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Dear Schlumberger Shareholder:

This letter provides certain information regarding U.S. federal income tax matters to Schlumberger shareholders who participated in the recent spin-off and merger involving Sedco Forex Holdings Limited ("Sedco Forex"). The letter applies only to shareholders who are U.S. holders, as defined in the joint proxy statement/prospectus dated October 27, 1999 that was mailed to shareholders in connection with the transaction. Shareholders who are subject to the taxes of other countries should obtain advice from their own tax advisors as to the proper reporting of the spin-off and merger in those countries. In addition, shareholders who are subject to U.S. tax, including those who are not U.S. holders, are urged to consult their own tax advisors for advice applicable to their particular circumstances.

On December 30, 1999, Schlumberger Limited ("Schlumberger") distributed all of the common stock of Sedco Forex to its shareholders of record as of the close of business on December 20, 1999. In the distribution, you received one share of Sedco Forex for each Schlumberger share you owned as of the record date by book-entry transfer. On December 31, 1999, Transocean Offshore Inc. ("Transocean") acquired all of the Sedco Forex stock by means of a merger. As a result of the merger, each share of Sedco Forex stock held by you was converted into 0.1936 Transocean ordinary shares. Schlumberger and Sedco Forex received an opinion from their counsel to the effect that the receipt by the Schlumberger shareholders of the Sedco Forex stock and the subsequent surrender of that stock for stock of Transocean should be tax-free to the shareholders under the U.S. Internal Revenue Code. In order to qualify for tax-free treatment on the distribution, shareholders must provide a notice of the transaction with their 1999 returns, as discussed below.

Under the Internal Revenue Code and Treasury regulations, your basis in your Schlumberger shares before the distribution is first allocated between those shares and the Sedco Forex shares which you received in the distribution. Your basis in the Sedco Forex shares then becomes your basis in the Transocean ordinary shares which you received in the merger, including a fractional share interest, if any.

Since no independent trading price was established for the Sedco Forex shares, Schlumberger believes that the trading prices of Schlumberger and Transocean should be used for this purpose. Based on the average of the high and low trading prices of Schlumberger and Transocean on December 31, 1999, as reported by *The Wall Street Journal*, 89.492% of your basis in your Schlumberger shares before the distribution should be allocated to your Schlumberger shares, and the remaining 10.508% represents your basis in the Transocean ordinary shares which you received in the merger, including a fractional share interest, if any.

For example, assume that, prior to the distribution, you held 100 shares of Schlumberger stock at a tax basis of \$50 per share for a total basis of \$5,000. After the distribution and merger, but before the sale of a fractional share interest, you would hold 19.36 Transocean ordinary shares, as well as 100 Schlumberger shares. Your basis in the 100 Schlumberger shares would be reduced to \$4,474.60 (89.492% of \$5,000), or \$44.75 per share, and your basis in the 19.36 Transocean ordinary shares would be \$525.40 (10.508% of \$5,000), or \$27.14 per share.

No certificates for fractional Transocean ordinary shares are being issued. Instead, fractional shares will be aggregated and sold in the open market, and the net proceeds will be distributed to those who were entitled to a fractional Transocean ordinary share in the merger. Continuing with the foregoing example, 0.36 of a fractional Transocean ordinary share would be sold in your behalf. Your basis in that fractional share would be \$9.77 (\$27.14, basis in a full share, multiplied by 0.36, the fractional share sold in your behalf). You would report gain or loss (in this example, probably a gain) in your U.S. federal income tax return for the year 2000 in an amount equal to the difference between the net cash proceeds of sale distributed to you and \$9.77. Your basis in your remaining 19 Transocean ordinary shares would be \$515.63 (\$525.40, basis in all Transocean ordinary shares, minus \$9.77, basis in fractional share which was sold).

This example is for illustrative purposes only. You should consult your tax advisor regarding the application of these calculations to your particular circumstances. If you acquired Schlumberger shares on more than one occasion, you will need to perform the tax basis calculation separately for each group of shares.

The requirements to allocate basis and to file the notice described below apply to share holders who held Schlumberger stock on the record date and who were therefore entitled to participate in the distribution and merger, even if they sold part or all of their Schlumberger stock in the meantime.

You should retain this information to support the determination of your basis in your Schlumberger and Transocean shares.

In order to qualify for tax-free treatment on the distribution, you must provide a notice of the transaction with your U.S. federal income tax return for 1999. In order to assist you in complying with this requirement and certain other reporting requirements, we are attaching a form of statement to be completed, signed, and dated by you and filed with your 1999 return. You should consult your tax advisor in order to make sure that the statement is properly adapted to your particular circumstances.