

Exclusive: Schlumberger sells fleet of Smith International assets to Houston oil field services co.

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A wealthy Texas oil investor walked into a meeting with decision-makers at Schlumberger Inc. (NYSE: SLB), the largest oil field service company in the world. A few short minutes later, he walked out with a deal buying a fleet of Schlumberger assets.

Lacy Harber, the sometimes-controversial investor behind Houston-based Yellowjacket Oilfield Services LLC, doesn't sit in hour-long meetings, said Yellowjacket CEO Joe Chandler.

"This man makes huge decisions, and he's known for it. He's an entrepreneur to the bone," Chandler said. "It was 15 minutes, maybe 20 minutes tops. We shook hands and walked out, and that was the end of it."

Yellowjacket ended up buying the North American drilling jar and shock sub fleet under Smith International Inc., which Schlumberger acquired in 2010, for about \$7 million, Chandler said. And this isn't the first deal between Yellowjacket and Schlumberger, Chandler said — some of the major assets Harber bought in 2015 and 2016 to form Yellowjacket came from Schlumberger.

"If there is something they want to look at maybe selling, they'll reach out to our organization," Chandler said. "We just have continued to build that relationship."

The oil and gas service sector currently is going through some turbulence, with a lot of smaller companies starting to feel the pressure. The industry might even be dipping into something of a downturn right now, Chandler said.

"You would think that (a downturn) would be the last time you would want to accelerate your growth," Chandler said. "Mr. Harber is not one of those types. He sees that when there is a downturn, there are opportunities."

When the industry turns around — and Chandler is confident that it eventually will — Yellowjacket will have a stronger position to take advantage of an easier operating environment, Chandler said.

The Schlumberger deal isn't a one-off, either, Chandler said. He sees opportunities to make more deals going forward as more companies look to divest non-core or unprofitable assets, Chandler said.

"We feel like it can be replicated," Chandler said.

Yellowjacket is also moving its headquarters from Midland, Texas, to Houston. It employs about 385 people across all its operations and will soon have 24 based in Houston, Chandler said. Yellowjacket produces revenue of more than \$100 million.

Schlumberger recently got a new CEO, Olivier Le Peuch. The former top executive at the company was Paal Kibsgaard, who retired at the start of August. Kibsgaard is still on the company's payroll — Schlumberger asked him to provide certain services to Schlumberger for three years following the end of his tenure as CEO in exchange for \$2 million a year.

Schlumberger is also selling three of its businesses to Houston-based Wellbore Integrity Solutions, an affiliate of private equity firm Rhône Capital. The \$400 million deal is expected to close by the end of 2019.

Schlumberger has primary offices in Houston, Paris, London and The Hague. Its Houston presence includes Schlumberger

Technology Corp., which is based in Sugar Land and employed about 2,000 people in Fort Bend County last year. Schlumberger Ltd. had about 12,000 employees in the Houston area last year, and its companywide 2018 revenue of \$32.81 billion ranked it No. 7 on the Houston Business Journal's 2019 Largest Houston-Based Public Companies List.



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Yellowjacket, which provides oil field services and equipment, just recently moved its headquarters from Midland, Texas, to Houston.