining, gas processing, petrochemical, pipeline, power generation and road-building industries.

3.2.4 *BJS in Norway*

BJS has two Norwegian subsidiaries:

- BJ Services AS, organisation number 936692788.
- BJ Process & Pipeline Services AS, organisation number 971236434.

The annual reports and accounts for these subsidiaries are available in the Register of Company Accounts in Brønnøysund.

These two companies have approximately 150 employees in Norway.

3.2.5 Further information

Further information about BJS and its business can be found in the Annual Report 2008 which can be downloaded from the Internet at <http://www.bjservices.com/website/bjinvest.nsf>.

For more information about BJS, please also visit the group's internet site: <http://www.bjservices.com>.

4 TURNOVER AND OPERATING RESULT

4.1 Baker Hughes

Figures for 2008 for Baker Hughes group of companies:

	Turnover (revenues)	Operating result (income/loss)
Worldwide	USD 11 864 000 000	USD 2 376 000 000
Norway ¹	NOK 3 573 994 000	NOK 830 090 000

It follows from the above that only approximately five per cent of Baker Hughes' total revenues derive from its activity in Norway.

4.2 BJ Services

Figures for 2008 (year ending 30 September 2008) for BJ Services:

	Turnover (revenue)	Operating result (income/loss)
Worldwide	USD 5 426 262 000	USD 907 097 000
Norway	USD [REDACTED]	USD [REDACTED]

It follows from the above that [REDACTED] of BJ Services' total revenues derive from its activity in Norway.

¹ This is turnover and operating result for Baker Hughes Norge AS. There might be some export sales from Baker Hughes Norge AS and there might be some sales into Norway from non-Norwegian companies within the Baker Hughes group of companies, but this is believed to be marginal.

5 AFFECTED MARKETS

5.1 Introduction

As mentioned in section 2 above, the Merger is highly complementary in nature. Combining BJS' pressure pumping business with BHI's wellbore-related products and services for drilling, formation evaluation and completion and production will create a third "full service" integrated oil services company, in addition to Schlumberger and Halliburton.

With respect to Norway, the Parties' activities overlap only in one segment, namely in completion tools and services. Overall, the completion tools and services segment constitutes only a small portion of the Parties' activities in Norway. The totality of the oilfield products and services in Norway is provided offshore.

The relevant geographic market for the goods and services of BHI and BJS is probably wider than Norway. Case law suggests that the market is at least North Sea wide, maybe even global.² Consequently, the information below will be provided on the basis of the narrowest possible geographic market, i.e. the North Sea.

However, even in a North Sea market, the Parties still overlap within completion tools and services only.

5.2 Completion tools and services

5.2.1 *General*

Completion tools and services is a broad category, including a range of tools and equipment used (primarily downhole) after a wellbore has been drilled to prepare the well for production, such as packers, subsurface and surface safety valves and flow control products to control fluid flow between the casing and the production tubing and within the tubing. Generally speaking, the service company providing completion tools for a well also supplies company service personnel to provide technical assistance regarding the tools' use.

BHI' revenue with respect to completion tools and services in the North Sea in 2008 was USD [REDACTED] million. BJS is only a minor player in this segment.

² Cf. the European Commission's Decision in case No IV/M.1140 *Halliburton/Dresser* (paragraphs 25 and 26) and the Authority's decision V2005-11 dated 22 June 2005 and the Ministry's decision on appeal dated 16 November 2005 in *National Oilwell/Varco*.

In addition, it is to be emphasized that the overlap between the activities of BHI and BJS concerns only a very small range of completion tools and services, namely the rental and sale of bridge plugs.

5.2.2 *Specific information about bridge plugs*

A bridge plug is composed of gripping slips, a plug mandrel and a rubber sealing element. It is expandable, with a smaller initial outside diameter when lowered downhole, but then a larger diameter when activated to seal the wellbore. A bridge plug can be set using drill pipe, wireline, coiled tubing or a tubing work string. Once activated, a bridge plug creates a solid barrier in the casing string that isolates all of the wellbore below the plug from the section above the plug.

Bridge plugs may be made from either cast iron or high-strength, lightweight composite materials. Cast iron bridge plugs are extremely durable and can be left in the wellbore indefinitely. Thus, they are used for more “permanent” applications. Composite plugs, on the other hand, have an effective life span that is measured in days and will naturally break down within several months after installation. Thus, they are used in temporary applications, such as isolating the lower intervals of a multi-zone well while an upper interval is subjected to a stimulation treatment. Both types of bridge plugs – cast iron and composite – can be removed by being “drilled out.” Cast iron plugs are drilled out using a drill bit at the end of a drill string, while composite plugs are typically removed using a downhole milling device. Alternatively, some types of bridge plugs are designed to be retrievable and reusable after they have served their purpose in a given well.

With respect to the rental and sale of bridge plugs, BHI’s North Sea revenue in 2008 amounted to approximately USD [REDACTED]. BJS’ revenue with respect to the rental and sale of plugs in the North Sea was only USD [REDACTED] in 2008.

6 **COMPETITORS, CUSTOMER AND SUPPLIERS**

6.1 **Introduction**

As the Parties’ only overlap in the North Sea area relates to *completion tools and services*, this section will provide information for this segment. In addition, some information will be provided for the sub-segment of *bridge plugs*.

6.2 Competitors and shares of supply

The five most important competitors within *completion tools and services* in the North Sea are listed below.³ The shares of supply provided are rough estimates.

Name of competitor	Contact details	Estimated share of supply (in percent)

With respect to *bridge plugs* only, isolated from other completion tools and services, the main competitors will be [REDACTED]. BHI estimates its share of supply of bridge plugs to approximately [REDACTED], while BJS has [REDACTED] per cent.

6.3 Customers

6.3.1 BHI

The five most important customers of BHI for completion tools and services in the North Sea are listed below.

Name of customer	Address	Contact person

³ The situation will not differ substantially if the Norwegian Continental Shelf is regarded in isolation from the rest of the North Sea.



These customers are also BHI's most important customers for bridge plugs.

6.3.2 *BJS*

The five most important customers of BJS for completion tools and services in the North Sea are listed below.

Name of customer	Address	Contact person and details
[Redacted]		

6.4 **Suppliers**

6.4.1 *BHI*

The five most important suppliers to BHI related to completion tools and services in the North Sea are listed below.

Name of supplier	Contact details
[Redacted]	

6.4.2 BJS

[REDACTED]

Name of supplier	Address	Contact person and details
[REDACTED]		

7 EFFECT OF THE MERGER

As explained in Section 2 above, the Merger is complementary in nature. In the North Sea, which is the narrowest possible market delimitation, the Parties have overlapping activity with respect to the completion tools and services segment only. Within this segment, BHI has a share of supply of approximately [REDACTED] percent whilst BJS' share is [REDACTED] percent. Within the sub-segment of bridge plugs, where the overlap between the parties exists, BHI's share is [REDACTED] percent and BJS' share is [REDACTED] percent. These low shares demonstrate that the Merger will not have any adverse effect neither in the segment of completion tools and services nor in the sub-segment of bridge plugs.

In addition, the market for oilfield services (and hence for completion tools and services) in the North Sea is highly competitive. The world's largest operators in this segment, in particular Halliburton and Schlumberger, are permanently present and participate in tender procedures on a regular basis. Post-Merger, BHI will be in a position to compete more effectively with Schlumberger and Halliburton due to the broader portfolio of products and services it will be able to offer. Moreover, the presence of large powerful customers that are able to extract price concessions from suppliers will ensure strong competition in the supply of completion tools and services.⁴

The Merger is also pro-competitive due to the significant cost savings and other efficiencies generated by this combination. BHI currently estimates these synergies at USD 75 million in 2010 and USD 150 million in 2011.

Consequently, the Merger does not create or strengthen a significant restriction of competition, contrary to the purpose of the Competition Act. Therefore, there is no legal basis for intervention against the Merger.

⁴ Cf. section 6.3 above.

8 OTHER COMPETITION AUTHORITIES

The Merger does not meet the thresholds of the EC Merger Regulation and will therefore not be notified to the European Commission.

The Merger has already been notified to the competition authorities in the USA and in Brazil.

In addition to Norway, the Merger will be notified to the competition authorities in Argentina, Canada, Mexico and Russia.

9 CONFIDENTIALITY

This notification and its enclosures contain business secrets. Please find enclosed a public (non-confidential) version of the notification.

Encl. 6: Public (non-confidential) version of the notification.

Should there be any questions to this notification or to the Merger as such, we kindly ask the Authority to contact the undersigned.

Yours sincerely
ARNTZEN de BESCHE



Stein Ove Solberg

Enclosures: 1 – 6