



DEPARTMENT OF THE TREASURY
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OFAC Settles with Schlumberger Rod Lift, Inc. for Its Potential Civil Liability for an Apparent Violation of the Sudanese Sanctions Regulations

Schlumberger Rod Lift, Inc. (“SRL”) (now d/b/a Lufkin Rod Lift, Inc.¹) — a Frisco, Texas-based company that was formerly a subsidiary of Schlumberger Lift Solutions LLC (“SLS”), itself a U.S. subsidiary of Schlumberger Limited (“Schlumberger”) of Curaçao, Netherlands — has agreed to pay \$160,000 to settle its potential civil liability for an apparent violation involving its facilitation of one shipment of goods from a Schlumberger subsidiary in Canada, to a Schlumberger joint venture in China, for ultimate delivery to Sudan. The settlement amount reflects OFAC’s determinations that SRL’s conduct was non-egregious and was not voluntarily self-disclosed, and further reflects OFAC’s consideration of aggravating and mitigating factors.

Description of the Conduct Leading to the Apparent Violation

In August 2014, SLS acquired the assets of another Texas-based company and hired a number of employees of the acquired company as part of the acquisition. Between December 2015 and April 2016, three of these employees, who were U.S. persons, facilitated the sale and shipment of oilfield equipment from a Canadian subsidiary of Schlumberger to a Chinese joint venture, in which Schlumberger held a 50% interest, for onward delivery to Sudan. Each of the U.S. employees were made aware that the goods were destined for Sudan prior to arranging the shipment of the goods and confirmed this knowledge in later email communication. The employees were further made aware, through multiple communications and Schlumberger’s internal policy, that U.S. sanctions at that time prohibited the sale of Schlumberger goods and provision of services to Sudan. Two of the employees were members of SRL management, specifically a Vice President and an Operations Manager.

The conduct giving rise to the apparent violation began in December 2015, when the U.S. employees received an email from the Schlumberger joint venture in China requesting a price quote for oilfield equipment from Schlumberger’s Canadian subsidiary, which would then be delivered to a customer in Sudan. In arranging the sale and shipment, the SRL employees assisted in the management of customer requirements and helped arrange for the shipment of the goods to China.

Shortly after the initial email request, the U.S. employees received internal communications clearly stating that Sudan was a sanctioned country and providing a link to Schlumberger’s internal Trade and Customs Compliance documents. Over approximately five months thereafter, employees of SRL, the joint venture, and the Canadian subsidiary exchanged numerous emails to arrange the sale and shipment of the goods.

¹ On November 2, 2020, Lufkin Industries announced that it had completed the acquisition of SRL. OFAC has no information that Lufkin Industries or its affiliates were directly or indirectly involved in the apparent violation.

In addition to the written guidance, each employee had attended a 6-hour training on Schlumberger's Trade and Customs Compliance program that included a section explaining U.S. person restrictions with respect to activities in connection with all sanctioned countries, including the prohibition of facilitation. This training also included a case study of a past violation regarding Sudan and facilitation by a U.S. person. In March 2015, the U.S.-person Vice President received a notification sent by Schlumberger to senior management describing the company's entry into a plea agreement, on March 15, 2015, with the U.S. Department of Justice (DOJ) for Schlumberger's apparent violations of Sudan and Iran sanctions. This notification detailed the plea agreement, stressed the need for ongoing and future compliance with sanctions regulations, and highlighted that Schlumberger had wound down its operations in Sudan as part of Schlumberger's remedial efforts. Despite receiving this information, on or around April 8, 2016, the Canadian subsidiary, at the request of SRL, transferred the goods for export to the Chinese joint venture, for ultimate delivery to Sudan.

The facilitation by SRL's employees of the export of oilfield equipment to Sudan was, at the time of the transaction, a violation of 31 C.F.R. § 538.206 of the Sudanese Sanctions Regulations (SSR), 31 C.F.R. part 538, which prohibited U.S. persons from facilitating the exportation or reexportation of goods, technology, or services, to Sudan from any location unless authorized or exempt (the "Apparent Violation").² Moreover, the activities by SRL's employees to further trade with Sudan did not qualify for the general license at 31 C.F.R. § 538.507 for reexports by non-U.S. persons to Sudan.

Penalty Calculations and General Factors Analysis

The statutory maximum civil monetary penalty applicable in this matter is \$307,922. OFAC determined that SRL did not voluntarily self-disclose the Apparent Violation and that the Apparent Violation constitutes a non-egregious case. Accordingly, under OFAC's Economic Sanctions Enforcement Guidelines ("Enforcement Guidelines"), the base civil monetary penalty amount applicable in this matter is the Applicable Schedule Amount (as defined in the Enforcement Guidelines), which in this case is \$200,000.

The settlement amount of \$160,000 reflects OFAC's consideration of the General Factors under the Enforcement Guidelines. Specifically, OFAC determined the following to be **aggravating factors**:

- (1) The SRL employees that engaged in the violative transaction were explicitly informed that Sudan was under comprehensive U.S. sanctions and that they were no longer to engage in business with Sudan. They also received emails and attended a training that communicated prohibitions on activities related to Sudan.
- (2) The SRL employees that engaged in the violative conduct knew or had reason to know that the goods for which they were facilitating shipment would be exported to Sudan.

² Effective October 12, 2017, pursuant to Executive Order 13761 (as amended by Executive Order 13804), U.S. persons are no longer prohibited from engaging in transactions that were previously prohibited solely under the SSR. Consistent with the revocation of these sanctions, OFAC removed the SSR from the Code of Federal Regulations on June 29, 2018. However, the revocation of these sanctions does not affect past, present, or future OFAC enforcement investigations or actions related to any apparent violations of the SSR arising from activities that occurred prior to October 12, 2017.

- (3) The conduct occurred not long after Schlumberger received, in August 2015, a Finding of Violation from OFAC³ regarding the facilitation of trade with and the exportation of goods to Iran and Sudan. The Apparent Violation also occurred when Schlumberger was subject to the Plea Agreement with DOJ related (in part) to prior sanctions violations involving Sudan.

OFAC determined the following to be **mitigating factors**:

- (1) Schlumberger cooperated fully with OFAC's investigation, including by submitting thorough documentation, providing timely responses to OFAC's requests, and entering into a tolling agreement; and
- (2) Schlumberger engaged in remedial efforts that included the removal of personnel involved in the Apparent Violation, and SRL (now Lufkin Rod Lift, Inc.) is in the process of implementing enhancements to the company's compliance program.

Compliance Considerations

This enforcement action highlights the importance of implementing effective compliance programs for multinational corporations operating across multiple global subsidiaries and employing diverse workforces. Companies with integrated operations, particularly those involving or requiring participation by their U.S.-based headquarters, locations, or personnel, should ensure that global activities they engage in are compliant with OFAC's regulations. Businesses should anticipate and account for this challenge also in the context of conducting acquisitions, including when integrating acquired companies that themselves share similar characteristics. When the relevant industry is one that may pose elevated sanctions risk, the need for an effective compliance program becomes increasingly important.

In implementing compliance controls in such contexts, companies are encouraged to take steps to ensure that all relevant personnel receive — and understand — existing sanctions prohibitions and the company's compliance program. Effective training might include communicating the sanctions compliance responsibilities for each employee, and ongoing training may be prudent to ensure procedures are followed properly. Companies are encouraged to further ensure their compliance program procedures are followed and concerns are escalated appropriately, including through risk-based audits and testing.

OFAC Enforcement and Compliance Resources

On May 2, 2019, OFAC published [A Framework for OFAC Compliance Commitments](#) in order to provide organizations subject to U.S. jurisdiction, as well as foreign entities that conduct business in or with the United States or U.S. persons, or that use goods or services exported from the United States, with OFAC's perspective on the essential components of a sanctions compliance program. The *Framework* also outlines how OFAC may incorporate these components into its evaluation of

³ See https://home.treasury.gov/system/files/126/20150807_schlumberger.pdf.

apparent violations and resolution of investigations resulting in settlements. The *Framework* includes an appendix that offers a brief analysis of some of the root causes of apparent violations of U.S. economic and trade sanctions programs OFAC has identified during its investigative process.

Information concerning the civil penalties process can be found in the OFAC regulations governing each sanctions program; the Reporting, Procedures, and Penalties Regulations, 31 C.F.R. part 501; and the Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A. These references, as well as recent final civil penalties and enforcement information, can be found on OFAC's website at <https://home.treasury.gov/policy-issues/financial-sanctions/civil-penalties-and-enforcement-information>.

For more information regarding OFAC regulations, please go to: <https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information>.