

SMITH INTERNATIONAL INC
 Form 4
 August 31, 2010

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549**

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
KENNEDY JOHN J

2. Issuer Name and Ticker or Trading Symbol
SMITH INTERNATIONAL INC [SII]

5. Relationship of Reporting Person(s) to Issuer
 (Check all applicable)

(Last) (First) (Middle)
PO BOX 60068
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)
08/27/2010

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
President & CEO Wilson

HOUSTON, TX 77205
 (City) (State) (Zip)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | | (A) or (D) Price | | | |
| | | | Code | V Amount (D) | (1) | | |
| Common Stock | 08/27/2010 | | D | 93,147 D | \$ 0 (1) 0 | D | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--------------|----------------------------|
| | | | | Code | V (A) (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares |
| Employee Stock Option (right to buy) | \$ 28.13 (2) | 08/27/2010 | | D | 8,000 (2) | (2) 12/07/2014 | | Common Stock | 8,000 (2) |
| Employee Stock Option (right to buy) | \$ 19.41 (3) | 08/27/2010 | | D | 22,500 (3) | 12/02/2007 12/22/2013 | | Common Stock | 22,500 (3) |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|-----------------|--------|
| | Director | 10% Owner | Officer | Other |
| KENNEDY JOHN J PO BOX 60068 HOUSTON, TX 77205 | | | President & CEO | Wilson |

Signatures

/s/ Cay D. Price, 08/30/2010
Atty-in-Fact

**Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Disposed of pursuant to the Agreement and Plan of Merger dated as of February 21, 2010, by and among Schlumberger Limited ("Schlumberger"), Turnberry Merger Sub Inc., and Smith International, Inc. ("Smith"), in exchange for .6966 shares of Schlumberger common stock per share of Smith common stock on August 27, 2010. Any fractional share will be paid in cash.
- (2) This option, which provided for vesting in equal installments on Dec. 7, 2007 and Dec. 7, 2008, was converted pursuant to the Merger Agreement into an option to purchase 5,572 shares of Schlumberger common stock at \$40.39 per share, with the same terms and conditions as the original Smith option.
- (3) This option was converted pursuant to the Merger Agreement into an option to purchase 15,673 shares of Schlumberger common stock at \$27.87 per share, with the same terms and conditions as the original Smith option.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

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