HALLIBURTON CO
Form S-4
November 12, 2003

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 12, 2003

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

HALLIBURTON COMPANY
(Exact name of registrant as specified in its charter)

DELAWARE	1389	76-2677995
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

1401 MCKINNEY STREET, SUITE 2400
HOUSTON, TEXAS 77010
(713) 759-2600
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

ALBERT O. CORNELISON, JR.
EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL
HALLIBURTON COMPANY
1401 MCKINNEY STREET, SUITE 2400
HOUSTON, TEXAS 77010
(713) 759-2600
(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPY TO:

DARRELL W. TAYLOR
BAKER BOTTS L.L.P.
910 LOUISIANA STREET
HOUSTON, TEXAS 77002-4995
(713) 229-1234

ANDREW M. BAKER
BAKER BOTTS L.L.P.
2001 ROSS AVENUE
DALLAS, TEXAS 75201-2980
(214) 953-6500

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE PUBLIC: As soon as practicable following the effectiveness of this registration statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)
Senior Notes due 2005............	$300,000,000	100%	$300,000,000
5 1/2% Senior Notes due 2010......	$750,000,000	100%	$750,000,000
Total..			

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(f) under the Securities Act of 1933, as amended.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED NOVEMBER 12, 2003

PROSPECTUS

(HALLIBURTON LOGO)

$1,050,000,000

HALLIBURTON COMPANY

OFFER TO EXCHANGE

REGISTERED	REGISTERED
SENIOR NOTES DUE OCTOBER 17, 2005	5 1/2% SENIOR NOTES DUE OCTOBER 15, 2010
FOR ALL OUTSTANDING	FOR ALL OUTSTANDING
SENIOR NOTES DUE OCTOBER 17, 2005	5 1/2% SENIOR NOTES DUE OCTOBER 15, 2010

THE NEW NOTES:

- will be freely tradeable;
- are otherwise substantially identical to the outstanding notes;
- will accrue interest at the same rates as the outstanding notes of the same series, payable
  - -- semiannually in arrears on each April 15 and October 15, beginning April 15, 2003, in the case of the 5 1/2% Senior Notes due October 15, 2010, and
  - -- quarterly on each January 17, April 17, July 17 and October 17, beginning January 17, 2004, in the case of the Senior Notes due October 17, 2005;
- will be unsecured senior obligations of Halliburton and will rank equally with all of Halliburton's existing and future unsecured senior indebtedness;
- will have a junior position to the claims of creditors on the assets and earnings of our subsidiaries; and
- will not be listed on any securities exchange or on any automated dealer quotation system, but may be sold in the over-the-counter market, in negotiated transactions or through a combination of those methods.

THE EXCHANGE OFFER:

- expires at 5:00 p.m., New York City time, on, 200 , unless extended; and
- is not conditioned on any minimum aggregate principal amount of outstanding notes being tendered.

IN ADDITION, YOU SHOULD NOTE THAT:

- all outstanding notes that are validly tendered and not validly withdrawn will be exchanged for an equal principal amount of new notes of like tenor that are registered under the Securities Act of 1933;
- tenders of outstanding notes may be withdrawn any time before the expiration of the exchange offer;
- the exchange of outstanding notes for new notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes; and
- the exchange offer is subject to customary conditions, which we may waive in our sole discretion.

YOU SHOULD CONSIDER CAREFULLY THE RISK FACTORS BEGINNING ON PAGE 13 OF THIS PROSPECTUS BEFORE PARTICIPATING IN THE EXCHANGE OFFER.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE NEW NOTES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DATE OF THIS PROSPECTUS IS , 200 .

YOU SHOULD RELY ONLY ON THE INFORMATION WE HAVE PROVIDED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANY PERSON (INCLUDING ANY SALESMAN OR BROKER) TO PROVIDE YOU WITH ADDITIONAL OR DIFFERENT INFORMATION. WE ARE NOT MAKING AN OFFER OF THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER IS NOT PERMITTED. YOU SHOULD ASSUME THAT THE INFORMATION IN THIS PROSPECTUS IS ACCURATE ONLY AS OF THE DATE ON THE FRONT OF THAT DOCUMENT AND THAT ANY INFORMATION WE HAVE INCORPORATED BY REFERENCE IS ACCURATE ONLY AS OF THE DATE OF THE DOCUMENT INCORPORATED BY REFERENCE.

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FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides safe harbor provisions for forward-looking information. Forward-looking information is based on projections and estimates, not historical information. Some statements in this prospectus and the documents incorporated by reference herein are forward-looking and use words like "may," "may not," "believe," "do not believe," "expect," "do not expect," "plan," "does not plan," "anticipate," "do not anticipate," and other expressions. We may also provide oral or written forward-looking information in other materials we release to the public. Forward-looking information involves risks and uncertainties and reflects our best judgment based on current information. Our results of operations can be affected by inaccurate assumptions we make or by known or unknown risks and uncertainties. In addition, other factors may affect the accuracy of our forward-looking information. As a result, no forward-looking information can be guaranteed. Actual events and the results of operations may vary materially.

While it is not possible to identify all factors, we continue to face many risks and uncertainties that could cause actual results to differ from our forward-looking statements, including the risks described in "Risk Factors" and in our Annual Report on Form 10-K for the year ended December 31, 2002, our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2003, June 30, 2003 and September 30, 2003 and our Current Report on Form 8-K dated as of October 28, 2003.

In addition, future trends for pricing, margins, revenues and profitability remain difficult to predict in the industries we serve. We do not assume any responsibility to publicly update any of our forward-looking statements regardless of whether factors change as a result of new information, future events or for any other reason. You should review any additional disclosures we make in our press releases and our reports on Forms 10-K, 10-Q and 8-K filed with or furnished to the SEC. We also suggest that you listen to our quarterly earnings release conference calls with financial analysts.

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WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), pursuant to which we file annual, quarterly and current reports, proxy statements and other information with the SEC. You can read and copy any materials we file with the SEC at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. You also can obtain additional information about the operation of the SEC's public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site that contains information we file electronically with the SEC, which you can access over the Internet at www.sec.gov, and our electronic SEC filings are also available from our web site at www.halliburton.com. Information contained on Halliburton's web site or any other web site is not incorporated into this prospectus and does not constitute a part of this prospectus. You can also obtain information about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The following documents are incorporated into this prospectus by this reference. They disclose important information that each holder should consider when deciding whether to execute the letter of transmittal and consent.

- Our Annual Report on Form 10-K for the fiscal year ended December 31, 2002;

- Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2003, June 30, 2003 and September 30, 2003; and

- Our Current Report on Form 8-K dated as of October 28, 2003.

All documents we file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and prior to the termination of the offering are also incorporated by reference in this prospectus. Information incorporated by reference is considered to be a part of this prospectus, and later information filed with the SEC prior to the termination of the offering will automatically update and supersede this information.

We will provide without charge to each person to whom a copy of this prospectus has been delivered, upon the written or oral request of such person, a copy of any and all of the documents that have been or may be incorporated by reference in this prospectus, except that exhibits to such documents will not be provided unless they are specifically incorporated by reference into such documents. Requests for copies of any such document should be directed to:

Halliburton Company
1401 McKinney, Suite 2400
Houston, Texas 77010

Attention: Albert O. Cornelison, Jr.
Executive Vice President and General Counsel
Telephone: (713) 759-2600

To obtain timely delivery of any of our documents, you must make your request to us no later than , 200 . The exchange offer will expire at 5:00 p.m., New York City time, on , 200 . The exchange offer can be extended by us in our sole discretion, but we currently do not intend to extend the expiration date. See the caption "The Exchange Offer" for more detailed information.

Notwithstanding the foregoing paragraph, if at any time during the two-year period following the date of original issue of the notes we are not subject to the information requirements of Section 13 or 15(d) of the Exchange Act, we will furnish to holders of the notes the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act in order to permit compliance with Rule 144A in connection with resales of such notes.

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PROSPECTUS SUMMARY

The following summary should be read together with the information contained in other parts of this prospectus and the documents we incorporate by reference. You should carefully read this prospectus and the documents we incorporate by reference to fully understand the terms of the new notes as well as the tax and other considerations that are important to you in making a decision about whether to participate in the exchange offer. In this prospectus, we refer to Halliburton Company and its subsidiaries as "we," "us," "our" or "Halliburton," unless we specifically indicate otherwise or the context clearly indicates otherwise.

HALLIBURTON COMPANY

GENERAL DESCRIPTION OF BUSINESS

We are one of the world's largest oilfield services companies and a leading provider of engineering and construction services. We had total revenues for the year ended December 31, 2002 of approximately $12.6 billion, and total revenues for the nine months ended September 30, 2003 of approximately $10.8 billion. We have five business segments that are organized around how we manage our business: Drilling and Formation Evaluation, Fluids, Production Optimization, Landmark and Other Energy Services and the Engineering and Construction Group. We sometimes refer to the combination of the Drilling and Formation Evaluation, Fluids, Production Optimization and Landmark and Other Energy Services segments as the Energy Services Group. Through our Energy Services Group, we provide a comprehensive range of discrete and integrated products and services for the exploration, development and production of oil and gas. We serve major national and independent oil and gas companies throughout the world. Our Engineering and Construction Group (known as KBR) provides a wide range of services to energy and industrial customers and governmental entities worldwide.

DRILLING AND FORMATION EVALUATION

Our Drilling and Formation Evaluation segment is primarily involved in drilling and evaluating the formations related to bore-hole construction and initial oil and gas formation evaluation. The products and services in this segment incorporate integrated technologies, which offer synergies related to drilling activities and data gathering. The segment consists of drilling services, including directional drilling and measurement-while-drilling/logging-while-drilling; logging services; and drill bits. Included in this business segment are Sperry-Sun, logging and perforating and Security DBS. Also included is our Mono Pumps business, of which we disposed in the first quarter of 2003.

FLUIDS

Our Fluids segment focuses on fluid management and technologies to assist in the drilling and construction of oil and gas wells. Drilling fluids are used to provide for well control, drilling efficiency, and as a means of removing wellbore cuttings. Cementing services provide zonal isolation to prevent fluid movement between formations, ensure a bond to provide support for the casing, and provide wellbore reliability. Our Baroid and cementing product lines, along with our equity method investment in Enventure Global Technology, LLC, an expandable casing joint venture, are included in this segment.

PRODUCTION OPTIMIZATION

Our Production Optimization segment primarily tests, measures and provides means to manage and/or improve well production once a well is drilled and, in some cases, after it has been producing. This segment consists of:

- production enhancement services (including fracturing, acidizing, coiled tubing, hydraulic workover, sand control and pipeline and process services);

- completion products and services (including well completion equipment, slickline and safety systems);

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- tools and testing services (including underbalanced applications, tubular conveyed perforating and testing services); and

- subsea operations conducted in our 50% owned company, Subsea 7, Inc.

LANDMARK AND OTHER ENERGY SERVICES

Our Landmark and Other Energy Services segment provides integrated exploration and production software information systems, consulting services, real-time operations, smartwells and other integrated solutions. Included in this business segment are Landmark Graphics, integrated solutions, Real Time Operations and our equity method investment in WellDynamics B.V., an intelligent well completions joint venture. Also included are Wellstream, Bredero-Shaw and European Marine Contractors Ltd., all of which have been sold.

ENGINEERING AND CONSTRUCTION GROUP

Our Engineering and Construction Group provides engineering, procurement, construction, project management and facilities operation and maintenance for oil and gas and other industrial and governmental customers. Our Engineering and Construction Group offers:

- onshore engineering and construction activities, including engineering and construction of liquefied natural gas, ammonia and crude oil refineries and natural gas plants;

- offshore deepwater engineering and marine technology and worldwide construction capabilities;

- government operations, construction, maintenance and logistics activities for government facilities and installations;

- plant operations, maintenance and start-up services for both upstream and downstream oil, gas and petrochemical facilities as well as operations, maintenance and logistics services for the power, commercial and industrial markets; and

- civil engineering, consulting and project management services.

PROPOSED SETTLEMENT

In December 2002, we reached an agreement in principle that, if and when consummated, would result in a settlement of asbestos and silica personal injury claims against our subsidiaries DII Industries, Kellogg Brown & Root, Inc. and their current and former subsidiaries with United States operations. Subsequently, during 2003, DII Industries and Kellogg Brown & Root entered into definitive written agreements finalizing the terms of the agreement in principle with attorneys representing more than 90% of the current asbestos and silica claimants.

The definitive agreements provide that:

- up to approximately $2.775 billion in cash, 59.5 million Halliburton shares (valued at $1.4 billion using the stock price at September 30, 2003 of $24.25 per share) and notes with a net present value of less than $100.0 million will be paid to one or more trusts for the benefit of current and future asbestos and silica personal injury claimants upon receiving final and non-appealable court confirmation of a plan of reorganization;

- DII Industries and Kellogg Brown & Root will retain rights to the first $2.3 billion of any insurance proceeds, with any proceeds received between $2.3 billion and $3.0 billion going to the trust;

- the agreement is to be implemented through a pre-packaged filing under Chapter 11 of the United States Bankruptcy Code for DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations; and

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- the funding of the trusts would occur upon receiving final and non-appealable court confirmation of a plan of reorganization for DII Industries and Kellogg Brown & Root and some of their subsidiaries with United States operations in the Chapter 11 proceeding.

We are a Delaware corporation. Our principal executive offices are located at 1401 McKinney, Suite 2400, Houston, Texas 77010, and our telephone number at that address is (713) 759-2600.

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SUMMARY OF THE EXCHANGE OFFER

On October 17, 2003, we completed a private offering of $300.0 million of senior notes due October 17, 2005, which we refer to as the "outstanding floating rate notes," and $750.0 million of 5 1/2% senior notes due October 15, 2010, which we refer as the "outstanding 5 1/2% notes." Together, we refer to the outstanding floating rate notes and the outstanding 5 1/2% notes as the "outstanding notes." We are now offering to exchange registered and freely tradeable notes with substantially identical terms as your outstanding notes in exchange for properly tendered outstanding notes.

This prospectus and the accompanying documents contain detailed information about us, the new notes and the exchange offer. You should read the discussion under the heading "The Exchange Offer" for further information regarding the exchange offer and resale of the new notes. You should read the discussion under the headings "-- Summary of the Terms of the New Notes" and "Description of New Notes" for further information regarding the new notes.

The Exchange Offer...........	We are offering to issue to you: - new registered senior notes due October 17, 2005 without transfer restrictions or registration rights in exchange for your outstanding unregistered senior notes due October 17, 2005, and - new registered 5 1/2% senior notes due October 15, 2010 in exchange for your outstanding unregistered 5 1/2% senior notes due October 15, 2010.
Expiration Date...............	Unless sooner terminated, the exchange offer will expire at 5:00 p.m., New York City time, on ,200 , or at a later date and time to which we extend it. We do not currently intend to extend the expiration date.
Conditions to the Exchange Offer........................	We will not be required to accept outstanding notes for exchange if the exchange offer would violate applicable law or if any legal action has been instituted or threatened that would impair our ability to proceed with the exchange offer. The exchange offer is not conditioned on any minimum aggregate principal amount of outstanding notes being tendered. The exchange offer is subject to customary conditions, which we may waive in our sole discretion. Please read the section "The Exchange Offer -- Conditions to the Exchange Offer" for more information regarding the conditions to the exchange offer.
Procedures for Tendering Outstanding Notes............	If you wish to participate in the exchange offer, you must complete, sign and date the letter of transmittal and mail or deliver the letter of transmittal, together with your outstanding notes, to the exchange agent prior to the expiration date. If your outstanding notes are held through The Depository Trust Company, or DTC, you may deliver your outstanding notes by book-entry transfer. In the alternative, if your outstanding notes are held through DTC and you wish to participate in the exchange offer, you may do so through the automated tender offer program of DTC. If you tender under this program, you

will agree to be bound by the letter of transmittal that we are providing with this prospectus as though you had signed the letter of transmittal.

By signing or agreeing to be bound by the letter of transmittal, you will represent to us, among other things, that:

- you are not our "affiliate," as defined in Rule 405 of the Securities Act of 1933, or a broker-dealer tendering outstanding notes acquired directly from us for your own account;

- if you are not a broker-dealer or are a broker-dealer but will not receive new notes for your own account, you are not engaged in and do not intend to participate in a distribution of the new notes;

- you have no arrangement or understanding with any person to participate in the distribution of the new notes or the outstanding notes within the meaning of the Securities Act;

- any new notes you receive will be acquired in the ordinary course of your business; and

- if you are a broker-dealer that will receive new notes in exchange for outstanding notes that you acquired for your own account as a result of market-making activities or other trading activities, you will deliver a prospectus, as required by law, in connection with any resale of any new notes.

Please see "The Exchange Offer -- Purpose and Effect of the Exchange Offer" and "The Exchange Offer -- Your Representations to Us."

Withdrawal Rights............. You may withdraw outstanding notes that have been tendered at any time prior to the expiration date by sending a written or facsimile withdrawal notice to the exchange agent.

Procedures for Beneficial Owners....................... Only a registered holder of the outstanding notes may tender in the exchange offer. If you beneficially own outstanding notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your outstanding notes in the exchange offer, you should promptly contact the registered holder and instruct it to tender the outstanding notes on your behalf.

If you wish to tender your outstanding notes on your own behalf, you must either arrange to have your outstanding notes registered in your name or obtain a properly completed bond power from the registered holder before completing and executing the letter of transmittal and delivering your outstanding notes. The transfer of registered ownership may take considerable time.

Guaranteed Delivery Procedures.................... If you wish to tender your outstanding notes and cannot comply before the expiration date with the requirement to deliver the letter of transmittal and notes or use the applicable procedures under the automated tender offer program of DTC, you must tender your outstanding notes according to the guaranteed delivery procedures described in "The Exchange Offer -- Guaranteed Delivery Procedures." If you tender using the guaranteed delivery procedures, the exchange agent must receive the properly completed and executed letter of transmittal or facsimile thereof, together with your outstanding notes or a book-entry confirmation

and any other documents required by the letter of transmittal, within three New York Stock Exchange trading days after the expiration date.

Consequences of Failure to Exchange Your Notes........... If you do not exchange your outstanding notes in the exchange offer, you will no longer be entitled to registration rights. You will not be able to offer or sell the outstanding notes unless they are later registered, sold pursuant to an exemption from registration or sold in a transaction not subject to the Securities Act or state securities laws. Other than in connection with the exchange offer or as specified in the registration rights agreement, we are not obligated to, nor do we currently anticipate that we will register the outstanding notes under the Securities Act. See "The Exchange Offer -- Consequences of Failure to Exchange."

U.S. Federal Income Tax Considerations................ The exchange of new notes for outstanding notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes. Please read "Material United States Federal Income Tax Consequences."

Use of Proceeds............... We will not receive any cash proceeds from the issuance of new notes.

Plan of Distribution.......... All broker-dealers who receive new notes in the exchange offer have a prospectus delivery obligation.

Based on SEC no-action letters, broker-dealers who acquired the outstanding notes as a result of market-making or other trading activities may use this exchange offer prospectus, as supplemented or amended, in connection with the resales of the new notes. We have agreed to make this prospectus available to any broker-dealer delivering a prospectus as required by law in connection with resales of the notes for up to 180 days.

Broker-dealers who acquired the outstanding notes from us may not rely on SEC staff interpretations in no-action letters. Broker-dealers who acquired the outstanding notes from us must comply with the registration and prospectus delivery requirements of the Securities Act, including being named as selling noteholders, in order to resell the outstanding notes or the new notes.

THE EXCHANGE AGENT

We have appointed JPMorgan Chase Bank as exchange agent for the exchange offer. You should direct questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for the notice of guaranteed delivery to the exchange agent addressed as follows:

JPMorgan Chase Bank
1-800-275-2048

For Delivery by Mail, Overnight Delivery or by Hand:

JPMorgan Chase Bank
600 Travis Suite 1150
Houston, Texas 77002
Attn: Frank McCreary

By Facsimile Transmission (for eligible institutions only):

713-577-5200

Attn: Frank McCreary

To Confirm Receipt:

713-216-4849

SUMMARY OF THE TERMS OF THE NEW NOTES

The new notes will be freely tradeable and otherwise substantially identical to the outstanding notes. The new notes will not have registration rights. The new floating rate notes will evidence the same debt as the outstanding floating rate notes and the new 5 1/2% notes will evidence the same debt as the outstanding 5 1/2% notes. The outstanding notes and the new notes will be governed by the same indenture.

Issuer........................	Halliburton Company.
New Notes Offered............	$1,050,000,000 aggregate principal amount of registered senior notes in two series consisting of: - $300,000,000 principal amount of new registered senior notes due October 17, 2005; and - $750,000,000 principal amount of new registered 5 1/2% senior notes due October 15, 2010.
Maturity Dates................	The new floating rate notes will mature on October 17, 2005. The new 5 1/2% notes will mature on October 15, 2010, unless earlier redeemed by us.
Interest and Interest Payment Dates........................	The new floating rate notes will bear interest at a floating rate equal to three-month LIBOR plus 1.5%. Interest on the new floating rate notes will be payable quarterly on the 17th day of January, April, July and October of each year, beginning January 17, 2004. The new 5 1/2% notes will bear interest at a rate of 5 1/2% per year. Interest on the new 5 1/2% notes will be payable on the 15th day of October and April of each year, beginning April 15, 2004.
Optional Redemption of 5 1/2% Notes........................	At any time and from time to time, we have the option to redeem for cash all or a portion of the 5 1/2% notes that have not been previously repurchased at the redemption prices set forth in this prospectus, upon not less than 30 nor more than 60 days' notice before the redemption date by mail to the trustee and each holder of 5 1/2% notes, for a price equal to a make-whole amount, plus any accrued and unpaid interest and additional interest amounts owed, if any, to the redemption date. See "Description of New Notes -- Optional Redemption of 5 1/2% Notes."
Covenants....................	We will issue the new notes under an indenture that contains covenants for your benefit. Among other things, these covenants restrict our ability to incur indebtedness secured by liens under specified circumstances without equally and ratably securing the new notes.
Ranking......................	The new notes will be our general, senior unsecured indebtedness and will rank equally with all of our existing and future senior

unsecured indebtedness. The new notes will effectively rank junior to any existing or future secured indebtedness, unless and to the extent the new notes are entitled to be equally and ratably secured. We had no outstanding secured indebtedness at September 30, 2003. In addition, the new notes will be effectively subordinated to the existing and future indebtedness and other liabilities of our subsidiaries. At September 30, 2003, the aggregate indebtedness of our subsidiaries was approximately $402.0 million, and other

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liabilities of our subsidiaries, including trade payables, accrued compensation, advanced billings, income taxes payable and other liabilities (other than asbestos and intercompany liabilities) were approximately $4.3 billion, and accrued asbestos liabilities were approximately $3.4 billion.

Subsequent to the end of third quarter 2003, we entered into (1) a $1.0 billion delayed-draw term facility to be available for cash funding of the trusts for the benefit of asbestos and silica claimants; (2) a master letter of credit facility intended to ensure that existing letters of credit supporting our contracts remain in place during the Chapter 11 filing; and (3) a $700.0 million three-year revolving credit facility for general working purposes. There are a number of conditions precedent that must be met before these facilities will be effective and available for our use, one of which is the Chapter 11 filing for DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations. See "Description of Settlement-Related Indebtedness." The terms of the new notes and the terms of the new credit facilities contemplate that the new notes offered hereby and certain of our outstanding debt securities will share in collateral pledged to secure borrowings under the new credit facilities if and when the total of all our secured debt exceeds 5% of the consolidated net tangible assets of Halliburton and its subsidiaries. The new credit facilities also provide that the collateral pledged to secure borrowings under the new credit facilities will be released after (1) completion of the Chapter 11 plan of reorganization of DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations, which will be used to implement the proposed settlement, and (2) satisfaction of the other conditions described in "Description of Settlement-Related Indebtedness -- Conditions to Release of Collateral."

No Subsidiary Guarantees......	While the new notes will not be guaranteed by any of our subsidiaries, borrowings under the letter of credit facility and revolving credit facility described under "-- Ranking" above will be guaranteed by some of our subsidiaries. Accordingly, the new notes will be structurally subordinated to the debt guaranteed by our subsidiaries for the duration of the guarantee. The terms of the new credit facilities provide that any of these subsidiary guarantees will be released after (1) completion of the Chapter 11 plan of reorganization of DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations, which will be used to implement the proposed settlement, and (2) satisfaction of the other conditions described in "Description of Settlement-Related Indebtedness -- Conditions to Release of Collateral."
Governing Law................	The indenture is and the new notes will be governed by, and construed in accordance with, the laws of the State of New York.
Trustee......................	JPMorgan Chase Bank.

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RISK FACTORS

You should carefully consider all of the information set forth or incorporated by reference in this prospectus and, in particular, the specific factors in the section of this prospectus entitled "Risk Factors," before participating in the exchange offer.

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SUMMARY FINANCIAL DATA

The following table sets forth our summary consolidated financial data. We derived the financial data for the nine months ended September 30, 2003 from our unaudited condensed consolidated financial statements included in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2003. In the second quarter 2003, we restructured our Energy Services Group into four segments and restated our prior period segment results to reflect this restructuring. We derived the financial data for the year ended December 31, 2002 from our Current Report on Form 8-K dated as of October 28, 2003 which supplements our Annual Report on Form 10-K for the year ended December 31, 2002. Both of these reports are incorporated in this prospectus by reference. You should read this information in conjunction with our consolidated financial statements and the related notes.

	NINE MONTHS ENDED SEPTEMBER 30, 2003	YEAR ENDED DECEMBER 31, 2002

	(IN MILLIONS) (UNAUDITED)	
REVENUES:		
Energy Services Group:		
Drilling and Formation Evaluation	$ 1,226	$ 1,633
Fluids	1,508	1,815
Production Optimization	2,052	2,554
Landmark and Other Energy Services	410	834
Total Energy Services Group	5,196	6,836
Engineering and Construction Group	5,611	5,736
Total	$10,807	$12,572
OPERATING INCOME (LOSS):		
Energy Services Group:		
Drilling and Formation Evaluation	$ 160	$ 160
Fluids	178	202
Production Optimization	305	384
Landmark and Other Energy Services	(58)	(108)
Total Energy Services Group	585	638
Engineering and Construction Group	(118)	(685)
General corporate	(50)	(65)
Total	$ 417	$ (112)
Income (loss) from continuing operations before income taxes and minority interest	$ 352	$ (228)
Provision for income taxes	(142)	(80)
Minority interest in net income of consolidated subsidiaries, net of tax	(17)	(38)
Income (loss) from continuing operations, net	193	(346)
Loss from discontinued operations, net of tax	(58)	(652)
Net income (loss)	127	(998)
OTHER FINANCIAL DATA:		
Capital expenditures	$ (371)	$ (764)
Long-term borrowings (repayments), net	887	(15)
Depreciation and amortization expense	384	505

	SEPTEMBER 30, 2003	DECEMBER 31, 2002
	(IN MILLIONS) (UNAUDITED)	
FINANCIAL POSITION:		
Net working capital	$ 3,525	$ 2,288
Total assets	13,776	12,844
Property, plant and equipment, net	2,504	2,629
Long-term debt (including current maturities)	2,389	1,476
Shareholders' equity	3,577	3,558
Total capitalization and short-term debt	5,989	5,083

RATIO OF EARNINGS TO FIXED CHARGES

We have presented in the table below our historical consolidated ratio of earnings to fixed charges for the periods shown.

NINE MONTHS ENDED SEPTEMBER 30,	YEARS ENDED DECEMBER 31,				
2003	2002	2001	2000	1999	1998
4.2	--(a)	5.2	2.3	2.4	--(a)

(a) For the year ended December 31, 2002, earnings were inadequate to cover fixed charges by $283.0 million, and for the year ended December 31, 1998, earnings were inadequate to cover fixed charges by $6.0 million.

For purposes of computing the ratio of earnings to fixed charges: (1) fixed charges consist of interest on debt, amortization of debt discount and expenses and a portion of rental expense determined to be representative of interest and (2) earnings consist of income (loss) from continuing operations before income taxes, minority interest, cumulative effects of accounting changes plus fixed charges as described above, adjusted to exclude the excess or deficiency of dividends over income of 50% or less owned entities accounted for by the equity method.

RISK FACTORS

You should carefully consider the risks described below before participating in the exchange offer. If any of the following risks actually occurs, our business, financial condition or results of operations could be materially and adversely affected. In that case, the trading price of the new notes could decline, and you could lose all or part of your investment. You should also carefully consider all information we have included or incorporated by reference into this prospectus, including, but not limited to, our Annual Report on Form 10-K for the year ended December 31, 2002, our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2003, June 30, 2003 and September 30, 2003 and our Current Report on Form 8-K dated as of October 28, 2003.

This prospectus and the documents we incorporate by reference also contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this prospectus and in the documents we incorporate by reference.

RISKS RELATING TO ASBESTOS AND SILICA LIABILITY

THERE CAN BE NO ASSURANCE THAT THE PROPOSED SETTLEMENT WILL BE COMPLETED.

In December 2002, we reached an agreement in principle that, if and when consummated, would result in a settlement of asbestos and silica personal injury claims against our subsidiaries DII Industries, Kellogg Brown & Root and their current and former subsidiaries with United States operations. Subsequently, during 2003, DII Industries and Kellogg Brown & Root entered into definitive written agreements finalizing the terms of the agreements in principle with attorneys representing more than 90% of the current asbestos and silica claimants.

WE MAY BE UNABLE TO FULFILL THE CONDITIONS NECESSARY TO COMPLETE THE PROPOSED SETTLEMENT.

Among the prerequisites for concluding the proposed settlement are:

- completion of our review of the current claims to establish that the claimed injuries resulted from exposure to products of DII Industries, Kellogg Brown & Root or their subsidiaries or former businesses or subsidiaries (Product ID due diligence);

- completion of our medical review of the injuries alleged to have been sustained by plaintiffs to establish a medical basis for payment of settlement amounts;

- continued availability of financing, in addition to the proceeds of our recent offerings of $1.2 billion principal amount of convertible senior notes and $1.05 billion principal amount of senior debt securities, for the proposed settlement on terms acceptable to us in order to allow us to fund the cash amounts to be paid in the settlement;

- obtaining approval of a plan of reorganization from at least the required 75% of known present asbestos claimants and from a majority of known present silica claimants in order to complete the plan of reorganization;

- Halliburton board approval; and

- obtaining final and non-appealable bankruptcy court approval and federal district court confirmation of the plan of reorganization.

Many of these prerequisites are subject to matters and uncertainties beyond our control. There can be no assurance that we will be able to satisfy the prerequisites for completion of the settlement.

In September 2003, DII Industries, Kellogg Brown & Root and other affected Halliburton subsidiaries began the solicitation process in connection with the planned asbestos and silica settlement. A disclosure statement, which incorporates and describes the Chapter 11 plan of reorganization and trust

distribution procedures, has been mailed to asbestos and silica claimants for the purpose of soliciting votes to approve the plan of reorganization prior to filing a Chapter 11 proceeding.

As a result of an increase in the estimated number of current asbestos claims, our estimate of the aggregate value of all claims before due diligence considerations is $3.085 billion. In early November 2003, we reached an agreement in principle to limit the cash required to settle pending asbestos and silica claims currently subject to definitive agreements to $2.775 billion. Under the agreement in principle, if at the completion of medical due diligence for current claims, the cash amounts provided under the current settlement agreements is greater than $2.775 billion, the total cash payment to each claimant would be reduced pro rata so that the aggregate of payments would not exceed $2.775 billion.

DII Industries, Kellogg Brown & Root and our other affected subsidiaries are preparing a supplement to the disclosure statement mailed in late September for circulation to known current claimants for the purpose of soliciting acceptances of a revised plan of reorganization that incorporates the revised terms to effect the agreement in principle. The additional time needed to solicit acceptances to the revised plan of reorganization will likely delay any Chapter 11 filing until sometime in December, assuming that the necessary acceptances are promptly received and the remaining product identification due diligence is timely provided.

The terms of this revised settlement still must be approved by 75% of known present asbestos claimants. Despite reaching the agreement in principle, there can be no assurance that such approval will be obtained, that all members of the asbestos claimants committee and other lawyers representing affected claimants will support the revised settlement or that claimants represented by members of the asbestos claimants committee and other affected claimants will vote in favor of the revised plan of reorganization.

The agreement in principle is conditioned on a Chapter 11 filing on or before December 31, 2003, and there can be no assurance that a Chapter 11 filing can be made on or before that date. If a Chapter 11 filing is not made on or before December 31, 2003, the agreement in principle will terminate, and there can be no assurance that the proposed settlement can proceed as proposed. Even if the proposed settlement does proceed after December 31, 2003, there can be no assurance that the cash required to settle pending asbestos and silica claims will not increase to at least $3.085 billion.

THE ATTORNEYS REPRESENTING THE CURRENT ASBESTOS CLAIMANTS MAY TERMINATE THE SETTLEMENT AGREEMENTS.

The settlement agreements with attorneys representing current asbestos claimants grants the attorneys a right to terminate their definitive agreement on ten days' notice. While no right to terminate any settlement agreement has been exercised to date, there can be no assurance that claimants' attorneys will not exercise their right to terminate the settlement agreements.

THE STAY ON PENDING ASBESTOS CLAIMS AGAINST DII INDUSTRIES IN THE HARBISON-WALKER BANKRUPTCY HAS EXPIRED, AND WE MAY BE MATERIALLY AND ADVERSELY AFFECTED.

In July 2003, we also reached agreement with Harbison-Walker and the asbestos creditors committee in the Harbison-Walker bankruptcy to consensually extend the period of the stay contained in the bankruptcy court's temporary restraining order until September 30, 2003. The court's temporary restraining order, which was originally entered on February 14, 2002, stayed more than 200,000 pending asbestos claims against DII Industries. The stay expired by its terms on September 30, 2003. Discovery on the claims was stayed until November 1, 2003. Trials on any of the claims that had previously been stayed may commence after January 1, 2004. Notwithstanding the expiration of the stay, all asbestos and silica claims against DII Industries will be stayed automatically if a Chapter 11 filing is made by DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations.

It is unclear what effect, if any, the lifting of the stay in the Harbison-Walker bankruptcy proceedings will have on our financial condition. There can be no assurance that our stock price, our debt ratings or the trading price of the new notes will not be materially and adversely affected by the expiration of the stay and the anticipated discovery requests and trial settings with respect to asbestos claims against DII Industries that may be filed prior to the Chapter 11 bankruptcy filing of DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations.

IF PROPOSED FEDERAL LEGISLATION TO PROVIDE NATIONAL ASBESTOS LITIGATION REFORM BECOMES LAW, WE MAY NOT PROCEED WITH THE PROPOSED SETTLEMENT.

We continue to track legislative proposals for asbestos reform pending in the U.S. Congress. While Halliburton's management intends to recommend to its Board that Halliburton pursue the proposed settlement in lieu of possible legislation, in determining whether to approve the proposed settlement and proceed with the Chapter 11 filing of DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations, the Halliburton Board of Directors will take into account the then-current status of these legislative initiatives.

If we were unable to complete the proposed settlement for any of the above-described reasons, we would be required to resolve current and future asbestos and silica claims in the tort system or, in the case of Harbison-Walker claims, possibly through the Harbison-Walker bankruptcy proceedings. See "-- In the absence of a completed settlement, we would be required to resolve current and future asbestos and silica claims in the tort system, which may adversely affect our financial condition" below.

IN THE ABSENCE OF A COMPLETED SETTLEMENT, WE WOULD BE REQUIRED TO RESOLVE CURRENT AND FUTURE ASBESTOS AND SILICA CLAIMS IN THE TORT SYSTEM, WHICH MAY ADVERSELY AFFECT OUR FINANCIAL CONDITION.

If we were unable to complete the proposed settlement, we would be required to resolve current and future asbestos claims in the tort system or, in the case of Harbison-Walker claims, possibly through the Harbison-Walker bankruptcy proceedings. If we were required to resolve asbestos claims in the tort system, we would be subject to numerous uncertainties, including:

- continuing asbestos and silica litigation against us, which would include the possibility of substantial adverse judgments, the timing of which could not be controlled or predicted, and the obligation to provide appeals bonds pending any appeal of any such judgment, some or all of which may require us to post cash collateral;

- current and future asbestos claims settlement and defense costs, including the inability to completely control the timing of such costs and the possibility of increased costs to resolve personal injury claims;

- the possibility of an increase in the number and type of asbestos and silica claims against us in the future; and

- any adverse changes to the tort system allowing additional claims or judgments against us.

In addition, we believe that Harbison-Walker, formerly part of DII Industries, is no longer financially able to perform its obligations to assume liability for post spin-off refractory claims and defend DII Industries from those claims. As such, these claims may be asserted against DII Industries. There can be no assurance that our financial condition and results of operation would not be materially and adversely affected by events subsequent to an unconsummated settlement.

Substantial adverse judgments or substantial claims settlement and defense costs could materially and adversely affect our liquidity, especially if combined with a lowering of our credit ratings or other events. If an adverse judgment were entered against us, we would usually be required to post a bond in order to perfect an appeal of that judgment. If the bonds were not available because of uncertainties in the bonding market or if, as a result of our financial condition or credit rating, bonding companies would not provide a bond on our behalf, we would be required to provide a cash bond in order to perfect any appeal. As a result, a substantial

judgment or judgments could require a substantial amount of cash to be posted by us in order to appeal, which we may not be able to provide from cash on hand or borrowings, or which we may only be able to provide by incurring high borrowing costs. In such event, our ability to pursue our legal rights to appeal may be adversely affected.

There can be no assurance that our stock price, our debt ratings or the trading price of the new notes would not be materially and adversely affected by the absence of a completed settlement.

JUDICIAL RELIEF AGAINST ASBESTOS AND SILICA EXPOSURE MAY NOT BE AS BROAD AS IS CONTEMPLATED BY THE PROPOSED SETTLEMENT, AND A COMPLETED SETTLEMENT MAY NOT ADDRESS ALL ASBESTOS AND SILICA EXPOSURE.

Our proposed settlement of asbestos and silica claims would include all asbestos and silica personal injury claims against DII Industries, Kellogg Brown & Root and their current and former subsidiaries, as well as Halliburton and its subsidiaries and the predecessors and successors of all of them. However, the proposed settlement would be subject to bankruptcy court approval as well as federal district court confirmation. No assurance can be given that a court reviewing and approving the plan of reorganization that will be used to implement the proposed settlement will grant relief as broad as contemplated by the proposed settlement.

In addition, a Chapter 11 proceeding and an injunction under Section 524(g) of the United States Bankruptcy Code may not apply to protect against asbestos claims made outside of the United States. While we have historically not received a significant number of such claims, any such future claims would be subject to the applicable legal system of the jurisdiction where the claim was made. Although we do not believe that we have material exposure to such claims, there can be no assurance that material claims outside of the United States would not be made in the future. Further, to our knowledge, the constitutionality of an injunction under Section 524(g) of the United States Bankruptcy Code has not been tested in a court of law. We can provide no assurance that, if the constitutionality is challenged, the injunction would be upheld.

Moreover, the proposed settlement does not resolve claims for property damage as a result of materials containing asbestos. Accordingly, although we have historically received no such claims, claims could still be made as to damage to property or property value as a result of asbestos containing products having been used in a particular property or structure.

WE MAY BE UNABLE TO RECOVER, OR BE DELAYED IN RECOVERING, INSURANCE RECEIVABLES, WHICH WOULD ADVERSELY AFFECT OUR FINANCIAL CONDITION.

We have substantial insurance intended to reimburse us for portions of the costs incurred in defending asbestos and silica claims and amounts paid to settle claims and to satisfy court judgments. We had accrued $2.1 billion in probable insurance recoveries as of September 30, 2003. We may be unable to recover, or we may be delayed in recovering, insurance reimbursements in the amounts anticipated to cover a part of the costs incurred in defending asbestos and silica claims and amounts paid to settle claims or as a result of court judgments due to:

- the inability or unwillingness of insurers to timely reimburse for claims in the future;

- disputes as to documentation requirements for DII Industries, Kellogg Brown & Root or other subsidiaries in order to recover claims paid;

- the inability to access insurance policies shared with, or the dissipation of shared insurance assets by, Harbison-Walker Refractories Company or others;

- the possible insolvency or reduced financial viability of our insurers;

- the cost of litigation to obtain insurance reimbursement; and

- possible adverse court decisions as to our rights to obtain insurance reimbursement.

In the case of the proposed settlement, we could be required to contribute approximately $2.775 billion in cash, but may be delayed in receiving our expected reimbursement from our insurance carriers because of extended negotiations or litigation with insurance carriers. If we were unable to recover from one or more of

our insurance carriers, or if we were delayed significantly in our recoveries, it could have a material adverse effect on our financial condition.

We may ultimately recover, or may agree in settlement of litigation to recover, less insurance reimbursement than the insurance receivable recorded in our financial statements. In addition, we may enter into agreements with all or some of our insurance carriers to negotiate an overall accelerated payment of anticipated insurance proceeds. In either of these circumstances, we would expect to recover less than the recorded amount of anticipated insurance receivables, which would result in an additional charge to the statement of operations.

THERE IS NO ASSURANCE THAT THE PLAN OF REORGANIZATION IN THE PROPOSED CHAPTER 11 PROCEEDINGS OF DII INDUSTRIES, KELLOGG BROWN & ROOT AND SOME OF THEIR SUBSIDIARIES WITH UNITED STATES OPERATIONS WILL BE CONFIRMED.

Under the terms of the proposed settlement, the settlement would be implemented through a pre-packaged Chapter 11 filing for DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations. As part of any proposed plan of reorganization, the debtors intend to seek approval of the bankruptcy court for debtor-in-possession financing to provide for operating needs and to provide additional liquidity during the Chapter 11 proceeding. Halliburton intends, with the understanding of its lenders, to provide the debtor-in-possession financing to DII Industries and Kellogg Brown & Root. Arranging for debtor-in-possession financing is a condition precedent to the filing of a Chapter 11 proceeding, and the bankruptcy court must approve any such financing in order for the proposed settlement to be feasible.

After filing any Chapter 11 proceeding, DII Industries, Kellogg Brown &

Root and some of their subsidiaries with United States operations (referred to collectively as the debtors) would seek an order of the bankruptcy court scheduling a hearing to consider confirmation of the plan of reorganization. In order to be confirmed, the United States Bankruptcy Code requires that impaired classes of creditors vote to accept the plan of reorganization submitted by the debtors. In order to carry a class, approval of over one-half in number and at least two-thirds in amount are required. In addition, to obtain an injunction under Section 524(g) of the United States Bankruptcy Code, at least 75% of voting current asbestos claimants must vote to accept the plan of reorganization. In addition to obtaining the required votes, the requirements for a bankruptcy court to approve a plan of reorganization include, among other judicial findings, that:

- the plan of reorganization complies with applicable provisions of the Bankruptcy Code;

- the debtors have complied with the applicable provisions of the Bankruptcy Code;

- the trusts will value and pay similar present and future claims in substantially the same manner;

- the plan of reorganization has been proposed in good faith and not by any means forbidden by law; and

- any payment made or promised by the debtors to any person for services, costs or expenses in or in connection with the Chapter 11 proceeding or the plan of reorganization has been or is reasonable.

There can be no assurance that we will obtain the required votes or the required judicial approval to the proposed plan of reorganization. In such event, a prolonged Chapter 11 proceeding could adversely affect the debtors' relationships with customers, suppliers and employees, which in turn could adversely affect the debtors' competitive position, financial condition and results of operations. A weakening of the debtors' financial condition and results of operations could adversely affect the debtors' ability to implement the plan of reorganization.

In addition, if the plan of reorganization is not confirmed by the bankruptcy court, the debtors may be forced to liquidate their assets. Chapter 11 permits a company to remain in control of its business, protected by a stay of all creditor action, while the company attempts to negotiate and confirm a plan of reorganization with its creditors. The debtors may be unsuccessful in their attempts to confirm a plan of reorganization with their creditors, as many Chapter 11 cases are unsuccessful and virtually all involve substantial expense and damage to the business. If the debtors are unsuccessful in obtaining confirmation of a plan or reorganization,

the assets of the debtors will be liquidated in the bankruptcy proceedings. In the event of a bankruptcy liquidation of the debtors, Halliburton could lose its controlling interest in DII Industries and Kellogg Brown & Root. As a result, the value of those subsidiaries would no longer be reflected in our common stock. Moreover, if the plan of reorganization is not confirmed and the debtors have insufficient assets to pay the creditors, Halliburton's assets could be drawn into the liquidation proceedings as a result of Halliburton's guarantees of certain of the debtors' obligations.

Our agreement in principle reached in early November 2003 provides that of the cash amount included as part of the proposed settlement, two-thirds of approximately $486.0 million, or $326.0 million, of the $2.775 billion cash amount will be paid on the earlier of (a) five days prior to the anticipated Chapter 11 filing by the affected Halliburton subsidiaries and (b) December 31, 2003, so long as product identification due diligence information on those claims has been timely provided and we believe that a satisfactory number of claimants have provided acceptances to the proposed plan of reorganization prior to time for payment. Subject to proration, the remaining one-third of these claims will be guaranteed by Halliburton and paid on the earlier of (x) six months after a Chapter 11 filing and (y) the date on which the order confirming the proposed plan of reorganization becomes final and non-appealable. As such, under the agreement in principle, we may pay $326.0 million prior to the Chapter 11 filing and we may not be entitled to reimbursement for that payment in the event the proposed settlement is abandoned or the proposed plan of reorganization is not confirmed.

THERE CAN BE NO ASSURANCE THAT WE WILL BE ABLE TO FINANCE THE PROPOSED SETTLEMENT ON ACCEPTABLE TERMS, IN WHICH CASE THE SETTLEMENT WOULD NOT BE COMPLETED.

The plan of reorganization through which the proposed settlement will be implemented will require us to contribute approximately $2.775 billion in cash to the trusts established for the benefit of asbestos and silica claimants pursuant to the United States Bankruptcy Code, which we will need to finance on terms acceptable to us. In June 2003, we completed a private offering of $1.2 billion principal amount of 3 1/8% convertible senior notes due 2023, and in October 2003 we completed the private offering of $1.05 billion of the outstanding notes. We intend to use a substantial portion of the net proceeds from those offerings to finance a portion of the cash contribution required by the proposed settlement. In addition, we are pursuing a number of financing alternatives for the additional cash amount needed for contribution to the trusts. The availability of these alternatives depends in large part on market conditions.

Subsequent to the end of third quarter 2003, we entered into (1) a $1.0 billion delayed-draw term facility to be available for cash funding of the trusts for the benefit of asbestos and silica claimants; (2) a master letter of credit facility intended to ensure that existing letters of credit supporting our contracts remain in place during the Chapter 11 filing; and (3) a $700.0 million three-year revolving credit facility for general working purposes. There are a number of conditions precedent that must be met before these facilities will be effective and available for our use, one of which is the Chapter 11 filing for DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations. Moreover, these facilities are only available for limited periods of time. As a result, if the debtors were delayed in filing the Chapter 11 proceeding or delayed in completing the plan of reorganization after a Chapter 11 filing, these credit facilities may not provide us with the necessary financing to complete the proposed settlement. Additionally, there may be other conditions precedent to funding that we may be unable to satisfy. In such circumstances, we would have to terminate the proposed settlement if replacement financing were not available on acceptable terms.

In addition, we may experience increased working capital requirements from time to time associated with our business. An increased demand for working capital could affect our liquidity needs and could impair our ability to finance the proposed settlement on acceptable terms, in which case the settlement would not be completed.

A LOWERING OF OUR CREDIT RATINGS WOULD REQUIRE US TO OBTAIN ADDITIONAL CREDIT FACILITIES TO MEET OUR CASH REQUIREMENTS AND LIQUIDITY NEEDS, WOULD INCREASE OUR BORROWING COST AND MAY RESULT IN OUR INABILITY TO OBTAIN ADDITIONAL

FINANCING ON REASONABLE TERMS, TERMS ACCEPTABLE TO US OR AT ALL.

Late in 2001 and early in 2002, Moody's Investors Services lowered its ratings of our long-term senior unsecured debt to Baa2 and our short-term credit and commercial paper ratings to P-2. In addition, Standard & Poor's rating service of the McGraw Hill Companies lowered its ratings of our long-term senior unsecured debt to A- and our short-term credit and commercial paper ratings to A-2 in late 2001. In December 2002, Standard & Poor's lowered these ratings to BBB and A-3. These ratings were lowered primarily due to our asbestos exposure, and both agencies have indicated that our credit ratings remain under consideration for possible downgrade pending the results of the proposed settlement. Although our long-term ratings continue at investment grade levels, the cost of new borrowing is relatively higher and our access to the debt markets is more volatile at these rating levels. Investment grade ratings are BBB -- or higher for Standard & Poor's and Baa3 or higher for Moody's. Our current ratings are one level above BBB -- on Standard & Poor's and one level above Baa3 on Moody's.

We have $350.0 million of committed lines of credit from banks that are available if we maintain an investment grade rating. This facility expires on August 16, 2006. As of September 30, 2003, no amounts have been borrowed under these lines. If our credit ratings were to fall below investment grade, our credit line would be unavailable absent a successful renegotiation with our banks. We must enter into good faith negotiations to amend our receivables securitization facility when and if our existing credit facility is terminated. Our existing credit facility will not be terminated until shortly before the anticipated effectiveness of the new Revolving Credit Facility. See "Description of Settlement-Related Indebtedness." Absent an agreed amendment within 60 days of termination of our existing facility, amounts outstanding thereunder would be declared due and payable.

If our debt ratings fall below investment grade, we would also be in technical breach of a bank agreement covering $42.0 million of letters of credit at September 30, 2003, which might entitle the bank to set-off rights. In addition, a $151.0 million letter of credit line, of which the entire amount has been issued as of September 30, 2003, includes provisions that allow the banks to require cash collateralization for the full line if debt ratings of either rating agency fall below the rating of BBB by Standard & Poor's or Baa2 by Moody's, one downgrade from our current ratings. These letters of credit and bank guarantees generally relate to our guaranteed performance or retention payments under our long-term contracts and self-insurance. In addition, our elective deferral plan has a provision which states that if the Standard & Poor's credit rating falls below BBB the amounts credited to participants' accounts will be paid to participants in a lump-sum within 45 days. At September 30, 2003, this amount was approximately $49.0 million.

In the event our debt ratings are lowered by either agency, we may have to issue additional debt or equity securities or obtain additional credit facilities in order to meet our liquidity needs and satisfy cash collateralization requirements for letters of credit and surety bonds. We anticipate that any such new financing or credit facilities would not be on terms as attractive as those we have currently and that we would also be subject to increased borrowing costs and interest rates. We also may be required to provide cash collateral to obtain surety bonds or letters of credit, which would reduce our available cash or require additional financing. Further, if we are unable to obtain financing for our proposed settlement on terms that are acceptable to us, we may be unable to complete the proposed settlement.

WE HAVE LETTERS OF CREDIT THAT MAY BE DRAWN AT ANY TIME OR AS A RESULT OF THE CONTEMPLATED CHAPTER 11 PROCEEDINGS OF DII INDUSTRIES AND KELLOGG BROWN & ROOT AND SOME OF THEIR SUBSIDIARIES WITH UNITED STATES OPERATIONS.

In the normal course of business, we have agreements with banks under which approximately $1.3 billion of letters of credit or bank guarantees were issued, including at least $267.0 million which relate to our joint ventures' operations as of September 30, 2003. The agreements with these banks contain terms and conditions that define when the banks can require cash collateralization of the entire line. As of September 30, 2003, agreements with banks covering at least $150.0 million of letters of credit allow the

bank to require cash collateralization for any reason, and agreements covering another at least $890.0 million of letters of credit allow the bank to require cash collateralization for the entire line in the event of a bankruptcy or insolvency event involving one of our subsidiaries that will be party to the proposed Chapter 11 bankruptcy proceedings.

Our letters of credit also contain terms and conditions that define when they may be drawn. As of September 30, 2003, at least $230.0 million of letters of credit permit the beneficiary of such letters of credit to draw for any reason, and at least another $560.0 million of letters of credit permit the beneficiary of such letters of credit to draw in the event of a bankruptcy or insolvency event involving one of our subsidiaries that will be party to the proposed reorganization proceedings.

In addition, agreements with banks under which $266.0 million of letters of credit as of September 30, 2003 have been issued on the Barracuda-Caratinga project includes provisions that require us to maintain ratios of debt to total capital and of total earnings before interest, taxes, depreciation and amortization to interest expense. The definition of debt includes our asbestos liability. The definition of total earnings before interest, taxes, depreciation and amortization excludes any non-cash charges related to the proposed settlement through December 31, 2003.

As such, requirements for us to cash collateralize letters of credit and surety bonds by issuers and beneficiaries of these instruments could be caused by:

- our plans to place DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations into a pre-packaged Chapter 11 proceeding as part of the proposed settlement;

- in the absence of the proposed settlement, one or more substantial adverse judgments;

- not being able to recover on a timely basis insurance reimbursement; or

- a reduction in credit ratings.

Uncertainty may also hinder our ability to access new letters of credit in the future. This could impede our liquidity and/or our ability to conduct normal operations.

We entered into a master letter of credit facility subsequent to the end of the third quarter of 2003 that is intended to replace any cash collateralization rights of issuers of substantially all our existing letters of credit during the pendency of the anticipated Chapter 11 proceedings by DII Industries and Kellogg Brown & Root and some of their subsidiaries with United States operations. See "Description of Settlement-Related Indebtedness." If the conditions for effectiveness of the master letter of credit facility are met, the master letter of credit facility will also provide collateral for issuers of our existing letters of credit if such letters of credit are drawn during the bankruptcy and the bank issuing the letter of credit provides cash to collateralize or reimburse for such draws, the letter of credit facility will provide the cash needed for such draws, with any borrowings being converted into term loans. Although this master letter of credit facility has been signed, there are a number of condition precedents that must be met before the facility is effective and available for our use. If we were required to cash collateralize letters of credit prior to the facility becoming effective, we would be required to use cash on hand or existing credit facilities. Substantial cash collateralization requirements prior to the new master letter of credit facility becoming effective may have a material adverse effect on our financial condition.

THE ANTICIPATED CHAPTER 11 FILING OF SOME OF OUR SUBSIDIARIES AND THE PROPOSED SETTLEMENT COULD CAUSE A DEFAULT UNDER OUR DEBT DOCUMENTS AND THE DEBT DOCUMENTS OF OUR SUBSIDIARIES INVOLVED IN THE BANKRUPTCY PROCEEDING.

Some of the credit agreements and indentures to which we and our subsidiaries are party, including the letters of credit relating to the Barracuda-Caratinga project, contain default provisions that may be triggered by the anticipated Chapter 11 filing of some of our material subsidiaries or the proposed settlement and the consequences therefrom. We have obtained consents or amendments to eliminate possible events of default for in excess of 90% of the material agreements relating to letters of credit. There can be no assurance that we

will obtain consents or amendments for the remaining letters of credit or other credit agreements. If we are unable to obtain these consents or amendments, a default may occur under some of these debt instruments, which, unless waived, may trigger an obligation to immediately pay any amounts due thereunder or cause the facility to terminate. Certain defaults could, in turn, cause a default under other of our or our subsidiaries' debt instruments. A default on some of our or our subsidiaries' indebtedness could adversely affect our credit rating. The acceleration of a substantial amount of our debt or the reduction in our debt's credit ratings may adversely affect our financial condition and our ability to finance the proposed settlement.

THE ANTICIPATED CHAPTER 11 FILING OF SOME OF OUR SUBSIDIARIES MAY NEGATIVELY AFFECT THEIR ABILITY TO OBTAIN NEW BUSINESS IN THE FUTURE AND CONSEQUENTLY MAY HAVE A NEGATIVE IMPACT ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Because Halliburton's financial condition and its results of operations depend on distributions from its subsidiaries, the anticipated Chapter 11 filing of some of them, including DII Industries and Kellogg Brown & Root, may have a negative impact on Halliburton's cash flow and distributions from those subsidiaries. For example, a Chapter 11 filing may adversely affect the ability of our subsidiaries in Chapter 11 proceedings to obtain new orders from current or prospective customers. In addition, as a result of the proposed Chapter 11 proceeding, some current and prospective customers, suppliers and other vendors may assume that our subsidiaries are financially weak and will be unable to honor obligations, making those customers, suppliers and other vendors reluctant to do business with our subsidiaries. In particular, some governments may be unwilling to conduct business with a subsidiary in Chapter 11 or having recently filed a Chapter 11 proceeding. The Chapter 11 proceeding also may affect adversely their ability to negotiate favorable terms with customers, suppliers and other vendors. DII Industries' and Kellogg Brown & Root's financial condition and results of operations could be materially and adversely affected if they cannot attract customers, suppliers and other vendors or obtain favorable terms from customers, suppliers or other vendors. Consequently, our financial condition and results of operations could be adversely affected.

Further, a prolonged Chapter 11 proceeding could adversely affect the relationship that DII Industries, Kellogg Brown & Root and their subsidiaries involved in the Chapter 11 proceeding have with their customers, suppliers and employees, which in turn could adversely affect their competitive positions, financial conditions and results of operations. A weakening of their financial conditions and results of operations could adversely affect their ability to implement the plan of reorganization.

FEDERAL BANKRUPTCY LAW AND STATE STATUTES MAY, UNDER SPECIFIC CIRCUMSTANCES, VOID PAYMENTS MADE BY OUR SUBSIDIARIES TO US AND VOID PRINCIPAL AND INTEREST PAYMENTS MADE BY US TO YOU ON THE NOTES AND YOU MAY BE FORCED TO RETURN SUCH PAYMENTS.

Under federal bankruptcy law and various state fraudulent transfer laws, payments and distributions made by DII Industries to us prior to its Chapter 11 filing could, under specific circumstances, be voided as preferential transfers if such payments or distributions occur up to one year prior to DII Industries' Chapter 11 filing. Since we rely primarily on dividends from our subsidiaries and other intercompany transactions to meet our obligations for payment of principal and interest on our outstanding debt obligations, any voidance of such payments by our subsidiaries to us could limit our ability to make principal and interest payments on the new notes. The use of payments made by DII Industries to us for the purpose of making principal and interest payments to you on the new notes during the period of 90 days prior to DII Industries' Chapter 11 filing can also be similarly voided. If the principal and interest payments made by us to you on the new notes are voided, a court may require you to return the payments that you have received from us on the new notes. Dividend payments from DII Industries to us could also, under specific circumstances, be voided as illegal dividends, fraudulent transfers or conveyances to the extent that a court determines that DII Industries was insolvent at the time these dividend payments were made. Furthermore, during the DII Industries Chapter 11 proceeding, DII Industries likely would be unable to make any dividend or other payments to us. The occurrence of these events may severely limit our ability to meet our obligations for payment of principal and interest on the new notes.

A COURT COULD DETERMINE THAT THE DISTRIBUTION OF HALLIBURTON ENERGY SERVICES STOCK TO HALLIBURTON IS A FRAUDULENT TRANSFER UNDER STATE LAW OR FEDERAL BANKRUPTCY LAW WHICH WOULD IMPAIR OUR ABILITY TO MAKE PAYMENTS ON THE NEW NOTES.

Under the terms of the proposed settlement, we plan to implement a pre-packaged Chapter 11 plan of reorganization for DII Industries and other of our subsidiaries with United States operations. Currently, Halliburton Energy Services, Inc. is a wholly owned subsidiary of DII Industries. As part of the plan of reorganization, prior to its Chapter 11 filing, DII Industries intends to distribute to Halliburton all of the capital stock of Halliburton Energy Services, after which DII Industries will be a wholly owned subsidiary of Halliburton Energy Services.

While we expect that asbestos and silica claimants will approve the plan of reorganization, which includes the distribution of Halliburton Energy Services stock by DII Industries to Halliburton, another creditor of DII Industries could claim that the transfer of Halliburton Energy Services stock to Halliburton by DII Industries prior to the Chapter 11 filing constitutes a fraudulent transfer. While we are obtaining legal advice and solvency opinions that would support a conclusion that the distribution does not constitute a fraudulent transfer, if a court were to determine that the distribution of Halliburton Energy Services stock by DII Industries to Halliburton constituted a fraudulent transfer, then Halliburton Energy Services may be required to remain a subsidiary of DII

Industries or we may be required to pay the creditor the lesser of the relevant value of (1) the avoided transfer (in this case the value of the Halliburton Energy Services stock) or obligation and (2) the amount necessary to satisfy the claims of the creditors. Due to bankruptcy rules which would be applicable to DII Industries in the event of a Chapter 11 proceeding and that would limit or prohibit the payment of dividends or other distributions by DII Industries and its subsidiaries (including Halliburton Energy Services), if Halliburton Energy Services were to remain a subsidiary of DII Industries, we would effectively be prohibited from receiving funds from Halliburton Energy Services during any period of time in which DII Industries is in Chapter 11 proceedings. The occurrence of this event could severely limit our ability to meet our obligations for payment of principal and interest on the new notes.

The successful prosecution of a claim by or on behalf of a debtor or its creditor under the applicable fraudulent transfer laws generally would require a determination that the debtor effected a transfer of an asset or incurred an obligation to an entity either:

- with an actual intent to hinder, delay or defraud its existing or future creditors (a case of "actual fraud"); or

- in exchange otherwise than for a "reasonably equivalent" value or a "fair consideration," and that the debtor:

  -- was insolvent or rendered insolvent by reason of the transfer or incurrence;

  -- was engaged or about to engage in a business or transaction for which its remaining assets would constitute unreasonably small capital; or

  -- intended to incur, or believed that it would incur, debts beyond its ability to pay as they mature (a case of "constructive fraud").

In the case of either actual fraud or constructive fraud, the unsecured creditors affected thereby might be entitled to equitable relief against the transferee of the assets or the obligee of the incurred obligation in the form of a recovery of the lesser of (1) the relevant value of the avoided transfer or obligation or (2) the amount necessary to satisfy their claims.

The measure of insolvency for purposes of a constructive-fraud action would depend on the fraudulent transfer law being applied. Generally, an entity would be considered insolvent if either, at the relevant time:

- the sum of its debts and liabilities, including contingent liabilities, was greater than the value of its assets, at a fair valuation; or

- the fair salable value of its assets was less than the amount required to pay the probable liability on its total existing debts and other liabilities, including contingent liabilities, as they become absolute and mature.

The transactions of the debtors which could be subject to review and possible avoidance under the applicable fraudulent transfer law would be limited to those occurring within the relevant limitations period. In the case of fraudulent transfer actions under the United States Bankruptcy Code, that period would be the 12-month period ending on the petition date. In the case of actions under a state fraudulent transfer law, the limitations period ranges from one year to six years or more after the questioned transfer or incurrence of an obligation is effected. Under most state laws, including the laws of

Pennsylvania and Texas, the limitations period generally would be four years.

RISKS RELATING TO OUR PENDING SEC INVESTIGATION

WE ARE SUBJECT TO AN SEC INVESTIGATION, WHICH COULD MATERIALLY AFFECT US.

We are currently the subject of a formal investigation by the SEC, which has focused on the compliance with generally accepted accounting principles of our recording of revenues associated with cost overruns and unapproved claims for long-term engineering and construction projects, and the disclosure of our accrual practices. Although we do not believe that the investigation has expanded beyond these matters, there can be no assurance that the SEC will not open additional lines of inquiry. In addition, although we believe that our accounting for these matters was and is in accordance with generally accepted accounting principles, we cannot predict the outcome of the SEC's investigation or when the investigation will be resolved. An unexpected adverse outcome of this investigation could have a material adverse effect on us and result in:

- the institution of administrative, civil, injunctive or criminal proceedings;

- sanctions and the payment of fines and penalties;

- the restatement of our financial results for the years under review;

- additional shareholder lawsuits; and

- increased review and scrutiny of us by regulatory authorities, the media and others.

From time to time, we enter into registration rights agreements in connection with securities offerings with the initial purchasers of the offered securities, including in connection with the private placement of the outstanding notes and our 3 1/8% senior convertible notes due 2023, whereby we agree to use our reasonable best efforts to have a registration statement declared effective within specified time periods. We may not be able to have a registration statement declared effective within the time period specified due in part to the pending SEC investigation. If we are unable to have a registration statement declared effective within agreed time periods, we may be obligated to pay additional interest amounts to the holders of the securities that would otherwise have been registered, which amounts could be substantial.

RISKS RELATING TO GEOPOLITICAL AND INTERNATIONAL EVENTS

INTERNATIONAL AND POLITICAL EVENTS MAY ADVERSELY AFFECT OUR OPERATIONS.

A significant portion of our revenue is derived from our non-United States operations, which exposes us to risks inherent in doing business in each of the more than 100 other countries in which we transact business. The occurrence of any of the risks described below could have an adverse effect on our consolidated results of operations and consolidated financial condition.

Our operations in more than 100 countries other than the United States accounted for approximately 70% of our consolidated revenues during the first nine months of 2003, 67% of our consolidated revenues during 2002, 62% of our consolidated revenues during 2001 and 66% of our consolidated revenues during

2000. Operations in countries other than the United States are subject to various risks peculiar to each country. With respect to any particular country, these risks may include:

- expropriation and nationalization of our assets in that country;
- political and economic instability;
- social unrest, acts of terrorism, force majeure, war or other armed conflict;
- inflation;
- currency fluctuations, devaluations and conversion restrictions;
- confiscatory taxation or other adverse tax policies;
- governmental activities that limit or disrupt markets, restrict payments or limit the movement of funds;
- governmental activities that may result in the deprivation of contract rights; and
- trade restrictions and economic embargoes imposed by the United States and other countries, including current restrictions on our ability to provide products and services to Iran and Libya, both of which are significant producers of oil and gas.

Due to the unsettled political conditions in many oil producing countries and countries in which we provide governmental logistical support, our revenues and profits are subject to the adverse consequences of war, the effects of terrorism, civil unrest, strikes, currency controls and governmental actions. Countries where we operate that have significant amounts of political risk include: Afghanistan, Algeria, Angola, Colombia, Indonesia, Iraq, Libya, Nigeria, Russia and Venezuela. For example, continued economic unrest and general strikes in Venezuela, changes in the general economic policies and regulations in Argentina, as well as seizures of offshore oil rigs by protestors in Nigeria have disrupted our Energy Services Group's ability to provide services and products to our customers in these countries. In addition, military action or continued unrest in the Middle East could impact the demand and pricing for oil and gas, disrupt our operations in the region and elsewhere and increase our costs for security worldwide.

MILITARY ACTION, OTHER ARMED CONFLICTS OR TERRORIST ATTACKS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS.

Military action in Iraq, increasing military tension involving North Korea, as well as the terrorist attacks of September 11, 2001 and subsequent threats of terrorist attacks and unrest, have caused instability in the world's financial and commercial markets, have significantly increased political and economic instability in some of the geographic areas in which we operate and have contributed to high levels of volatility in prices for oil and gas in recent months. Recent acts of terrorism and threats of armed conflicts in or around various areas in which we operate, such as the Middle East and Indonesia, could limit or disrupt our markets and operations, including disruptions resulting from the evacuation of personnel, cancellation of contracts or the loss of personnel or assets.

Military action in Iraq, as well as threats of war or other armed conflict elsewhere, may cause further disruption to financial and commercial markets generally, may generate greater political and economic instability in some of the geographic areas in which we operate and may contribute to even higher levels of volatility in prices for oil and gas than those experienced in recent months. In addition, any possible reprisals as a consequence of the war with and ongoing military action in Iraq, such as acts of terrorism in the United States or elsewhere, may materially adversely affect us in ways we cannot predict at this time.

RISKS RELATING TO OUR BUSINESS

OUR BUSINESS DEPENDS ON THE LEVEL OF ACTIVITY IN THE OIL AND NATURAL GAS INDUSTRY, WHICH IS SIGNIFICANTLY AFFECTED BY VOLATILE OIL AND GAS PRICES.

Demand for our services and products depends on oil and natural gas industry activity and expenditure levels that are directly affected by trends in oil and natural gas prices. A prolonged downturn in oil and gas prices could have a material adverse effect on our consolidated results of operations and consolidated financial condition.

Demand for our products and services is particularly sensitive to the level of development, production and exploration activity of, and the corresponding capital spending by, oil and natural gas companies. Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of other factors that are beyond our control. Any prolonged reduction in oil and natural gas prices will depress the level of exploration, development and production activity. Lower levels of activity result in a corresponding decline in the demand for our oil and natural gas well services and products that could have a material adverse effect on our revenues and profitability. Factors affecting the prices of oil and natural gas include:

- governmental regulations;

- global weather conditions;

- worldwide political, military and economic conditions, including the ability of OPEC to set and maintain production levels and prices for oil;

- the level of oil production by non-OPEC countries;

- the policies of governments regarding the exploration for and production and development of their oil and natural gas reserves;

- the cost of producing and delivering oil and gas; and

- the level of demand for oil and natural gas, especially demand for natural gas in the United States.

Historically, the markets for oil and gas have been volatile and are likely to continue to be volatile in the future.

Spending on exploration and production activities and capital expenditures for refining and distribution facilities by large oil and gas companies have a significant impact on the activity levels of our businesses.

THE BARRACUDA-CARATINGA PROJECT IS CURRENTLY BEHIND SCHEDULE, HAS SUBSTANTIAL COST OVERRUNS AND MAY RESULT EITHER IN DAMAGES PAYABLE BY US OR OUR INABILITY TO RECOVER OUR COSTS ASSOCIATED WITH THE PROJECT.

In June 2000, Kellogg Brown & Root entered into a fixed-price contract with the project owner, Barracuda & Caratinga Leasing Company B.V., to develop the Barracuda and Caratinga crude oil fields, which are located off the coast of Brazil. The project manager and owner's representative is Petroleo Brasileiro SA

(Petrobras), the Brazilian national oil company. When completed, the project will consist of two converted supertankers which will be used as floating production, storage and offloading platforms, or FPSOs, 32 hydrocarbon production wells, 22 water injection wells, and all sub-sea flow lines and risers necessary to connect the underwater wells to the FPSOs.

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THE LETTERS OF CREDIT RELATED TO THE BARRACUDA-CARATINGA PROJECT MAY BE DRAWN IF WE DEFAULT UNDER THE CONTRACT OR AS A RESULT OF THE CONTEMPLATED CHAPTER 11 PROCEEDINGS OF KELLOGG BROWN & ROOT.

Kellogg Brown & Root's performance under the contract is secured by:

- performance letters of credit, which together have an available credit of approximately $266.0 million as of September 30, 2003 and which represent approximately 10% of the contract amount, as amended to date by change orders;

- retainage letters of credit, which together have available credit of approximately $152.0 million as of September 30, 2003 and which will increase in order to continue to represent 10% of the cumulative cash amounts paid to Kellogg Brown & Root; and

- a guarantee of Kellogg Brown & Root's performance of the agreement by Halliburton Company in favor of the project owner.

In the event that Kellogg Brown & Root is alleged to be in default under the contract, the project owner may assert a right to draw upon the letters of credit. If the letters of credit were to be drawn, Kellogg Brown & Root would be required to fund the amount of the draw to the issuing banks. To the extent Kellogg Brown & Root cannot fund the amount of the draw, Halliburton would be required to do so, which could have a material adverse effect on Halliburton's financial condition and results of operations.

In addition, the proposed Chapter 11 pre-packaged bankruptcy filing by Kellogg Brown & Root in connection with the proposed settlement of its asbestos claims would constitute an event of default under the contract that would allow the owner (with the approval of the lenders financing the project) to assert a right to draw the letters of credit unless waivers are obtained. The proposed Chapter 11 filing would also constitute an event of default under the owner's loan agreements with the lenders that would allow the lenders to cease funding the project. We believe that it is unlikely that the owner will make a draw on the letters of credit as a result of the proposed Chapter 11 filing. We also believe it is unlikely that the lenders will exercise any right to cease funding the project given the current status of the project and the fact that a failure to pay Kellogg Brown & Root may allow Kellogg Brown & Root to cease work on the project without Petrobras having a readily available substitute contractor. However, there can be no assurance that the lenders will continue to fund the project or that the owner will not require funding of the letters of credit by Kellogg Brown & Root.

Notwithstanding the foregoing, as described under "Description of Settlement-Related Indebtedness -- Master LC Facility," these letters of credit will be included in the Master LC Facility. As such, assuming the conditions precedent to the effectiveness of the facility are met, a draw on such letters of credit prior to the Term-Out Date would become an LC Advance subject to the terms of the Master LC Facility.

KELLOGG BROWN & ROOT MAY HAVE TO PAY DAMAGES AND OTHER AMOUNTS IN EXCESS OF THE AMOUNTS CURRENTLY RECORDED.

As of September 30, 2003, the project was approximately 78% complete and Kellogg Brown & Root had recorded a pretax loss of $345.0 million related to the project. The probable unapproved claims included in determining the loss on the project were $182.0 million as of September 30, 2003. The claims for the project most likely will not be settled within one year. Accordingly, based upon the costs incurred on the claims, probable unapproved claims of $157.0 million at September 30, 2003 have been recorded to long-term unbilled work on uncompleted contracts. Kellogg Brown & Root has asserted claims for compensation substantially in excess of $182.0 million. The project owner, through its project manager, Petrobras, has denied responsibility for all such claims. Petrobras has, however, issued formal change orders worth approximately $61.0 million which are not included in the $182.0 million in probable unapproved claims.

In the event that Kellogg Brown & Root was determined after an arbitration proceeding to have been in default under the contract with Petrobras, and if the project was not completed by Kellogg

Brown & Root as a result of such default (i.e., Kellogg Brown & Root's services are terminated as a result of such default), the project owner may seek direct damages (including completion costs in excess of the contract price and interest on borrowed funds, but excluding consequential damages) against Kellogg Brown & Root for up to $500.0 million plus the return of up to $300.0 million in advance payments previously received by Kellogg Brown & Root to the extent they have not been repaid. The original contract terms require repayment of the $300.00 million in advance payments by crediting the last $350.00 million of our invoices of Petrobras related to the contract by that amount. A termination of the contract by the project owner could have a material adverse effect on our financial condition and results of operation.

IN ADDITION TO THE AMOUNTS DESCRIBED ABOVE, KELLOGG BROWN & ROOT MAY HAVE TO PAY LIQUIDATED DAMAGES IF THE PROJECT IS DELAYED BEYOND THE ORIGINAL CONTRACT COMPLETION DATE.

In addition to the amounts described above, Kellogg, Brown & Root may have to pay liquidated damages if the project is delayed beyond the original contract completion date. Kellogg Brown & Root expects that the project will likely be completed at least 16 months later than the original contract completion date. In the event that any portion of the delay is determined to be attributable to Kellogg Brown & Root and any phase of the project is completed after the milestone dates specified in the contract, Kellogg Brown & Root could be required to pay liquidated damages. These damages would be calculated on an escalating basis of approximately $1.0 million per day of delay caused by Kellogg Brown & Root, subject to a total cap on liquidated damages of 10% of the final contract amount (yielding a cap of approximately $266.0 million as of September 30, 2003). The amount of liquidated damages could have a material adverse effect on our financial condition and results of operations.

IF OUR AGREEMENT TO SETTLE AND/OR ARBITRATE CERTAIN CLAIMS IS NOT FINALIZED, KELLOGG BROWN & ROOT MAY HAVE TO PAY SUBSTANTIAL ADDITIONAL AMOUNTS AND MAY NOT RECOVER AMOUNTS IT EXPECTS TO RECOVER.

In June 2003, Halliburton, Kellogg Brown & Root and Petrobras, on behalf of the project owner, entered into a non-binding heads of agreement that would resolve some of the disputed issues between the parties, subject to final agreement and lender approval. The original completion date for the Barracuda project was December 2003 and the original completion date for the Caratinga project was April 2004. Under the heads of agreement, the project owner would grant an extension of time to the original completion dates and other milestone dates that averages approximately 12 months, delay any attempt to assess the original liquidated damages against Kellogg Brown & Root for project delays beyond 12 months and up to 18 months, delay any drawing of letters of credit with respect to such liquidated damages and delay the return of any of the $300.0 million in advance payments until after arbitration. The heads of agreement also provides for a separate liquidated damages calculation of $450,000 per day for each of the Barracuda and the Caratinga vessels if delayed beyond 18 months from the original schedule (subject to the total cap on liquidated damages of 10% of the final contract amount). The heads of agreement does not delay the drawing of letters of credit for these liquidated damages. The extension of the original completion dates and other milestones would significantly reduce the likelihood of Kellogg Brown & Root incurring liquidated damages on the project. Nevertheless, Kellogg Brown & Root continues to have exposure for substantial liquidated damages for delays in the completion of the project.

Under the heads of agreement, the project owner has agreed to pay $69.0 million of Kellogg Brown & Root's disputed claims (which are included in the $182.0 million of probable unapproved claims as of September 30, 2003) and to arbitrate additional claims. The maximum recovery from the claims to be arbitrated would be capped at $375.0 million. The heads of agreement also allows the project owner or Petrobras to arbitrate additional claims against Kellogg Brown & Root, not including liquidated damages, the maximum recovery from which would be capped at $380.0 million.

The finalization of the heads of agreement is subject to project lender approval. The parties have been in negotiations with the lenders and based on these negotiations have agreed to certain modifications to the original terms of the heads of agreement to conform to the lender's requirements.

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They have agreed that the $300.0 million in advance payments would be due on the earliest of December 7, 2004, the completion of any arbitration or the resolution of all claims between the project owner and Kellogg Brown & Root. Likewise, the project owner's obligation to defer drawing letters of credit with respect to liquidated damages for the delays between 12 and 18 months would extend only until December 7, 2004. The negotiations with the lenders have been completed, and the final agreements have been sent to the lenders for their approval and signature. We are also awaiting signature from Petrobras on the final agreement. While we believe the lenders have an incentive to approve the final agreement and complete the financing of the project, and the parties have agreed to the modifications described above to secure the lenders' approval, there is no assurance that the lenders will approve the final agreement. If the lenders do not sign the final agreements, Petrobras may be forced to secure other funding to complete the project. We cannot assure you that Petrobras will pursue or will be able to secure such funding.

Absent completion of the final agreement, Kellogg Brown & Root could be subject to additional liquidated damages and other claims, be subject to the letters of credit being drawn and be required to return the $300.0 million in advance payments. A failure to complete the final agreements could have a material adverse effect on our financial condition and results of operation.

FUNDING OF THE PROJECT MAY BE INSUFFICIENT TO COVER ALL AMOUNTS CLAIMED BY KELLOGG BROWN & ROOT.

The project owner has procured project finance funding obligations from various lenders to finance the payments due to Kellogg Brown & Root under the contract. The project owner currently has no other committed source of funding on which we can necessarily rely other than the project finance funding for the project. If the lenders cease to fund the project, the project owner may not have the ability to continue to pay Kellogg Brown & Root for its services. The original loan documents provide that the lenders are not obligated to continue to fund the project if the project has been delayed for more than 6 months. In November 2002, the lenders agreed to extend the 6-month period to 12 months. Other provisions in the loan documents may provide for additional time extensions. However, delays beyond 12 months may require lender consent in order to obtain additional funding. While we believe the lenders have an incentive to complete the financing of the project, there is no assurance that they would do so. If the lenders did not consent to extensions of time or otherwise ceased funding the project, we believe that Petrobras would provide for or secure other funding to complete the project, although there is no assurance that it would do so. To date, the lenders have made funds available, and the project owner has continued to disburse funds to Kellogg Brown & Root as payment for its work on the project even though the project completion has been delayed.

In addition, although the project financing includes borrowing capacity in excess of the original contract amount, only $250.0 million of this additional borrowing capacity is reserved for increases in the contract amount payable to Kellogg Brown & Root and its subcontractors. Under the loan documents, the availability date for loan draws expires December 1, 2003. As a condition to approving the heads of agreement, the lenders will require the project owner to draw all remaining available funds prior to December 1, 2003, and to escrow the funds for the exclusive use of paying project costs. No funds may be paid to Petrobras or its subsidiary (which is funding the drilling costs of the project) until all amounts due to Kellogg Brown & Root, including amounts due for the claims, are liquidated and paid. While this potentially increases the funds available for payment to Kellogg Brown & Root, Kellogg Brown & Root is not party to the arrangement between the lenders and the project owner and can give no assurance that there will be adequate funding to cover current or future Kellogg Brown & Root claims and change orders.

Kellogg Brown & Root has now begun to fund operating cash shortfalls on the project and would be obligated to fund such shortages over the remaining project life in an amount we currently estimate to be approximately $500.0 million (assuming generally that neither we nor the project owner are successful in recovering claims against the other and that no liquidated damages are imposed). Under the same assumptions, except assuming that Kellogg Brown & Root recovers unapproved claims in the amounts currently recorded on our books, the cash shortfall would be approximately $320.0 million.

There can be no assurance that Kellogg, Brown & Root will recover amounts in excess of the amount of unapproved claims on its books.

WE MAY BE REQUIRED TO PAY ADDITIONAL VAT TAXES RELATED TO THE BARRACUDA-CARATINGA PROJECT.

Value added, or VAT, taxes of up to $293.0 million may be or become due on the project. Petrobras and the project owner are contesting the reimbursability of up to $227.0 million of these potential VAT taxes. The contract provides that Kellogg Brown & Root is responsible for taxes in effect on the contract date, but will be reimbursed for increased costs due to changes in the tax laws that occur after the date of the contract. The parties agree that certain changes in the tax laws occurred after the date of the contract, but do not agree on how much of the increase in taxes was due to that change or which party is responsible for ultimately paying these taxes. Up to $144.0 million in VAT taxes may already be due on the project and, in addition, up to approximately $100.0 million of VAT taxes may be due in stages from November 2003 through April 2004, with the balance due in stages later in 2004. Depending on when the VAT taxes are deemed due and when they are paid, penalties and interest on the taxes of between $40-$100 million may also be due, the reimbursability of which the project owner may also contest. There can be no assurance that we will not