

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:

Smith International (North Sea) Limited
Victory House
Manor Royal
Crawley
West Sussex
RH10 9LU
United Kingdom

Respondent

ORDER RELATING TO
SMITH INTERNATIONAL (NORTH SEA) LIMITED

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has Smith International (North Sea) Ltd., of the United Kingdom (“SINS”), of its intention to initiate an administrative proceeding against SINS pursuant to Section 766.3 of the Export Administration Regulations (the “Regulations”),¹ and Section 13(c) of the Export Administration Act of 1979, as amended (the “Act”),² through the issuance of a Proposed Charging Letter to SINS that alleges that SINS committed nine violations of the Regulations. Specifically, the charges are:

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2013). The charged violations occurred between 2008 and 2010. The Regulations governing the violations at issue are found in the 2008-2010 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2008-2010)). The 2013 Regulations establish the procedures that apply to this matter.

² 50 U.S.C. app. §§ 2401-2420 (2000). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 8, 2013 (78 Fed. Reg. 49107 (Aug. 12, 2013)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.*) (2006 & Supp. IV 2010).

Charges 1-9 15 C.F.R. § 764.2(a): Unlicensed Reexports of Drilling Tools and Equipment to Syria

On nine occasions between on or about April 6, 2008 and on or about January 27, 2010, SINS engaged in conduct prohibited by the Regulations when it reexported items subject to the Regulations from the United Arab Emirates to Syria without the required Department of Commerce authorization. Specifically, SINS reexported to Syria drilling tools and equipment, items subject to the Regulations and designated EAR99, and valued at approximately \$174,000. The reexport of these items required a license from the Department of Commerce pursuant to General Order No. 2, set forth in Supplement No. 1 to Part 736 of the Regulations, which implements the Syria Accountability and Lebanese Sovereignty Act of 2003 (Pub. L. No. 108-175). In reexporting these items to Syria without a license, SINS committed nine violations of Section 764.2(a) of the Regulations.

WHEREAS, BIS and SINS have entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations, whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein; and

WHEREAS, I have approved of the terms of such Settlement Agreement;

IT IS THEREFORE ORDERED:

FIRST, SINS shall be assessed a civil penalty in the amount of \$130,000, the payment of which shall be made to the U.S. Department of Commerce within 30 days of the date of this Order.

SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and if payment is not made by the due date specified herein, SINS will be assessed, in addition to the full amount of the civil penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

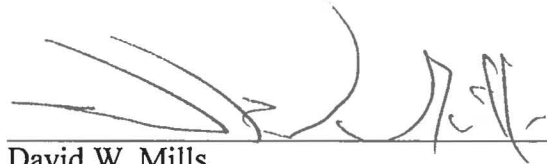
THIRD, that the full and timely payment of the civil penalty is hereby made a condition to the granting, restoration, or continuing validity of any export license, license

exception, permission, or privilege granted, or to be granted, to SINS. Accordingly, if SINS should fail to pay the civil penalty in a full and timely manner, the undersigned may issue an order denying all of SINS's export privileges under the Regulations for a period of one year from the date of failure to make such payment.

FOURTH, SINS shall not take any action or make or permit to be made any public statement, directly or indirectly, denying the allegations in the Proposed Charging Letter or the Order. The foregoing does not affect SINS's testimonial obligations in any proceeding, nor does it affect its right to take legal or factual positions in civil litigation or other civil proceedings in which the U.S. Department of Commerce is not a party.

FIFTH, that the Proposed Charging Letter, the Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in this matter, is effective immediately.



David W. Mills
Assistant Secretary of Commerce
for Export Enforcement

Issued this 23 day of December, 2013.

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:

Smith International (North Sea) Limited
Victory House
Manor Royal
Crawley
West Sussex
RH10 9LU
United Kingdom

Respondent

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Smith International (North Sea) Ltd., of the United Kingdom (“SINS”), and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively, the “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (the “Regulations”),¹ issued pursuant to the Export Administration Act of 1979, as amended (the “Act”).²

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2013). The charged violations occurred between 2008 and 2010. The Regulations governing the violations at issue are found in the 2008-2010 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2008-2010)). The 2013 Regulations establish the procedures that apply to this matter.

² 50 U.S.C. app. §§ 2401-2420 (2000). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 8, 2013 (78 Fed. Reg. 49107 (Aug. 12, 2013)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.*) (2006 & Supp. IV 2010).

WHEREAS, SINS filed a voluntary self-disclosure with BIS's Office of Export Enforcement in accordance with Section 764.5 of the Regulations concerning the transactions at issue herein;

WHEREAS, BIS has notified SINS of its intentions to initiate an administrative proceeding against SINS, pursuant to the Act and the Regulations;

WHEREAS, BIS has issued a Proposed Charging Letter to SINS that alleges that SINS committed nine violations of the Regulations, specifically:

Charges 1-9 15 C.F.R. § 764.2(a): Unlicensed Reexports of Drilling Tools and Equipment to Syria

On nine occasions between on or about April 6, 2008 and on or about January 27, 2010, SINS engaged in conduct prohibited by the Regulations when it reexported items subject to the Regulations from the United Arab Emirates to Syria without the required Department of Commerce authorization. Specifically, SINS reexported to Syria drilling tools and equipment, items subject to the Regulations and designated EAR99, and valued at approximately \$174,000. The reexport of these items required a license from the Department of Commerce pursuant to General Order No. 2, set forth in Supplement No. 1 to Part 736 of the Regulations, which implements the Syria Accountability and Lebanese Sovereignty Act of 2003 (Pub. L. No. 108-175). In reexporting these items to Syria without a license, SINS committed nine violations of Section 764.2(a) of the Regulations.

WHEREAS, SINS has reviewed the Proposed Charging Letter and is aware of the allegations made against it and the administrative sanctions that could be imposed against it if the allegations are found to be true;

WHEREAS, SINS fully understands the terms of this Agreement and the Order ("Order") that the Assistant Secretary of Commerce for Export Enforcement will issue if he approves this Agreement as the final resolution of this matter;

WHEREAS, SINS enters into this Agreement voluntarily and with full knowledge of its rights, after having consulted with counsel;

WHEREAS, SINS states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, SINS neither admits nor denies the allegations contained in the Proposed Charging Letter; and

WHEREAS, SINS agrees to be bound by the Order, if issued;

NOW THEREFORE, the Parties hereby agree, for purposes of this Settlement Agreement, as follows:

1. BIS has jurisdiction over SINS, under the Regulations, in connection with the matters alleged in the Proposed Charging Letter.

2. The following sanction shall be imposed against SINS in complete settlement of the alleged violations of the Regulations relating to the transactions specifically detailed in the Proposed Charging Letter:

a. SINS shall be assessed a civil penalty in the amount of \$130,000, the payment of which shall be made to the U.S. Department of Commerce within 30 days of the date of the Order. Payment shall be made in the manner specified in the attached instructions.

b. The full and timely payment of the civil penalty agreed to in Paragraph 2.a, is hereby made condition to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to SINS. Failure to make full and timely payment of the civil penalty may result in the denial of all of SINS's export privileges under the Regulations for one year from the date of the failure to make such payment.

3. Subject to the approval of this Agreement pursuant to Paragraph 8 hereof, SINS hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this Agreement or the Order, if issued), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in any charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if issued; and (c) seek judicial review or otherwise contest the validity of this Agreement or the Order, if issued.

4. SINS shall not take any action or make or permit to be made any public statement, directly or indirectly, denying the allegations in the Proposed Charging Letter or the Order. The foregoing does not affect SINS's testimonial obligations in any proceeding, nor does it affect its right to take legal or factual positions in civil litigation or other civil proceedings in which the U.S. Department of Commerce is not a party.

5. BIS agrees that upon full and timely payment of the civil penalty as set forth in Paragraph 2.a, BIS will not initiate any further administrative proceeding against SINS in connection with any violation of the Act or the Regulations arising out of the transactions specifically detailed in the Proposed Charging Letter.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.


7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if issued; nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. Government with respect to the facts and circumstances addressed herein.

8. This Agreement shall become binding on the Parties only if the Assistant Secretary of Commerce for Export Enforcement approves it by issuing the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

9. BIS will make the Proposed Charging Letter, this Agreement, and the Order, if issued, available to the public.

10. Each signatory affirms that he or she has authority to enter into this Settlement Agreement and to bind his or her respective party to the terms and conditions set forth herein.


BUREAU OF INDUSTRY AND
SECURITY
U.S. DEPARTMENT OF COMMERCE



Douglas R. Hassebrock
Director of Export Enforcement

Date: 12/20/13

SMITH INTERNATIONAL (NORTH SEA)
LIMITED



Pauline Droy
Secretary

Date: 16/12/2013

PROPOSED CHARGING LETTER

REGISTERED MAIL - RETURN RECEIPT REQUESTED

Smith International (North Sea) Limited
Victory House
Manor Royal
Crawley
West Sussex
RH10 9LU
United Kingdom

*Attn.: Pauline Droy
Secretary*

Dear Ms. Droy:

The Bureau of Industry and Security, United States Department of Commerce ("BIS"), has reason to believe that Smith International (North Sea) Ltd., of the United Kingdom ("SINS"), has committed nine violations of the Export Administration Regulations (the "Regulations"),¹ which issued under the authority of the Export Administration Act of 1979, as amended (the "Act").² Specifically, BIS charges the following violations:

Charges 1-9 15 C.F.R. § 764.2(a): Unlicensed Reexports of Drilling Tools and Equipment to Syria

As described in greater detail in the attached Schedule of Violations, which is incorporated by reference herein, on nine occasions between on or about April 6, 2008 and on or about January 27, 2010, SINS engaged in conduct prohibited by the Regulations when it reexported items subject to the Regulations from the United Arab Emirates to Syria without the required Department of Commerce authorization. Specifically, SINS reexported to Syria drilling tools and equipment, items subject to the Regulations and designated EAR99,³ and valued at approximately \$174,000. The reexport of these items required a license from the Department of

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2013). The charged violations occurred between 2008 and 2010. The Regulations governing the violations at issue are found in the 2008-2010 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2008-2010)). The 2013 Regulations establish the procedures that apply to this matter.

² 50 U.S.C. app. §§ 2401-2420 (2000). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 15, 2012 (77 Fed. Reg. 49,699 (Aug. 16, 2012)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701 *et seq.* (2006 & Supp. IV 2010)).

³ EAR99 is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c).

Commerce pursuant to General Order No. 2, set forth in Supplement No. 1 to Part 736 of the Regulations, which implements the Syria Accountability and Lebanese Sovereignty Act of 2003 (Pub. L. No. 108-175). In reexporting these items to Syria without a license, SINS committed nine violations of Section 764.2(a) of the Regulations.

* * * * *

Accordingly, SINS is hereby notified that an administrative proceeding is instituted against it pursuant to Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

- The maximum civil penalty allowed by law of up to the greater of \$250,000 per violation, or twice the value of the transaction that is the basis of the violation;⁴
- Denial of export privileges; and/or
- Exclusion from practice before BIS.

If SINS fails to answer the charge contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. *See* 15 C.F.R. §§ 766.6 and 766.7 (2013). If SINS defaults, the Administrative Law Judge may find the charge alleged in this letter to be true without a hearing or further notice to the company. The Under Secretary for Industry and Security may then impose up to the maximum penalty on the charge in this letter.

SINS is further notified that it is entitled to an agency hearing on the record if it files a written demand for one with its answer. *See* 15 C.F.R. § 766.6 (2013). SINS is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent the company. *See* 15 C.F.R. §§ 766.3(a) and 766.4 (2013).

SINS is further notified that under the Small Business Regulatory Enforcement Flexibility Act, the company may be eligible for assistance from the Office of the National Ombudsman of the Small Business Administration in this matter. To determine eligibility and get more information, please see: <http://www.sba.gov/ombudsman/>.

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18 (2013). Should SINS have a proposal to settle this case, the company or its representative should transmit it to the attorney representing BIS named below.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, SINS's answer must be filed in accordance with the instructions set forth in Section 766.5(a) of the Regulations with:

⁴ *See* International Emergency Economic Powers Enhancement Act of 2007, Pub. L. No. 110-96, 121 Stat. 1011 (2007).

Smith International (North Sea) Ltd.
Proposed Charging Letter
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U.S. Coast Guard ALJ Docketing Center
40 S. Gay Street
Baltimore, Maryland 21202-4022

In addition, a copy of SINS's answer must be served on BIS at the following address:

Chief Counsel for Industry and Security
Attention: Elias Wolfberg, Esq.
Room H-3839
United States Department of Commerce
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20230

Elias Wolfberg is the attorney representing BIS in this case; any communications that SINS may wish to have concerning this matter should occur through him. He may be contacted by telephone at (202) 482-5301.

Sincerely,

Douglas R. Hassebrock
Director
Office of Export Enforcement

Schedule of Violations						
Charge	Export Date	Destination	Value	ECCN	Commodities	Violation
1	4/6/2008	Syria	\$4,870	EAR99	Tools and equipment for gas and oil industry	15 C.F.R. § 764.2 (a)
2	4/6/2008	Syria	\$28,170	EAR99	Tools and equipment for gas and oil industry	15 C.F.R. § 764.2 (a)
3	5/18/2008	Syria	\$31,942	EAR99	Tools and equipment for gas and oil industry	15 C.F.R. § 764.2 (a)
4	7/14/2008	Syria	\$1,121	EAR99	Tools and equipment for gas and oil industry	15 C.F.R. § 764.2 (a)
5	7/28/2008	Syria	\$7,583	EAR99	Tools and equipment for gas and oil industry	15 C.F.R. § 764.2 (a)
6	8/4/2008	Syria	\$391	EAR99	Tools and equipment for gas and oil industry	15 C.F.R. § 764.2 (a)
7	9/29/2008	Syria	\$2,231	EAR99	Tools and equipment for gas and oil industry	15 C.F.R. § 764.2 (a)
8	12/28/2009	Syria	\$4,231	EAR99	Tools and equipment for gas and oil industry	15 C.F.R. § 764.2 (a)
9	1/27/2010	Syria	\$93,706	EAR99	Tools and equipment for gas and oil industry	15 C.F.R. § 764.2 (a)