Anticipated Acquisition by Schlumberger Limited of ChampionX Corporation

Decision that undertakings might be accepted

ME/7110/24

The Competition and Markets Authority's decision under section 73A(2) of the Enterprise Act 2002 that undertakings might be accepted, given on 10 April 2025. Full text of the decision published on 2 May 2025.

Please note that [✂] indicates figures or text which have been deleted or replaced in ranges at the request of the parties for reasons of commercial confidentiality.

Contents

1. INTRODUCTION

1. Schlumberger Limited (**SLB**) has agreed to acquire ChampionX Corporation (ChampionX) (the **Merger**). SLB and ChampionX are together referred to as the **Parties** and, for statements relating to the future, the **Merged Entity**.

2. On 27 March 2025, the Competition and Markets Authority (**CMA**) decided under section 33(1) of the Enterprise Act 2002 (the **Act**) that it is or may be the case that the Merger consists of arrangements that are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation, and that this may be expected to result in a substantial lessening of competition (**SLC**) within a market or markets in the United Kingdom (the **SLC Decision**).

3. On the date of the SLC Decision, the CMA gave notice pursuant to section 34ZA(1)(b) of the Act to the Parties of the SLC Decision. However, the CMA did not refer the Merger for a phase 2 investigation pursuant to section 33(3)(b) on the date of the SLC Decision in order to allow the Parties the opportunity to offer undertakings to the CMA in lieu of such reference for the purposes of section 73(2) of the Act.

4. Pursuant to section 73A(1) of the Act, if a party wishes to offer undertakings for the purposes of section 73(2) of the Act, it must do so within the five working day period specified in section 73A(1)(a) of the Act. Accordingly, on 3 April 2025, the Parties offered undertakings to the CMA for the purposes of section 73(2) of the Act.

5. The CMA now gives notice, pursuant to section 73A(2)(b) of the Act, to the Parties that it considers that there are reasonable grounds for believing that the undertakings offered, or a modified version of them, might be accepted by the CMA under section 73(2) of the Act and that it is considering the offer.

2. THE UNDERTAKINGS OFFERED

6. Under section 73 of the Act, the CMA may, instead of making a reference, and for the purpose of remedying, mitigating or preventing the SLC concerned or any adverse effect which has or may have resulted from it or may be expected to result from it, accept from such of the merger parties concerned as it considers appropriate undertakings to take such action as it considers appropriate.

7. The SLC Decision found that the Merger gives rise to a realistic prospect of an SLC in relation to:

   (a) Horizontal unilateral effects in the supply of production chemical technologies (**PCTs**) to oil and gas exploration, development and production (**E&P**) companies in the UK;

(b) Input foreclosure in the supply of directional drilling services using rotary steerable systems (**RSS**) in the UK; and

(c) Input foreclosure in the supply of permanent downhole gauges (**PDGs**) in the UK.

8. To address these SLCs, the Parties have offered to give the following undertakings in lieu of a reference (the **Proposed Undertakings**):

(a) In relation to the supply of PCTs in the UK, the Parties offered:

(i) to divest by way of an asset transfer SLB's UK PCT business, comprised of all of SLB's assets relating to the production of PCTs in the UK (including SLB's blending plant and laboratory facilities in Aberdeen), all relevant production, operational and sales personnel required to operate SLB's PCT business in the UK, and all ongoing customer and supplier contracts for the supply of PCTs in the UK (the **PCT Divestment Business**); and

(ii) to license for a period of 10 years or such other term as the CMA deems necessary all relevant intellectual property (including trademarks, product formulations and know-how) for the PCT products supplied by the PCT Divestment Business in the UK to a suitable purchaser.

(b) In relation to the supply of directional drilling services using RSS in the UK, the Parties offered to divest ChampionX's global poly-crystalline diamond (**PCD**) bearings business, US Synthetic Corporation (**USS**), to an affiliate of LongRange Capital L.P. (**LongRange**). On 24 February 2025 the Parties and LongRange entered into a binding agreement for the sale of USS, which is conditional on the closing of the Merger (the **USS Divestment**).

(c) In relation to the supply of PDGs in the UK, the Parties offered:

(i) to enter into a global licensing arrangement with a third party for a commercially reasonable royalty, covering all essential intellectual property and know-how required to develop the quartz sensors and transducers supplied by ChampionX's Quartzdyne business (**Quartzdyne**), to accelerate the development of rival quartz products (the **Quartzdyne Licensing Arrangement**), with such licensing arrangement to be approved by the CMA prior to the final acceptance of the Proposed Undertakings;

(ii) to commit to a set of baseline terms to be approved by the CMA for the supply of sensors and transducers by Quartzdyne to any existing and future customers supplying PDGs in the UK, including a dispute

resolution mechanism and a monitoring trustee, for a period of five years (the **Baseline Terms**);[1] and

(iii) to execute long-form agreements with Baker Hughes and Weatherford (in addition to a long-form agreement already executed with Halliburton) to ensure the continuity of supply of Quartzdyne sensors and transducers in accordance with pre-Merger practice and in line with the Baseline Terms at a minimum (the **Continuity of Supply Agreements**).

9. The Parties will also offer certain transitional services agreements to:

(a) The purchaser of the PCT Divestment Business for a period of 12 months (or longer at the purchaser's election) with respect to certain centralised functions[2] to ensure the continuity of operations, and for a period of five years or such other period agreed with the purchaser to ensure the continuity of supply of certain chemicals the PCT Divestment Business currently procures from ChampionX and SLB's Norwegian assets;[3] and

(b) The purchaser of the USS Divestment Business for a period of three months with respect to certain centralised functions to ensure the continuity of operations.[4]

10. With regard to each of the PCT Divestment Business and the USS Divestment, the Parties have also offered to enter into purchase agreements with buyers approved by the CMA in each case before the CMA finally accepts the Proposed Undertakings (**Upfront Buyer Condition**).

11. Similarly, with regard to the Quartzdyne Licensing Arrangement, the Parties have offered to enter into a licensing agreement with a licensee approved by the CMA before the CMA finally accepts the Proposed Undertakings (**Nominated Licensee Condition**).

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[1] The key terms proposed include that: (i) SLB shall supply and repair certain Quartzdyne products and services to any customer requesting this for use in the supply of PDGs in the UK for a period of five years after completion of the Merger, (ii) the relevant services consist of all Quartzdyne products and services available for sale to all third parties at the completion of the Merger, as well as improvements or enhancements, (iii) the products or services will be sold at 2024 prices, subject to annual adjustments based on a formula reflecting certain industry indices, (iv) SLB shall use its best efforts to meet its supply commitments with reasonable lead times, as long as it can reasonably accommodate the demand in the requested timeframes and subject to customary protections with respect to supply chain disruptions, (v) SLB shall maintain quality and delivery terms consistent with past practice, and (vi) SLB shall implement measures to protect customers' confidential information.
[2] These functions would include finance and accounting, IT, HR and payroll, non-operational purchases and procurement (as well as any other functions the purchaser of the PCT Divestment Business requires).
[3] The PCTs currently supplied to the PCT Divestment Business by ChampionX are [✂]. The PCTs currently supplied to the PCT Divestment Business via SLB's Norwegian assets are [✂].
[4] The functions of USS currently connected to the wider ChampionX business are HR, IT, finance and accounting.

3. THE CMA'S PROVISIONAL VIEWS

12. The CMA considers that undertakings in lieu of a reference are appropriate when they are clear-cut and capable of ready implementation. The CMA's starting point when assessing undertakings is to seek an outcome that restores competition to the level that would have prevailed absent the merger.[5] When considering whether to accept undertakings in lieu of a reference, the CMA has an obligation under the Act to have regard to the need to achieve as comprehensive a solution as is reasonable and practicable to remedy the SLC and any resulting adverse effects.[6]

13. The CMA believes that the Proposed Undertakings, or a modified version of them, might be acceptable as a suitable remedy to the SLC identified by the CMA, given that they would:

    (a) Remove the overlap between the Parties in the supply of PCTs to E&P companies in the UK;

    (b) Remove the vertical link between ChampionX, as a supplier of PCD bearings, and SLB, as a supplier of directional drilling services using RSS globally; and

    (c) Ensure the continued supply of Quartzdyne's sensors and transducers on pre-Merger terms for a limited period, and enable, by the end of that period, a third party to compete effectively in the supply of quartz sensors and transducers globally, amounting to a quasi-structural remedy.

14. As such, the Proposed Undertakings may result in the replacement of the competitive constraint provided by SLB in the supply of PCTs to E&P companies in the UK, and by ChampionX in the supply of (i) PCD bearings, and (ii) quartz sensors and transducers that would otherwise be lost following the Merger.

15. The CMA currently believes that the Proposed Undertakings are capable of amounting to a sufficiently clear-cut and effective resolution of the CMA's competition concerns.

16. The CMA also believes at this stage that the Proposed Undertakings may be capable of ready implementation. In particular:

    (a) While the PCT Divestment Business will need to be carved out from the wider SLB business, the information currently available to the CMA suggests that the separation of assets constituting the PCT Divestment Business from the wider SLB business will not give rise to material implementation risks.

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[5] Mergers remedies (**CMA87**), December 2018, Chapter 3 (in particular paragraphs 3.27, 3.28 and 3.30).
[6] CMA87, paragraph 3.30 and section 73(3) of the Act.

(b) The USS business operates as a functionally separate business, with only limited operational links to ChampionX. The Parties have also identified a purchaser, LongRange, that they submit meets the CMA's purchaser suitability criteria, and with whom they have already signed a purchase agreement with respect to USS, subject to approval by the CMA.

(c) With regard to the Quartzdyne Licensing Arrangement, the Baseline Terms, and the Continuity of Supply Agreements, the CMA believes that these are capable of ready implementation, as the Parties have already agreed key supply terms with both current UK customers (Baker Hughes and Halliburton), who, as the CMA currently understands, consider that they have adequate protection through the Continuity of Supply Agreements. The terms of the Quartzdyne Licensing Arrangement include that the license will be entered into with a competitor that is active in sensors/transducers, and there is evidence that at least one competitor has an interest in expanding in competition with Quartzdyne.[7]

17. The Upfront Buyer Condition means that the CMA will only accept the Proposed Undertakings after the Parties have entered into agreements with (i) a proposed purchaser for the PCT Divestment Business, and (ii) a proposed purchaser for the USS Divestment that the CMA considers to be suitable. Similarly, the Nominated Licensee Condition means that the CMA will only accept the Proposed Undertakings after the Parties have nominated a licensee for the Quartzdyne Licensing Arrangement, and agreed terms with that licensee, that the CMA considers to be suitable. It also means that, before a final acceptance of the Proposed Undertakings, the CMA will consult publicly on the suitability of (i) the proposed purchaser of the PCT Divestment Business, (ii) the proposed purchaser of the USS Divestment (LongRange), and (iii) the nominated licensee for the Quartzdyne Licensing Arrangement, as well as other aspects of the Proposed Undertakings.[8]

18. With regard to the PCT Divestment Business and the USS Divestment, the CMA considers that the Upfront Buyer Condition is necessary because in the CMA's view the number of suitable purchasers is likely to be relatively small.[9] With regard to Quartzdyne, the Nominated Licensee Condition is necessary because the Quartzdyne Licensing Arrangement is not a standard structural divestment remedy and, as with the PCT Divestment Business, the CMA considers that the number of suitable licensees is likely to be relatively small.[10]

19. In order to consider a proposed purchaser as being suitable, the CMA will need to be satisfied that the purchaser suitability criteria in the Remedies Guidance are

[7] One potential purchaser has been subject to an [✂] following an attempt to expand in this market.
[8] CMA87, paragraphs 4.27–4.28, 4.31 and 4.33.
[9] CMA87, paragraphs 5.28–5.29.
[10] CMA87, paragraphs 5.28–5.29.

met.[11] These criteria include the requirement that a proposed purchaser has the financial resources, expertise, incentive and intention to maintain and operate the Divestment Business as part of a viable and active business in competition with the Merged Entity in the relevant market(s) and is expected to obtain all necessary approvals and consents.[12] The CMA will assess the suitability of any proposed licensees using analogous criteria, including that the proposed licensee has the incentive and intention to maintain and operate the rival offering developed under the licence as a viable and active offering in competition with the Merged Entity.

20. For these reasons, the CMA currently thinks that there are reasonable grounds for believing that the Proposed Undertakings, or a modified version of them, might be accepted by the CMA under section 73(2) of the Act.

21. The CMA's decision on whether ultimately to accept the Proposed Undertakings or refer the Merger for a phase 2 investigation will be informed by, among other things, third party views on whether the Proposed Undertakings are suitable to address the competition concerns identified by the CMA. In particular, before ultimately accepting the Proposed Undertakings, the CMA must be confident that (i) the nominated buyer of the PCT Divestment Business, (ii) LongRange (or another nominated buyer of the USS Divestment), and (iii) the nominated licensee for the Quartzdyne Licensing Arrangement are effective and credible such that the competitive constraints provided by SLB and ChampionX, respectively absent the Merger are replaced to a sufficient extent.

22. Section 94 of the Act places a duty on any person to whom the Final Undertakings accepted by the CMA relate to comply with them. Any person who suffers loss or damage due to a breach of this duty may bring an action. Section 94 of the Act also provides that the CMA can seek to enforce the Final Undertakings accepted by the CMA by civil proceedings for an injunction or for any other appropriate relief or remedy. Under sections 94AA and 94AB of the Act, the CMA can impose financial penalties in respect of a failure to comply with the Final Undertakings accepted by the CMA without reasonable excuse as set out in Annex 1 and the *Administrative penalties: Statement of Policy on the CMA's approach (CMA4)*.

4. CONSULTATION PROCESS

23. Full details of the undertakings offered will be published in due course when the CMA consults on the undertakings offered as required by Schedule 10 of the Act.[13]

[11] CMA87, Chapter 4 (in particular paragraphs 4.30–4.34) and Chapter 5 (in particular paragraphs 5.20–5.32).
[12] CMA87, paragraphs 5.28–5.32.
[13] CMA87, paragraph 4.27–4.28.

DECISION

24. The CMA therefore considers that there are reasonable grounds for believing that the Proposed Undertakings offered by the Parties, or a modified version of them, might be accepted by the CMA under section 73(2) of the Act. The CMA now has until 11 June 2025 pursuant to section 73A(3) of the Act to decide whether to accept the undertakings, with the possibility to extend this timeframe pursuant to section 73A(4) of the Act to 8 August 2025 if it considers that there are special reasons for doing so. If no undertakings are accepted, the CMA will refer the Merger for a phase 2 investigation pursuant to sections 33(1) and 34ZA(2) of the Act.

Sorcha O'Carroll
Senior Director, Mergers
Competition and Markets Authority
10 April 2025

ANNEX 1

5. ENFORCEMENT OF UNDERTAKINGS GIVEN UNDER SECTION 73 – IMPOSITION OF CIVIL PENALTIES

5.1 Imposition of civil penalties

1. Under section 94AA(1), the CMA may impose a penalty on a person—

   (a) from whom the CMA has accepted an enforcement undertaking, or

   (b) to whom an enforcement order is addressed,

   where the CMA considers that the person has, without reasonable excuse, failed to comply with the undertaking or order.

2. In deciding whether and, if so, how to proceed under section 94AA(1) the CMA must have regard to the statement of policy which was most recently published under section 94B at the time of the failure to comply.

5.2 Amount of penalty

3. A penalty under section 94AA(1) is to be such amount as the CMA considers appropriate.

4. The amount must be—

   (a) a fixed amount,

   (b) an amount calculated by reference to a daily rate, or

   (c) a combination of a fixed amount and an amount calculated by reference to a daily rate.

5. A penalty imposed under section 94AA(1) on a person who does not own or control an enterprise must not—

   (a) in the case of a fixed amount, exceed £30,000;

   (b) in the case of an amount calculated by reference to a daily rate, exceed £15,000 per day;

   (c) in the case of a fixed amount and an amount calculated by reference to a daily rate, exceed such fixed amount and such amount per day.

6. A penalty imposed under section 94AA(1) on any other person must not—

(a) in the case of a fixed amount, exceed 5% of the total value of the turnover (both in and outside the United Kingdom) of the enterprises owned or controlled by the person on whom it is imposed;

(b) in the case of an amount calculated by reference to a daily rate, for each day exceed 5% of the total value of the daily turnover (both in and outside the United Kingdom) of the enterprises owned or controlled by the person on whom it is imposed;

(c) in the case of a fixed amount and an amount calculated by reference to a daily rate, exceed such fixed amount and such amount per day.

7. In imposing a penalty by reference to a daily rate—

(a) no account is to be taken of any days before the service on the person concerned of the provisional penalty notice under section 112(A1), and

(b) unless the CMA determines an earlier date (whether before or after the penalty is imposed), the amount payable ceases to accumulate at the beginning of the day on which the person complies with the enforcement undertaking or enforcement order.