

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the quarterly period ended June 30, 2001

OR

Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number 1-3492

HALLIBURTON COMPANY

(a Delaware Corporation)
75-2677995

3600 Lincoln Plaza
500 N. Akard
Dallas, Texas 75201

Telephone Number - Area Code (214) 978-2600

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, par value \$2.50 per share:
Outstanding at July 31, 2001 - 429,791,394

HALLIBURTON COMPANY

Index

	Page No. -----
PART I.	
FINANCIAL INFORMATION	2-20
Item 1.	
Financial Statements	2-4
-	
Condensed Consolidated Statements of Income	2
-	
Condensed Consolidated Balance Sheets	3
-	
Condensed Consolidated Statements of Cash Flows	4
-	
Notes to Quarterly Financial Statements	5-20
1.	5
Management Representations	
2.	5-6
Business Segment Information	
3.	6-7
Acquisitions and Dispositions	
4.	7-8
Discontinued Operations	
5.	8
Receivables	
6.	8-9
Inventories	
7.	9-14
Commitments and Contingencies	
8.	14
Income Per Share	
9.	15
Comprehensive Income	
10.	15
Engineering and Construction Reorganization	
11.	15-20
Dresser Financial Information	
Item 2.	
Management's Discussion and Analysis of Financial Condition and Results of Operations	21-29
Item 3.	
Quantitative and Qualitative Disclosures about Market Risk	29
PART II.	
OTHER INFORMATION	30-32
Item 4.	
Submission of Matters to a Vote of Security Holders	30-31
Item 6.	
Listing of Exhibits and Reports on Form 8-K	31-32
Signatures	33

- Exhibits:
- Supplemental Executive Retirement Plan as amended and restated effective January 1, 2001
 - Benefit Restoration Plan as amended and restated effective January 1, 2001
 - Employment Agreement
 - Powers of Attorney for Directors
 - Powers of Attorney

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

HALLIBURTON COMPANY
Condensed Consolidated Statements of Income
(Unaudited)
(Millions of dollars and shares except per share data)

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Revenues:				
Services	\$ 2,812	\$ 2,461	\$ 5,455	\$ 4,937
Sales	498	393	981	756
Equity in earnings of unconsolidated affiliates	29	14	47	34
Total revenues	\$ 3,339	\$ 2,868	\$ 6,483	\$ 5,727
Operating costs and expenses:				
Cost of services	\$ 2,512	\$ 2,317	\$ 4,945	\$ 4,684
Cost of sales	454	348	876	676
General and administrative	101	77	192	160
Total operating costs and expenses	\$ 3,067	\$ 2,742	\$ 6,013	\$ 5,520
Operating income	272	126	470	207
Interest expense	(34)	(33)	(81)	(66)
Interest income	6	3	10	10
Foreign currency losses, net	(1)	(3)	(4)	(7)
Income from continuing operations before taxes, minority interest, and accounting change	243	93	395	144
Provision for income taxes	(98)	(36)	(159)	(56)
Minority interest in net income of subsidiaries	(2)	(5)	(7)	(9)
Income from continuing operations before accounting change	143	52	229	79
Discontinued operations:				
Income (loss) from discontinued operations, net of tax (provision) benefit of \$32, (\$14), \$17, and (\$28)	(60)	23	(38)	45
Gain on disposal of discontinued operations, net of tax of \$199, \$0, \$199, and \$141	299	-	299	215
Income from discontinued operations	239	23	261	260
Cumulative effect of accounting change, net	-	-	1	-
Net income	\$ 382	\$ 75	\$ 491	\$ 339
Basic income per share:				
Income from continuing operations before accounting change	\$ 0.34	\$ 0.12	\$ 0.54	\$ 0.18
Income (loss) from discontinued operations	(0.14)	0.05	(0.09)	0.10
Gain on disposal of discontinued operations	0.70	-	0.70	0.49
Net income	\$ 0.90	\$ 0.17	\$ 1.15	\$ 0.77
Diluted income per share:				
Income from continuing operations before accounting change	\$ 0.33	\$ 0.12	\$ 0.53	\$ 0.18
Income (loss) from discontinued operations	(0.14)	0.05	(0.09)	0.10
Gain on disposal of discontinued operations	0.70	-	0.70	0.48
Net income	\$ 0.89	\$ 0.17	\$ 1.14	\$ 0.76
Cash dividends per share	\$ 0.125	\$ 0.125	\$ 0.25	\$ 0.25
Basic average common shares outstanding	427	444	427	443
Diluted average common shares outstanding	430	449	430	447

See notes to quarterly financial statements.

HALLIBURTON COMPANY
Condensed Consolidated Balance Sheets
(Unaudited)
(Millions of dollars and shares except per share data)

	June 30 2001	December 31 2000

Assets		
Current assets:		
Cash and equivalents	\$ 328	\$ 231
Receivables:		
Notes and accounts receivable, net	3,249	3,029
Unbilled work on uncompleted contracts	961	816

Total receivables	4,210	3,845
Inventories	855	723
Current deferred income taxes	225	235
Net current assets of discontinued operations	-	298
Other current assets	242	236

Total current assets	5,860	5,568
Property, plant and equipment after accumulated depreciation of \$3,202 and \$3,150	2,483	2,410
Equity in and advances to related companies	500	400
Goodwill, net	608	597
Noncurrent deferred income taxes	300	340
Net noncurrent assets of discontinued operations	-	391
Insurance for asbestos litigation claims	575	51
Other assets	335	346

Total assets	\$ 10,661	\$ 10,103
=====		
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term notes payable	\$ 717	\$ 1,570
Current maturities of long-term debt	7	8
Accounts payable	832	782
Accrued employee compensation and benefits	318	267
Advanced billings on uncompleted contracts	475	288
Deferred revenues	105	98
Income taxes payable	239	113
Other current liabilities	664	700

Total current liabilities	3,357	3,826
Long-term debt	1,039	1,049
Employee compensation and benefits	472	662
Asbestos litigation claims	699	80
Other liabilities	570	520
Minority interest in consolidated subsidiaries	44	38

Total liabilities	6,181	6,175

Shareholders' equity:		
Common shares, par value \$2.50 per share - authorized 600 shares, issued 455 and 453 shares	1,138	1,132
Paid-in capital in excess of par value	339	259
Deferred compensation	(70)	(63)
Accumulated other comprehensive income	(218)	(288)
Retained earnings	4,117	3,733

	5,306	4,773
Less 25 and 26 shares of treasury stock, at cost	826	845

Total shareholders' equity	4,480	3,928

Total liabilities and shareholders' equity	\$ 10,661	\$ 10,103
=====		

See notes to quarterly financial statements.

HALLIBURTON COMPANY
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Millions of dollars)

Six Months
Ended June 30

	2001	2000
<hr/>		
Cash flows from operating activities:		
Net income	\$ 491	\$ 339
Adjustments to reconcile net income to net cash from operations:		
Income from discontinued operations	(261)	(260)
Depreciation, depletion and amortization	258	249
Provision for deferred income taxes	50	38
Distributions from (advances to) related companies, net of equity in (earnings) losses	26	(1)
Accounting change	(1)	-
Accrued special charges	(6)	(24)
Other non-cash items	20	66
Other changes, net of non-cash items:		
Receivables and unbilled work	(346)	(579)
Inventories	(145)	(33)
Accounts payable	79	12
Other working capital, net	42	(30)
Other operating activities	137	(52)
<hr/>		
Total cash flows from operating activities	344	(275)
<hr/>		
Cash flows from investing activities:		
Capital expenditures	(344)	(190)
Sales of property, plant and equipment	39	36
(Acquisitions) dispositions of businesses, net	(139)	(12)
Other investing activities	(8)	(21)
<hr/>		
Total cash flows from investing activities	(452)	(187)
<hr/>		
Cash flows from financing activities:		
Payments on long-term borrowings	(9)	(305)
(Repayments) borrowings of short-term debt, net	(854)	(66)
Payments of dividends to shareholders	(107)	(111)
Proceeds from exercises of stock options	24	57
Payments to reacquire common stock	(8)	(6)
Other financing activities	(3)	-
<hr/>		
Total cash flows from financing activities	(957)	(431)
<hr/>		
Effect of exchange rate changes on cash	(12)	(14)
Net cash flows from discontinued operations	1,174	804
<hr/>		
Increase (decrease) in cash and equivalents	97	(103)
Cash and cash equivalents at beginning of period	231	466
<hr/>		
Cash and equivalents at end of period	\$ 328	\$ 363
<hr/>		
Supplemental disclosure of cash flow information:		
Cash payments during the period for:		
Interest	\$ 16	\$ 65
Income taxes	\$ 145	\$ 130
Non-cash investing and financing activities:		
Liabilities assumed in acquisitions of businesses	\$ 18	\$ 90
Liabilities disposed of in dispositions of businesses	\$ 430	\$ 498

See notes to quarterly financial statements.

HALLIBURTON COMPANY
Notes to Quarterly Financial Statements
(Unaudited)

Note 1. Management Representations

We employ accounting policies that are in accordance with generally accepted accounting principles in the United States. Preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect:

- the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements; and
- the reported amounts of revenues and expenses during the reporting period.

Ultimate results could differ from those estimates.

The accompanying unaudited condensed consolidated financial statements were prepared using generally accepted accounting principles for interim financial information, the instructions to Form 10-Q and applicable rules of Regulation S-X. Accordingly, these financial statements do not include all information or footnotes required by generally accepted accounting principles for complete financial statements and should be read together with our 2000 Annual Report on Form 10-K. Prior period amounts have been reclassified to be consistent with the current presentation.

In our opinion, the condensed consolidated financial statements present fairly our financial position as of June 30, 2001, the results of our operations for the three and six months ended June 30, 2001 and 2000 and our cash flows for the six months then ended. The results of operations for the three and six months ended June 30, 2001 and 2000 may not be indicative of results for the full year.

Note 2. Business Segment Information

We have two business segments - Energy Services Group and Engineering and Construction Group. Our segments are organized around the products and services provided to our customers. During the fourth quarter of 2000, we announced restructuring plans to combine engineering, construction, fabrication and project management operations into one company, Kellogg Brown & Root, reporting as our Engineering and Construction Group. This restructuring resulted in some activities moving from the Energy Services Group to the Engineering and Construction Group, effective January 1, 2001. Prior periods have been restated for this change.

The following table presents revenues and operating income by business segment on a comparable basis.

Millions of dollars	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Revenues:				
Energy Services Group	\$ 2,214	\$ 1,615	\$ 4,245	\$ 3,038
Engineering and Construction Group	1,125	1,253	2,238	2,689
Total	\$ 3,339	\$ 2,868	\$ 6,483	\$ 5,727
Operating income:				
Energy Services Group	\$ 267	\$ 113	\$ 467	\$ 162
Engineering and Construction Group	25	30	43	79
General corporate	(20)	(17)	(40)	(34)
Total	\$ 272	\$ 126	\$ 470	\$ 207

Energy Services Group. The Energy Services Group provides a wide range of discrete services and products and integrated solutions to customers for the exploration, development, and production of oil and gas. The customers for this segment are major, national and independent oil and gas companies. This segment consists of:

- Halliburton Energy Services provides oilfield services and products including discrete products and services and integrated solutions for oil and gas exploration, development and production throughout the world. Products and services include pressure pumping equipment and services, logging and perforating, drilling systems and services, drilling fluids systems, drill bits, specialized completion and production equipment and services, well control, integrated solutions, and reservoir description,
- Landmark Graphics provides integrated exploration and production software information systems and professional services to the petroleum industry, and
- Other product service lines include surface/subsea operations and large integrated engineering, procurement, and construction projects containing both surface and sub-surface components. Surface/subsea operations provide construction, installation and servicing of subsea facilities; flexible pipe for offshore applications; pipeline services for offshore customers; pipecoating services; feasibility, conceptual and front-end engineering and design, project management, detailed engineering, maintenance, procurement, construction site management, commissioning, startup and debottlenecking of both onshore and offshore facilities.

Engineering and Construction Group. The 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. The Engineering and Construction Group, operating as Kellogg Brown & Root, includes the following five product lines:

- Onshore operations comprises engineering and construction activities, including liquefied natural gas, ammonia, crude oil refineries, and natural gas plants,
- Offshore operations includes specialty offshore deepwater engineering and marine technology and worldwide fabrication capabilities,
- Government operations provides operations, maintenance and logistics activities for government facilities and installations,
- Operations and maintenance provides services for private sector customers, primarily industrial, hydrocarbon and commercial applications, and
- Asia Pacific operations, based in Australia, provides civil engineering and consulting services.

Note 3. Acquisitions and Dispositions

Magic Earth acquisition. In April 2001, we signed a definitive agreement to acquire Magic Earth, Inc., a leading 3-D visualization and interpretation technology company with broad applications in the area of data mining. Once the transaction is completed, Magic Earth will become our wholly owned subsidiary and a part of the Energy Services Group. Under the agreement, Halliburton will issue stock valued at \$100 million, subject to final purchase price adjustments, to acquire Magic Earth. The transaction is expected to be completed later this year after various regulatory and other approvals are received.

PGS Data Management acquisition. In March 2001, Landmark Graphics acquired the PGS Data Management division of Petroleum Geo-Services ASA (PGS) for \$175 million, subject to a final working capital adjustment. Terms of the agreement also include a contract that calls for Landmark to provide, for a fee, strategic data management and distribution services to PGS for three years. We have preliminarily recorded goodwill of \$155 million, subject to the final valuation of intangible assets and other costs. Goodwill, based on a 15 year life, will only be amortized through the end of 2001 in accordance with FASB Statement No. 142.

PES acquisition. In February 2000, we acquired the remaining 74% of the shares of PES (International) Limited that we did not already own. PES is based in Aberdeen, Scotland, and has developed technology that complements Halliburton Energy Services' real-time reservoir solutions. To acquire the remaining 74% of PES, we issued 1.2 million shares of Halliburton common stock. We also issued rights that will result in the issuance of up to 2.1 million additional shares of Halliburton common stock between February 2001 and February 2002. In February 2001 we issued 1.0 million shares under the rights. In June 2001, we issued another 400,000 shares under the rights, leaving up to 700,000 shares to be issued. We recorded \$115 million of goodwill in connection with acquiring the remaining 74%.

During the second quarter of 2001, we contributed the majority of PES' assets and technologies, including \$130 million of goodwill associated with the purchase of PES, to a newly formed joint venture, WellDynamics. We received \$39 million in cash as an equity equalization adjustment. The remaining assets of PES relating to completions and well intervention products have been combined with our existing completions product service line. We own 50% of WellDynamics and account for this investment using the equity method.

Note 4. Discontinued Operations

In 1999 the Dresser Equipment Group was comprised of six operating divisions and two joint ventures that manufactured and marketed equipment used primarily in the energy, petrochemical, power and transportation industries. In late 1999 and early 2000, we sold our interests in the two joint ventures. These joint ventures represented nearly half of the group's revenues and operating profit in 1999. The sale of our interests in the segment's joint ventures prompted a strategic review of the remaining businesses within the Dresser Equipment Group. As a result of this review, we determined that the remaining businesses did not closely fit with our core businesses, long-term goals and strategic objectives. In April 2000, our Board of Directors approved plans to sell all the remaining businesses within the Dresser Equipment Group.

In January 2001, we signed a definitive agreement and closed on the sale of these businesses on April 10, 2001. As part of the terms of the transaction, we retained a 5.1% equity interest in the Dresser Equipment Group, which has been renamed Dresser, Inc. In the second quarter of 2001, we recognized a preliminary pretax gain on the sale of discontinued operations of \$498 million (\$299 million after-tax) subject to final purchase price adjustments. Total value under the agreement was \$1.55 billion less assumed liabilities that resulted in cash proceeds of \$1.27 billion from the sale. In connection with the sale, we accrued certain disposition related costs, realized \$68 million of noncurrent deferred income tax assets, and reduced employee compensation and benefit liabilities by \$152 million for liabilities assumed by the purchaser. The employee compensation and benefit liabilities were previously included in "Employee compensation and benefits" in the condensed consolidated balance sheets.

Gain on disposal of discontinued operations represents the gain on the sale of the remaining businesses within the Dresser Equipment Group in the second quarter of 2001 and the gain on the sale of Dresser-Rand in the first quarter of 2000.

Gain on Disposal of Discontinued Operations Millions of dollars	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Proceeds from sale, less intercompany settlement	\$ 1,267	\$ -	\$ 1,267	\$ 536
Net assets disposed	(769)	-	(769)	(180)
Gain before taxes	498	-	498	356
Income taxes	(199)	-	(199)	(141)
Gain on disposal of discontinued operations	\$ 299	\$ -	\$ 299	\$ 215

The financial results of the Dresser Equipment Group through March 31, 2001 are presented as discontinued operations in our financial statements. During the three months ended June 30, 2001, we recorded as discontinued operations a provision of \$92 million as follows:

- \$90 million for liabilities less anticipated insurance recoveries for asbestos claims arising after the 1992 divestiture of INDRESCO, previously reported as discontinued operations. See Note 7.
- \$2 million for other non-engineering and construction related asbestos claims for businesses previously disposed of by Dresser Industries, Inc. which were accounted for as continuing operations in prior periods.

Income (loss) from Discontinued Operations Millions of dollars	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Revenues	\$ -	\$ 354	\$ 359	\$ 691
Operating income	\$ -	\$ 37	\$ 37	\$ 73
Asbestos litigation claims, net of insurance recoveries	(92)	-	(92)	-
Tax benefit (expense)	32	(14)	17	(28)
Net income (loss)	\$ (60)	\$ 23	\$ (38)	\$ 45

Net Assets of Discontinued Operations Millions of dollars	December 31 2000
Receivables	\$ 286
Inventories	255
Other current assets	22
Accounts payable	(104)
Other current liabilities	(161)
Net current assets of discontinued operations	\$ 298
Net property, plant and equipment	\$ 219
Goodwill, net	257
Other assets	30
Employee compensation and benefits	(113)
Other liabilities	(2)
Net noncurrent assets of discontinued operations	\$ 391

Note 5. Receivables

Our receivables are generally not collateralized. With the exception of claims and change orders that are in the process of being negotiated with customers, unbilled work on uncompleted contracts generally represents work currently billable, and this work is usually billed during normal billing processes in the next several months. Claims and change orders included in unbilled receivables amounted to \$154 million and \$113 million at June 30, 2001 and December 31, 2000, respectively.

Note 6. Inventories

Inventories to support continuing operations at June 30, 2001 and December 31, 2000 are composed of the following:

Millions of dollars	June 30	December 31
	2001	2000
Finished products and parts	\$ 541	\$ 486
Raw materials and supplies	226	178
Work in process	88	59
Total	\$ 855	\$ 723

Inventories on the last-in, first-out method were \$77 million at June 30, 2001 and \$66 million at December 31, 2000. If the average cost method had been used, total inventories would have been about \$29 million higher than reported at June 30, 2001 and \$28 million higher than reported at December 31, 2000.

Note 7. Commitments and Contingencies

Asbestos litigation. Since 1976, our subsidiary, Dresser Industries, Inc. and its former divisions or subsidiaries have been defending numerous lawsuits in which it is alleged that some products they manufactured contained asbestos and as a result the individual plaintiffs were injured through inhalation of asbestos fibers. Since then, we have entered into agreements with our insurance companies, to recover in whole or in part, indemnity payments, legal fees and expenses for specific categories of asbestos claims. We are negotiating with those insurance companies for coverage for the remaining categories of these claims. Because these agreements are governed by exposure dates, payment type and the product involved, the covered amount varies by claim. In addition, we have brought lawsuits against several other insurance companies to recover additional amounts related to these asbestos claims. Dresser's discussions with London-based carriers and Equitas lead us to believe that they are attempting to impose new documentation requirements on many insureds. The current coverage-in-place agreements that Dresser has with some of these carriers contains specific but different documentation requirements. We believe that any new documentation requirements are inconsistent with the current coverage-in-place agreements and are unenforceable.

Our Engineering and Construction Group is also involved in asbestos claims litigation. In these lawsuits, claimants allege they have sustained injuries from the inhalation of asbestos fibers contained in some of the materials used in various construction and renovation projects involving our Kellogg Brown & Root subsidiary. Our primary insurance coverage for Kellogg Brown & Root for the applicable years was written by Highlands Insurance Company. Highlands was a subsidiary of Halliburton Energy Services, Inc. prior to its spin-off to our shareholders in early 1996. Most claims filed against Kellogg Brown & Root allege exposure to asbestos prior to the spin-off of Highlands and are disposed of for less than the limits of the Highlands policies. We were unable, in negotiations with Highlands during 1999 and early 2000, to reach an agreement on the amount of insurance coverage Highlands is obligated to provide for these claims. On April 5, 2000, Highlands filed a lawsuit in Delaware Chancery Court alleging that, as part of the spin-off in 1996, Halliburton assumed liability for all asbestos claims filed against Halliburton after the spin-off. Highlands also alleged that Halliburton did not adequately disclose to Highlands the existence of Halliburton's subsidiaries' potential asbestos liability. On August 23, 2000, Highlands issued a letter denying coverage under the policies based on its assertions in the Delaware lawsuit. We believe that Highlands is contractually obligated to provide insurance coverage for asbestos claims filed against Kellogg Brown & Root and we are asserting our right to insurance coverage vigorously. On April 24, 2000, Halliburton filed a lawsuit against Highlands in Harris County, Texas, claiming that Highlands breached its contractual obligation to provide insurance coverage. We have asked the Texas court to order Highlands to provide coverage for asbestos claims under the guaranteed cost policies issued by Highlands to Kellogg Brown & Root. This lawsuit is stayed pending resolution of the Delaware litigation.

On March 21, 2001 the Delaware Chancery Court ruled that Highlands was not obligated to provide insurance coverage for asbestos claims filed against Kellogg Brown & Root. The court ruled that the agreements entered into by Highlands and Halliburton at the time of the spin-off terminated the policies previously written by Highlands that would otherwise have covered these claims. This ruling, if it is not reversed on appeal, would eliminate our primary insurance covering asbestos claims against Kellogg Brown & Root for periods prior to the spin-off. We and our legal counsel, Vinson & Elkins L.L.P., believe, however, that the court's ruling is wrong. We are in the process of appealing the ruling to the Delaware Supreme Court, which will hear oral argument on September 17, 2001. It may be early 2002 before the Delaware Supreme Court rules on our appeal. Vinson & Elkins has rendered an opinion to us that it is very likely that the ruling of the Chancery Court will be reversed because the ruling clearly contravenes the provisions of the applicable agreements between Highlands and Halliburton. Vinson & Elkins has also opined to us that it is likely that we will ultimately prevail in this litigation.

Since 1976, approximately 327,000 asbestos claims have been filed against us in regards to the above claims. About 30,000 of these claims relate to Brown & Root, now part of Kellogg Brown & Root. The balance of these claims relate to former Dresser divisions and subsidiaries or other Halliburton entities. Approximately 182,000 of these claims have been settled or disposed of at a gross cost of approximately \$138 million, with recoveries from insurance companies paying or expected to pay all but approximately \$37 million. Asbestos claims continue to be filed against us, with about 45,000 claims filed in 2000 and about 46,000 filed in the first two quarters of 2001. At June 30, 2001, there were about 145,000 open asbestos claims asserted against us, including about 24,000 associated with insurance recoveries we expect to collect from Highlands. This number of open claims compares with approximately 117,000 open claims at the end of 2000. Open claims at June 30, 2001 also include 13,000 claims for which settlements are pending.

We have accrued reserves for our estimate of our liability for known asbestos claims that have been asserted against us. Our estimate of the cost of resolving asserted asbestos claims is based on our historical litigation experience, our prior completed settlements and our estimate of amounts we will recover from insurance companies. Our estimate of recoveries from insurance companies, other than Highlands Insurance Company, is based on agreements we have with a number of insurance companies, or in those instances in which agreements are still in negotiation or in litigation, our estimate of our ultimate recovery from insurance companies. We believe that the insurance companies with which we have signed agreements will be able to meet their share of future obligations under these agreements.

Highlands parent company, Highlands Insurance Group, Inc., has stated in its SEC filings that, if Highlands is ultimately required to pay asbestos claims asserted against Kellogg Brown & Root, the payments could have a material adverse impact on its financial position. Highlands has reported that its statutory capital surplus was \$131.3 million as of March 31, 2001, up from \$127.4 million at the end of the year 2000, and down from \$166.7 million at the end of 1999. On April 3, 2001, Standard & Poor's announced that it had lowered its financial strength rating on Highlands and its affiliates to 'BBpi' to reflect uncertainty regarding the adequacy of their capitalization and liquidity. On April 20, 2001 A.M. Best, a leading insurance rating agency, downgraded Highlands and its affiliates to "B" (Fair) from "B++" (Very Good) to reflect concerns about the group's capitalization adequacy and poor operating results. Although we do not know the extent of the impact of these developments on Highlands, we believe that Highlands still has the ability to pay substantially all of the asbestos claims at issue in the pending litigation, assuming the litigation is successfully concluded in our favor.

Harbison-Walker Asbestos Claims

Our subsidiary, Dresser Industries, Inc., acquired Harbison-Walker Refractories Company in 1967. After the acquisition, Dresser operated the refractory business as a division. In 1992, Dresser placed the refractory business and several other businesses in a subsidiary, INDRESCO, Inc., and spun-off INDRESCO to Dresser's shareholders as a new publicly held company. In conjunction with the spin-off, Dresser and Harbison-Walker, then called INDRESCO, entered into an agreement, which allocated between them responsibility for asbestos claims related to the refractory business. Dresser agreed to retain claims filed prior to the spin-off. Harbison-Walker agreed to assume claims filed after the spin-off and to indemnify and defend Dresser from those claims. They also agreed that Harbison-Walker would have access to substantial amounts of Dresser's insurance coverage. This insurance would reimburse Harbison-Walker for defense costs and indemnity payments incurred defending the asbestos claims Harbison-Walker assumed. This insurance requires Harbison-Walker to first pay defense and indemnity costs and then seek reimbursement. This insurance, which includes policies issued by more than 20 different insurance carriers, including the Lloyds-related Equitas, also covers other types of claims against Dresser, including asbestos claims from other former Dresser businesses.

Subsequent to the spin-off, INDRESCO formed a new holding company, Global Industrial Technologies, Inc. and changed INDRESCO's name to Harbison-Walker Refractories Company, leaving it as a subsidiary of Global. At the end of 1999, RHI AG, an Austrian company, acquired Global.

In June 2001, Harbison-Walker informed Dresser that it was unable to pay a large number of asbestos claims settlements it had negotiated with plaintiffs. Harbison-Walker requested that Dresser provide it with financial assistance to pay these settlements. Since receiving its request, we have conducted an investigation of the status of the asbestos claims assumed by Harbison-Walker. We believe that at June 30, 2001, Harbison-Walker was defending approximately 112,000 open claims it assumed under the 1992 agreement, including approximately 35,000 new refractory related claims which were filed during the first half of this year, many of which name Dresser as a defendant based on its prior ownership of the refractory business. Based upon information we developed, including our own experience managing asbestos claims and our analysis of Harbison-Walker's claims management, we have estimated our exposure on these open claims. Harbison-Walker's average historical claim settlements have been significantly higher than we have experienced with our similar refractory claim settlements. In addition, Harbison-Walker appears to have entered into settlements of 47,000 to 52,000 additional claims for an aggregate amount that may exceed \$320 million. Harbison-Walker has historically recovered more than 90% of their asbestos claims settlements through their insurance coverage. None of the above Harbison-Walker claims have been included in previous asbestos claims reported by Halliburton due to our reliance on Harbison-Walker's defense and indemnity obligations under the 1992 spin-off agreement.

Based on its request for assistance, we believe that Harbison-Walker does not have the financial ability to comply with its defense and indemnity requirements under the 1992 spin-off agreement. Dresser's discussions with some of the insurance carriers obligated to provide coverage for these claims indicate that it is likely that they will refuse to pay Harbison-Walker's existing settlements. In addition, Equitas and other London-based insurance carriers have notified Harbison-Walker and Dresser that they will attempt to impose new documentation requirements on reimbursement claims made on this insurance. The current coverage-in-place agreement that Dresser and Harbison-Walker have with these carriers contains specific but different documentation requirements. We believe that any new documentation requirements are inconsistent with the current coverage-in-place agreement and are unenforceable.

Based on our investigation, Dresser has decided that it will not provide financial assistance to Harbison-Walker to pay the settlements Harbison-Walker has negotiated but is unable to pay. Dresser has also decided that it will not relieve Harbison-Walker of its obligations under the 1992 agreement. We believe that Harbison-Walker is no longer able to provide and is not providing Dresser with an adequate defense and indemnity as required under the 1992 agreement. As a result, Dresser will separately and aggressively assert its own defense of those claims that name Dresser as a defendant, including any new claims.

On August 2, 2001, Harbison-Walker filed a lawsuit in the District Court of Jefferson County, Texas alleging that Dresser and Halliburton breached, among other things, provisions of the 1992 spin-off agreement and the coverage-in-place agreements as well as commercially disparaged Harbison-Walker and tortiously interfered with its contractual relationships. Harbison-Walker's lawsuit bases these allegations on the press releases issued by Halliburton on June 28, 2001 and July 25, 2001.

We believe that these allegations are without merit and will vigorously defend against them. On August 7, 2001, Dresser and Halliburton filed a Motion to Compel Arbitration in the Jefferson County action based on the arbitration provision contained in the 1992 spin-off agreement. In our motion, we asked the Court to dismiss Harbison-Walker's lawsuit and order the parties to arbitrate all of the disputes arising out of the interpretation and implementation of the spin-off agreement.

Also on August 7, 2001, Dresser filed a lawsuit, in the United States District Court for the Northern District of Texas, against Harbison-Walker's parent company, RHI AG, an Austrian corporation, Harbison-Walker's affiliates, and Dresser's insurance companies. In this lawsuit, Dresser alleges that:

- Harbison-Walker, in concert with its affiliates and agents, fraudulently billed Dresser's historic general liability insurers for asbestos-related costs that Harbison-Walker had yet to pay;
- Harbison, its affiliates and agents have violated federal mail fraud and money laundering statutes, and thus, have violated the Racketeer Influenced Corrupt Organizations Act, commonly referred to as a RICO action; and
- The actions of Harbison-Walker, its affiliates and agents constitute common law conversion and conspiracy.

Finally, Dresser also seeks a declaratory judgment that the amounts these insurance companies improperly paid to Harbison-Walker in response to the fraudulent billings do not erode the insurance coverage available to Dresser for its asbestos-related liabilities.

Also on August 7, 2001, Dresser filed a comprehensive insurance coverage lawsuit, in the District Court of Dallas County, Texas, against its historic general liability insurers. Dresser seeks, among other relief, a declaratory judgment that Dresser is entitled to insurance coverage for all of its asbestos-related liabilities arising out of its pre-November 1, 1985 operations or the operations of its predecessors acquired prior to November 1, 1985. Dresser filed this lawsuit to further protect its insurance coverage asset in light of several developments including:

- Harbison-Walker's attempt to improperly access insurance coverage; and
- London-based insurers' lawsuits against other unrelated policyholders seeking to unilaterally and improperly modify existing coverage-in-place agreements.

Summary

Based on our analysis of the believed number of current claims pending against Harbison-Walker and our experience with our other asbestos claims, we recorded as discontinued operations in the 2001 second quarter an accrual of \$92 million (\$60 million, after tax) for potential liabilities for open and settled asbestos claims at June 30, 2001.

Discontinued Operations Asbestos Reserve Millions of dollars	June 30 2001

Harbison-Walker open claims liability	\$ 576
Estimated insurance recoveries - Harbison-Walker	(518)
Harbison-Walker settled but not paid liability	32
Dresser Industries, Inc. claims on disposed businesses	14
Estimated insurance recoveries - Dresser Industries, Inc.	(12)

Asbestos claims in discontinued operations, net of insurance	\$ 92
=====	

A summary of our reserves for all open asbestos claims and corresponding estimated insurance recoveries, including the above, is as follows:

Millions of dollars	June 30 ----- 2001	December 31 ----- 2000

Asbestos litigation claims	\$ 699	\$ 80
Estimated insurance recoveries:		
Highlands Insurance Company	(37)	(39)
Other insurance carriers	(538)	(12)

Insurance for asbestos litigation claims	(575)	(51)

Net liability for known open asbestos claims	\$ 124	\$ 29
=====		

The above are included in noncurrent assets and liabilities due to the extended time periods involved to settle claims.

In addition to the above, accounts receivable include amounts we expect to collect from Highlands Insurance Company of \$20 million for payments we already have made on asbestos claims. If our appeal of the Chancery Court's ruling in the Highlands litigation is ultimately unsuccessful, we will be unable to collect this \$20 million as well as the \$37 million estimated recovery from Highlands. This may have a material adverse impact on the results of our operations and our financial position at that time.

Accounts receivable for billings to other insurance carriers for payments made on asbestos claims were \$11 million at June 30, 2001 and \$13 million at December 31, 2000.

The uncertainties of asbestos litigation, resolution of the newly filed Harbison-Walker and insurance litigation, and the possibility that a series of adverse court rulings or new legislation affecting the asbestos claims litigation or settlement process make it difficult to accurately predict and could materially impact the resolution of our asbestos claims. Subject to this difficulty, however, and based upon:

- our historical experience with similar claims;
- the time elapsed since Dresser and its former divisions or subsidiaries discontinued sale of products containing asbestos;
- the time elapsed since Kellogg Brown & Root used materials containing asbestos in any construction process;
- our understanding of the facts and circumstances that gave rise to asbestos claims; and
- our estimate of amounts we will recover from insurance companies,

we believe that the known open asbestos claims asserted against us will be resolved without a material adverse effect on our financial position or results of operations.

Fort Ord litigation. Brown & Root Services, now operating as Kellogg Brown & Root, is a defendant in civil litigation pending in federal court in Sacramento, California. The lawsuit alleges that Brown & Root Services violated provisions of the False Claims Act while performing work for the United States Army at Fort Ord in California. This lawsuit was filed by a former employee in 1997. Brown & Root Services has denied the allegations and is preparing to defend itself at trial. Further proceedings in this civil lawsuit have been stayed while the investigation referred to in the next paragraph is ongoing. We believe that it is remote that this civil litigation will result in any material amount of damages being assessed against us, although the cost of our defense could well exceed \$1 million before the matter is brought to a conclusion.

Although in 1998 the United States Department of Justice declined to join this litigation, it has advised us that Brown & Root Services is the target of a federal grand jury investigation regarding the contract administration issues raised in the civil litigation. Brown & Root Services has been served with grand jury subpoenas, which required the production of documents relating to the Fort Ord contract and similar contracts at other locations. We have also been informed that several current and former employees will be called to testify before the grand jury. We have retained independent counsel for these employees. We are cooperating in this investigation. The United States Department of Justice has not made any specific allegations against Brown & Root Services.

Environmental. We are subject to numerous environmental legal and regulatory requirements related to our operations worldwide. We take a proactive approach to evaluating and addressing the environmental impact of our operations. Each year we assess and remediate contaminated properties in order to avoid future liabilities and comply with legal and regulatory requirements. On occasion we are involved in specific environmental litigation and claims, including the clean-up of properties we own or have operated as well as efforts to meet or correct compliance-related matters.

Some of our subsidiaries and former operating entities are involved as a potentially responsible party or PRP in remedial activities to clean-up several "Superfund" sites under United States federal law and comparable state laws. Kellogg Brown & Root is one of nine PRP's named at the Tri-State Mining District "Superfund" Site, also known as the Jasper County "Superfund" Site. Based on our negotiations with federal regulatory authorities and our evaluation of our responsibility for remediation at small portions of this site, we do not believe we will be compelled to make expenditures which will have a material adverse effect on our financial position or results of operations. However, the United States Department of the Interior and the State of Missouri have indicated that they might make a separate claim against Kellogg Brown & Root for natural resource damages. Discussions with them have not been concluded and we are unable to make a judgement about the amount of damages they may seek.

We also incur costs related to compliance with ever-changing environmental, legal and regulatory requirements in the jurisdictions where we operate. It is very difficult to quantify the potential liabilities. We do not expect these expenditures to have a material adverse effect on our consolidated financial position or our results of operations.

During the second quarter of 2001, we accrued \$15 million for environmental matters related to liabilities retained on properties included in the sale of Dresser Equipment Group. Our accrued liabilities for environmental matters were \$49 million as of June 30, 2001 and \$31 million as of December 31, 2000.

Other. We are a party to various other legal proceedings. We expense the cost of legal fees related to these proceedings. We believe any liabilities we may have arising from these proceedings will not be material to our consolidated financial position or our results of operations.

Note 8. Income Per Share

Millions of dollars and shares except per share data	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Income from continuing operations before accounting change	\$ 143	\$ 52	\$ 229	\$ 79
Basic weighted average shares	427	444	427	443
Effect of common stock equivalents	3	5	3	4
Diluted weighted average shares	430	449	430	447
Income per common share from continuing operations before accounting change:				
Basic	\$ 0.34	\$ 0.12	\$ 0.54	\$ 0.18
Diluted	\$ 0.33	\$ 0.12	\$ 0.53	\$ 0.18
Income from discontinued operations:				
Basic	\$ 0.56	\$ 0.05	\$ 0.61	\$ 0.59
Diluted	\$ 0.56	\$ 0.05	\$ 0.61	\$ 0.58

Basic income per share is based on the weighted average number of common shares outstanding during the period. Diluted income per share includes additional common shares that would have been outstanding if potential common shares with a dilutive effect had been issued. Included in the computation of diluted income per share are the outstanding rights issued in connection with the PES acquisition of up to 2.1 million shares of Halliburton common stock. See Note 3. Excluded from the computation of diluted income per share are options to purchase 1.9 million and 1.0 million shares of common stock which were outstanding during the three months ended June 30, 2001 and June 30, 2000, respectively. Also excluded from the computation of diluted income per share are options to purchase 2.1 million and 1.3 million shares of common stock which were outstanding during the six months ended June 30, 2001 and June 30, 2000, respectively. These options were outstanding during these respective periods, but were excluded because the option exercise price was greater than the average market price of the common shares.

Note 9. Comprehensive Income

The components of other comprehensive income adjustments to net income include the cumulative translation adjustment of some of our foreign entities, minimum pension liability adjustments and unrealized gains or (losses) on investments and derivatives.

Millions of dollars	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Net income	\$ 382	\$ 75	\$ 491	\$ 339
Cumulative translation adjustment, net of tax	(4)	(40)	(46)	(50)
Less reclassification adjustment for (gains) included in net income	102	-	102	(11)
Adjustment to minimum pension liability	12	-	12	-
Unrealized gains on investments and derivatives	4	-	2	-
Total comprehensive income	\$ 496	\$ 35	\$ 561	\$ 278

Accumulated other comprehensive income at June 30, 2001 and December 31, 2000 consisted of the following:

Millions of dollars	June 30	December 31
	2001	2000
Cumulative translation adjustment	\$ (219)	\$ (275)
Minimum pension liability	-	(12)
Unrealized gains (losses) on investments and derivatives	1	(1)
Total accumulated other comprehensive income	\$ (218)	\$ (288)

Note 10. Engineering and Construction Reorganization

As a result of the reorganization of our engineering and construction businesses, we took actions in the fourth quarter of 2000 to reduce our cost structure including asset related charges of \$20 million and personnel related charges of \$16 million. Asset related write-offs of equipment, engineering reference designs and capitalized software were all completed by December 31, 2000. Personnel related payments of \$11 million have been made and the elimination of approximately 30 senior management positions is substantially complete. We expect remaining payments under severance arrangements to be completed during 2001.

Note 11. Dresser Financial Information

Since becoming a wholly owned subsidiary, Dresser Industries, Inc. has ceased filing periodic reports with the Securities and Exchange Commission. Dresser's 8% guaranteed senior notes, which were initially issued by Baroid Corporation, remain outstanding and are fully and unconditionally guaranteed by Halliburton. In January 1999, as part of a legal reorganization associated with the merger, Halliburton Delaware, Inc., our first tier holding company subsidiary, was merged into Dresser. The majority of our operating assets and activities are now included in Dresser and its subsidiaries. In August 2000, the Securities and Exchange Commission released revised rules governing the financial statements of guarantors and issuers of guaranteed registered securities. The following condensed consolidating financial information presents Halliburton and our subsidiaries on a stand-alone basis using the equity method of accounting for our interest in our subsidiaries.

Condensed Consolidating Statements of Income
Quarter ended June 30, 2001

Millions of dollars	Non-issuer/ Non-guarantor Subsidiaries	Dresser Industries, Inc. (Issuer)	Halliburton Company (Guarantor)	Consolidating Adjustments	Consolidated Halliburton Company
Total revenues	\$ 3,339	\$ 170	\$ 525	\$ (695)	\$ 3,339
Cost of revenues	(2,966)	-	-	-	(2,966)
General and administrative	(101)	-	-	-	(101)
Interest expense	(16)	(8)	(10)	-	(34)
Interest income	5	3	29	(31)	6
Other, net	10	125	(17)	(119)	(1)
Income from continuing operations before taxes and minority interest	271	290	527	(845)	243
Provision for income taxes	(99)	(4)	5	-	(98)
Minority interest in net income of subsidiaries	(2)	-	-	-	(2)
Income from continuing operations	170	286	532	(845)	143
Income from discontinued operations	-	239	-	-	239
Net income	\$ 170	\$ 525	\$ 532	\$ (845)	\$ 382

Condensed Consolidating Statements of Income
Quarter ended June 30, 2000

Millions of dollars	Non-issuer/ Non-guarantor Subsidiaries	Dresser Industries, Inc. (Issuer)	Halliburton Company (Guarantor)	Consolidating Adjustments	Consolidated Halliburton Company
Total revenues	\$ 2,868	\$ 96	\$ 119	\$ (215)	\$ 2,868
Cost of revenues	(2,665)	-	-	-	(2,665)
General and administrative	(77)	-	-	-	(77)
Interest expense	(10)	(14)	(9)	-	(33)
Interest income	3	36	15	(51)	3
Other, net	(2)	-	(1)	-	(3)
Income from continuing operations before taxes and minority interest	117	118	124	(266)	93
Provision for income taxes	(39)	1	2	-	(36)
Minority interest in net income of subsidiaries	(5)	-	-	-	(5)
Income from continuing operations	73	119	126	(266)	52
Income from discontinued operations	23	-	-	-	23
Net income	\$ 96	\$ 119	\$ 126	\$ (266)	\$ 75

Condensed Consolidating Statements of Income
Six Months ended June 30, 2001

Millions of dollars	Non-issuer/ Non-guarantor Subsidiaries	Dresser Industries, Inc. (Issuer)	Halliburton Company (Guarantor)	Consolidating Adjustments	Consolidated Halliburton Company
Total revenues	\$ 6,483	\$ 306	\$ 673	\$ (979)	\$ 6,483
Cost of revenues	(5,821)	-	-	-	(5,821)
General and administrative	(192)	-	-	-	(192)
Interest expense	(21)	(17)	(44)	1	(81)
Interest income	9	6	29	(34)	10
Other, net	(1)	146	(4)	(145)	(4)
Income from continuing operations before taxes, minority interest and accounting change	457	441	654	(1,157)	395
Provision for income taxes	(167)	(7)	15	-	(159)
Minority interest in net income of subsidiaries	(7)	-	-	-	(7)
Income from continuing operations before accounting change	283	434	669	(1,157)	229
Income from discontinued operations	22	239	-	-	261
Cumulative effect of accounting change, net	1	-	-	-	1
Net income	\$ 306	\$ 673	\$ 669	\$ (1,157)	\$ 491

Condensed Consolidating Statements of Income
Six Months ended June 30, 2000

Millions of dollars	Non-issuer/ Non-guarantor Subsidiaries	Dresser Industries, Inc. (Issuer)	Halliburton Company (Guarantor)	Consolidating Adjustments	Consolidated Halliburton Company
Total revenues	\$ 5,727	\$ 169	\$ 425	\$ (594)	\$ 5,727
Cost of revenues	(5,360)	-	-	-	(5,360)
General and administrative	(160)	-	-	-	(160)
Interest expense	(14)	(27)	(25)	-	(66)
Interest income	10	65	29	(94)	10
Other, net	(6)	-	(1)	-	(7)
Income from continuing operations before taxes and minority interest	197	207	428	(688)	144
Provision for income taxes	(64)	3	5	-	(56)
Minority interest in net income of subsidiaries	(9)	-	-	-	(9)
Income from continuing operations	124	210	433	(688)	79
Income from discontinued operations	45	215	-	-	260
Net income	\$ 169	\$ 425	\$ 433	\$ (688)	\$ 339

Condensed Consolidating Balance Sheets
June 30, 2001

Millions of dollars	Non-issuer/ Non-guarantor Subsidiaries	Dresser Industries, Inc. (Issuer)	Halliburton Company (Guarantor)	Consolidating Adjustments	Consolidated Halliburton Company

Assets					
Current assets:					
Cash and equivalents	\$ 166	\$ 6	\$ 156	\$ -	\$ 328
Receivables:					
Notes and accounts receivable, net	1,556	1,693	-	-	3,249
Unbilled work on uncompleted contracts	959	-	2	-	961

Total receivables	2,515	1,693	2	-	4,210
Inventories	855	-	-	-	855
Other current assets	461	1	5	-	467

Total current assets	3,997	1,700	163	-	5,860
Property, plant and equipment, net	2,483	-	-	-	2,483
Equity in and advances to unconsolidated affiliates	457	43	-	-	500
Intercompany receivable from consolidated affiliates	-	-	2,638	(2,638)	-
Equity in and advances to consolidated affiliates	-	5,351	3,182	(8,533)	-
Goodwill, net	523	85	-	-	608
Insurance for asbestos litigation claims	57	518	-	-	575
Other assets	585	37	13	-	635

Total assets	\$ 8,102	\$ 7,734	\$ 5,996	\$(11,171)	\$10,661
=====					
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts and notes payable	\$ 796	\$ 58	\$ 702	\$ -	\$ 1,556
Other current liabilities	1,539	219	43	-	1,801

Total current liabilities	2,335	277	745	-	3,357
Long-term debt	200	439	400	-	1,039
Intercompany payable from consolidated affiliates	(585)	3,223	-	(2,638)	-
Asbestos litigation claims	90	609	-	-	699
Other liabilities	955	4	83	-	1,042
Minority interest in consolidated subsidiaries	44	-	-	-	44

Total liabilities	3,039	4,552	1,228	(2,638)	6,181
Shareholders' equity:					
Common shares	391	-	1,138	(391)	1,138
Other shareholders' equity	4,672	3,182	3,630	(8,142)	3,342

Total shareholders' equity	5,063	3,182	4,768	(8,533)	4,480

Total liabilities and shareholders' equity	\$ 8,102	\$ 7,734	\$ 5,996	\$(11,171)	\$10,661
=====					

Condensed Consolidating Balance Sheets
December 31, 2000

Millions of dollars	Non-issuer/ Non-guarantor Subsidiaries	Dresser Industries, Inc. (Issuer)	Halliburton Company (Guarantor)	Consolidating Adjustments	Consolidated Halliburton Company

Assets					
Current assets:					
Cash and equivalents	\$ 216	\$ 11	\$ 4	\$ -	\$ 231
Receivables:					
Notes and accounts receivable, net	2,966	63	-	-	3,029
Unbilled work on uncompleted contracts	816	-	-	-	816

Total receivables	3,782	63	-	-	3,845
Inventories	723	-	-	-	723
Other current assets	753	1	15	-	769

Total current assets	5,474	75	19	-	5,568
Property, plant and equipment, net	2,410	-	-	-	2,410
Equity in and advances to unconsolidated affiliates	258	142	-	-	400
Intercompany receivable from consolidated affiliates	68	-	2,138	(2,206)	-
Equity in and advances to consolidated affiliates	-	6,558	4,220	(10,778)	-
Goodwill, net	510	87	-	-	597
Other assets	1,109	5	14	-	1,128

Total assets	\$ 9,829	\$ 6,867	\$ 6,391	\$(12,984)	\$10,103
=====					
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts and notes payable	\$ 756	\$ 64	\$ 1,540	\$ -	\$ 2,360
Other current liabilities	1,374	36	56	-	1,466

Total current liabilities	2,130	100	1,596	-	3,826
Long-term debt	205	444	400	-	1,049
Intercompany payable from consolidated affiliates	-	2,206	-	(2,206)	-
Other liabilities	1,118	26	118	-	1,262
Minority interest in consolidated subsidiaries	38	-	-	-	38

Total liabilities	3,491	2,776	2,114	(2,206)	6,175
Shareholders' equity:					
Common shares	391	-	1,132	(391)	1,132
Other shareholders' equity	5,947	4,091	3,145	(10,387)	2,796

Total shareholders' equity	6,338	4,091	4,277	(10,778)	3,928

Total liabilities and shareholders' equity	\$ 9,829	\$ 6,867	\$ 6,391	\$(12,984)	\$10,103
=====					

Condensed Consolidating Statements of Cash Flows
Six Months ended June 30, 2001

Millions of dollars	Non-issuer/ Non-guarantor Subsidiaries	Dresser Industries, Inc. (Issuer)	Halliburton Company (Guarantor)	Consolidating Adjustments	Consolidated Halliburton Company
Net cash flows from operating activities	\$ 251	\$ 46	\$ 47	\$ -	\$ 344
Capital expenditures	(344)	-	-	-	(344)
Sales of property, plant and equipment	39	-	-	-	39
Other investing activities	(147)	-	1,032	(1,032)	(147)
Payments on long-term borrowings	(4)	(5)	-	-	(9)
Borrowings (repayments) of short-term debt, net	(18)	-	(836)	-	(854)
Payments of dividends to shareholders	-	-	(107)	-	(107)
Proceeds from exercises of stock options	-	-	24	-	24
Payments to reacquire common stock	-	-	(8)	-	(8)
Other financing activities	185	(1,220)	-	1,032	(3)
Effect of exchange rate on cash	(12)	-	-	-	(12)
Net cash flows from discontinued operations	-	1,174	-	-	1,174
Increase (decrease) in cash and equivalents	\$ (50)	\$ (5)	\$ 152	\$ -	\$ 97

Condensed Consolidating Statements of Cash Flows
Six Months ended June 30, 2000

Millions of dollars	Non-issuer/ Non-guarantor Subsidiaries	Dresser Industries, Inc. (Issuer)	Halliburton Company (Guarantor)	Consolidating Adjustments	Consolidated Halliburton Company
Net cash flows from operating activities	\$ (291)	\$ 27	\$ (11)	\$ -	\$ (275)
Capital expenditures	(190)	-	-	-	(190)
Sales of property, plant and equipment	36	-	-	-	36
Other investing activities	(33)	-	87	(87)	(33)
Payments on long-term borrowings	(5)	(300)	-	-	(305)
Borrowings (repayments) of short-term debt, net	28	-	(94)	-	(66)
Payments of dividends to shareholders	-	-	(111)	-	(111)
Proceeds from exercises of stock options	-	-	57	-	57
Payments to reacquire common stock	-	-	(6)	-	(6)
Other financing activities	(330)	243	-	87	-
Effect of exchange rate on cash	(14)	-	-	-	(14)
Net cash flows from discontinued operations	804	-	-	-	804
Increase (decrease) in cash and equivalents	\$ 5	\$ (30)	\$ (78)	\$ -	\$ (103)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In this section, we discuss the operating results and general financial condition of Halliburton Company and its subsidiaries. We explain:

- factors and risks that impact our business;
- why our earnings and expenses for the second quarter of 2001 differ from the second quarter of 2000;
- why our earnings and expenses for the first six months of 2001 differ from the first six months of 2000;
- factors that impacted our cash flows; and
- other items that materially affect our financial condition or earnings.

BUSINESS ENVIRONMENT

Our continuing business is organized around two business segments:

- Energy Services Group; and
- Engineering and Construction Group.

The results of Dresser Equipment Group are reported as discontinued operations.

We currently operate in over 100 countries throughout the world, providing a comprehensive range of discreet and integrated products and services to the petroleum industry, and to other industrial and governmental customers. The majority of our consolidated revenues is derived from the sale of services and products, including engineering and construction activities, to large oil and gas companies. These services and products are used throughout the energy industry, from earliest phases of exploration and development of oil and gas reserves through the refining and distribution process.

The industries we serve are highly competitive with many substantial competitors for each segment. No country other than the United States or the United Kingdom accounts for more than 10% of our operations. Unsettled political conditions, expropriation or other governmental actions, exchange controls or currency devaluation may result in the increased business risk in any one country. We believe the geographic diversification of our business activities reduces the risk that loss of business in any one country would be material to our consolidated results of operations.

Halliburton Company

Spending on exploration and production activities and investments in capital expenditures for refining and distribution facilities by large oil and gas companies have a significant impact on the activity levels within our two business segments. Based on industry surveys, 2001 capital spending by our customers for oil and gas exploration and production is estimated to increase by at least 20% compared to 2000. Through the first six months of 2001, this increased spending has contributed to higher levels of worldwide drilling activity.

Drilling activity increases in North America, primarily related to demand for natural gas, has generated much of the growth in demand for our products and services during 2001. Despite recent volatility in crude oil and United States natural gas prices, and speculation about future supply and demand imbalances, we expect average activity levels within North America in 2001 to be higher than 2000. Internationally, sustained strong crude oil prices have resulted in steadily increasing levels of capital spending and drilling, primarily by major oil and gas companies, including national oil companies. Generally, international oil and gas field development projects, particularly deepwater projects in West Africa and Brazil, have longer lead times, economics based on longer-term commodity prices, and are less likely to be delayed due to fluctuating short-term prices. We anticipate improvements in rig activity outside North America through the end of 2001 to benefit our Energy Services Group operations. In addition we expect our engineering and construction backlog to benefit later this year from projects in the process of contract finalization and increased bid activity on new and previously delayed projects.

Over the longer-term, we expect increased global demand for oil and natural gas, additional spending to replace depleting reserves and continued technological advances in our products and services to provide growth opportunities for our products and services.

Energy Services Group

High natural gas and crude oil prices during the first half of 2001 have contributed to increased demand for the products and services provided by the Energy Services Group. Activity has been highest in the United States, reflecting primarily the increased levels of drilling for natural gas. The rotary rig count in the United States continued to increase and averaged 1,188 rigs in the first half of 2001, an increase of 47% over the average for the first half of 2000. Despite recent volatility in natural gas prices, Henry Hub gas prices for the first six months of 2001 averaged \$5.51/MCF, well above the \$3.08/MCF average for the first half of 2000. Higher activity levels have increased our equipment and personnel utilization, resulting in increased profitability and pricing strength, particularly within the United States. Crude oil prices, another business indicator, remained strong throughout the first half of 2001, with West Texas Intermediate averaging nearly \$29 per barrel, which is basically flat with the first six-month average in 2000. While some uncertainty exists in the United States about natural gas and crude oil prices, we expect activity to remain at strong levels through the third quarter of 2001. Future spending by our customers will become clearer as they begin to prepare their capital budgets for 2002 and as visibility of future oil and gas prices improves during the second half of 2001.

The turnaround in international rig activity continued through the first half of 2001, with the average rig count at 737 rigs working compared to an average of 602 in the first six-month period of 2000, an increase of 22%. Compared to the second quarter of 2000, revenues for the Energy Services Group were higher across all geographic areas. These increases reflect both the strong demand for our products and services within the United States as well as the continued increases in exploration and production spending elsewhere by our customers. In the short-term, we expect the Energy Services Group to provide continued growth in both revenues and earnings in the United States and internationally, especially in the North Sea, Latin America, and the Middle East.

Engineering and Construction Group

Our Engineering and Construction Group has not yet benefited from the positive factors which provided opportunities for growth in the Energy Services Group. While both segments provide products and services to many of the same customers, oilfield service activities have been first to benefit from the increased activity levels. The downturn in the energy industry that began in 1998 led our customers to severely curtail many large engineering and construction projects during 2000 and into 2001. During this time, a series of mergers and consolidations among our major customers also reduced our customers' levels of investment in refining and distribution facilities as they evaluated existing capacities. Due to the lack of opportunities existing throughout 2000, combined with an extremely competitive global engineering and construction environment, we restructured our Engineering and Construction Group in late 2000 and the first quarter of 2001. Engineering, construction, fabrication and project management capabilities are now part of one operating company - Kellogg Brown & Root. This flatter, more responsive organization is now positioned to benefit from the expected increases in engineering and construction project spending. Based upon our technologies and proven capabilities on complex projects, combined with recent and pending project awards and increasing levels of bid activity, we are optimistic about our financial performance continuing to improve later this year and as we move into 2002. In addition, we also see emerging engineering and construction project opportunities in liquefied natural gas, gas-to-liquids, and deepwater production. Growth opportunities exist to provide additional support services to governmental agencies in the United States and other countries, including the United Kingdom. The demand for these services is expected to grow as governments at all levels seek to control costs and improve services by outsourcing various functions.

RESULTS OF OPERATIONS IN 2001 COMPARED TO 2000

Second Quarter of 2001 Compared with the Second Quarter of 2000

REVENUES Millions of dollars	Second Quarter		Increase (decrease)
	2001	2000	
Energy Services Group	\$ 2,214	\$ 1,615	\$ 599
Engineering and Construction Group	1,125	1,253	(128)
Total revenues	\$ 3,339	\$ 2,868	\$ 471

Consolidated revenues in the second quarter of 2001 of \$3.3 billion increased \$471 million, or 16%, compared to the second quarter of 2000. International revenues were 60% of total revenues for the second quarter of 2001 and 67% in the second quarter of 2000.

Energy Services Group revenues were \$2.2 billion for the second quarter of 2001, an increase of 37% over the second quarter of 2000. International revenues were 55% of total revenues in the second quarter of 2001 as compared to 63% in the second quarter of 2000. North America benefited from higher rig counts and gas prices, increased equipment utilization and pricing improvements. Our oilfield services product service line revenue of \$1.8 billion increased 40% year-over-year. Pressure pumping, which represents almost 50% of that revenue, achieved revenue growth of 48% while drilling fluids and drilling services increased 41% and 39%, respectively. Revenues from the remaining oilfield product service lines also showed substantial increases year-over-year. Geographically, North America oilfield services revenues increased 58%, while Latin America and Europe/Africa revenues increased 33% and 24%, respectively. Oilfield services revenues in the Middle East and Asia Pacific both rose by approximately 13%. Particularly strong revenue improvements were reported in Russia, Venezuela, Egypt, Brazil, United Kingdom, Nigeria, and Indonesia. Revenues for the remainder of the segment increased \$100 million over the second quarter of 2000 with the largest increase attributable to a major project in Brazil that began in late 2000. Integrated exploration and production information systems revenues increased 25% for the second quarter as compared to the second quarter of 2000 reflecting the positive impact of the data management acquisition. Activity in our surface/subsea operations was basically flat year-over-year.

Engineering and Construction Group revenues were \$128 million, or 10%, lower in the second quarter of 2001 compared to the second quarter of 2000. About 69% of the segment's revenues were from international activities as compared to 72% in the second quarter last year. Decreases in revenues were mostly attributable to the completion of large onshore projects that have not been replaced with new projects. Our customers have continued to delay major projects in the downstream sector and focus on maintaining existing facilities. This focus contributed to the 18% increase in revenues from our operations and maintenance product line revenues year-over-year. Revenues from the government services product line were 5% higher for the second quarter of 2001 as compared to the second quarter in 2000 with increases in ship refitting in the United Kingdom and management and engineering. Increases in the government operations product line were partially offset by a \$36 million decrease in a logistical support contract in the Balkans which has progressed from the construction phase to the sustainment phase over the past 12 months.

OPERATING INCOME Millions of dollars	Second Quarter		Increase (decrease)
	2001	2000	
Energy Services Group	\$ 267	\$ 113	\$ 154
Engineering and Construction Group	25	30	(5)
General corporate	(20)	(17)	(3)
Total operating income	\$ 272	\$ 126	\$ 146

Consolidated operating income of \$272 million was 116% higher in the second quarter of 2001 compared to the second quarter of 2000.

Energy Services Group operating income for the second quarter of 2001 more than doubled compared to the second quarter of 2000. Oilfield services product service lines operating income increased by \$169 million, or 172%, year-over-year due to higher equipment and personnel use combined with improved pricing. Operating income increased over 150% in our pressure pumping, logging, drill bits, and drilling services businesses. All oilfield services' geographic regions had significant increases in operating income, particularly in North America where operating income rose 126% reflecting pricing improvements and higher activity levels. Operating income for the remainder of the segment declined by \$15 million. Increased operating income from our major project in Brazil was offset by lower utilization and activity levels in our surface/subsea product service line. The second quarter of 2000 also benefited from the impact of a \$4 million favorable resolution of a royalty issue in our integrated exploration and production information systems business.

Engineering and Construction Group operating income for the second quarter of 2001 decreased by \$5 million from the same period in 2000 on lower revenues. Operating margins were basically flat year-over-year.

General corporate expense for the second quarter of 2001 was \$20 million.

NONOPERATING ITEMS

Interest expense of \$34 million for the second quarter of 2001 increased \$1 million compared to the second quarter of 2000.

Interest income was \$6 million in the second quarter of 2001, an increase from the second quarter of 2000 interest income of \$3 million.

Foreign exchange losses, net were \$1 million in the current year quarter compared to \$3 million in the prior year second quarter.

Provision for income taxes of \$98 million resulted in an effective tax rate of 40.3%, up slightly from the second quarter of 2000 rate of 38.7%.

Income from continuing operations was \$143 million in the second quarter of 2001 compared to \$52 million in the prior year quarter.

Income (loss) from discontinued operations was (\$60) million for the second quarter of 2001 as compared to \$23 million for the second quarter of 2000. Loss from discontinued operations for the current year quarter represents \$90 million, before tax, of accrued expenses related to asbestos claims net of insurance recoveries arising after the divestiture of INDRESCO which related to the Harbison-Walker business as well as \$2 million for other Dresser Industries, Inc. non-engineering and construction asbestos claims related to businesses disposed in prior years which were previously accounted for in continuing operations. See Note 7. The second quarter of 2000 consists of the Dresser Equipment Group's net income.

Gain on disposal of discontinued operations of \$299 million after-tax or \$0.70 per diluted share in 2001, resulted from the sale of our remaining businesses in the Dresser Equipment Group.

Net income for the second quarter of 2001 was \$382 million, or \$0.89 per diluted share. The prior year's quarterly net income was \$75 million, or \$0.17 per diluted share.

First Six Months of 2001 Compared with the First Six Months of 2000

REVENUES Millions of dollars	First Six Months		Increase (decrease)
	2001	2000	
Energy Services Group	\$ 4,245	\$ 3,038	\$ 1,207
Engineering and Construction Group	2,238	2,689	(451)
Total revenues	\$ 6,483	\$ 5,727	\$ 756

Consolidated revenues in the first six months of 2001 of \$6.5 billion increased 13% compared to the first six months of 2000. International revenues were 61% of total revenues for the first half of 2001 and 66% in the first half of 2000 as activity and pricing in the United States increased more rapidly than internationally.

Energy Services Group revenues were higher by \$1.2 billion in the first half of 2001, an increase of 40% from the first half of 2000. International revenues were 57% of total revenues for the first six months of 2001 as compared to 63% for the first six months of 2000. Revenues increased across all geographical regions and all product service lines within our oilfield services operations. This improvement was primarily due to increased activity attributable to higher rig counts. Pricing improvements in the United States also contributed to increased revenues. Revenues from our oilfield services product service lines were \$3.4 billion for the first six months of 2001 compared to \$2.4 billion for the first six months of 2000. Our pressure pumping business experienced growth of 47% while logging revenues grew by 55%. Other business within the oilfield services product service lines achieved growth rates of 15% to 49%. Geographically, our oilfield service's product service lines achieved a 59% growth rate in North America with significant increases internationally in Venezuela, Brazil, Russia, Norway, Egypt, and Saudi Arabia. Revenues for the remainder of the segment increased \$265 million year-over-year which was primarily due to the start-up of a major project in Brazil.

Engineering and Construction Group revenues decreased \$451 million, or 17%, from the first six months of 2001 compared to the first six months of 2000. Year-over-year revenues were 14% lower in North America and decreased 18% outside North America. The decline in international revenues is mainly due to the completion of several onshore and offshore projects. Government operations product line revenues were lower by 10% due to the contract in the Balkans moving from the construction phase to the sustainment phase. As a result of our customers' focus on plant operations and maintaining existing facilities, the operations and maintenance product line increased 15% partially offsetting the revenue declines in other product lines.

OPERATING INCOME Millions of dollars	First Six Months		Increase (decrease)
	2001	2000	
Energy Services Group	\$ 467	\$ 162	\$ 305
Engineering and Construction Group	43	79	(36)
General corporate	(40)	(34)	(6)
Total operating income	\$ 470	\$ 207	\$ 263

Consolidated operating income of \$470 million was 127% higher in the first six months of 2001 compared to the first six months of 2000.

Energy Services Group operating income for the first half of 2001 increased \$305 million, or 188%, as compared to the first half of 2000. Operating income in our oilfield services product service line tripled reflecting increased activity and pricing improvements especially in the United States. Significant improvements were also made in Latin America and the Middle East. Operating income increased within all areas of the oilfield services product service lines with the most substantial increases in pressure pumping, logging, drilling services and drill bits. Operating income for the remainder of the segment decreased \$2 million. Operating income decreased because the prior year included a \$4 million favorable resolution of disputed royalties by our integrated exploration and production information systems and lower operating margins in our surface/subsea product service line partially offset by improved operating income from our major project in Brazil.

Engineering and Construction Group operating income declined by \$36 million from the first half of 2001 as compared to the first half of 2000. The reduction reflects lower activity levels.

General corporate expenses for the first half of 2001 were \$40 million. The increase of \$6 million over the first half of 2000 is due partially to expenses incurred for the retirement of several executives earlier this year.

NONOPERATING ITEMS

Interest expense of \$81 million for the first six months of 2001 increased \$15 million compared to the first six months of 2000. The increase is due to additional short-term debt incurred in the fourth quarter of 2000 and outstanding through early April, 2001. This increase in short-term debt was primarily due to repurchases of our common stock under our repurchase program and borrowings associated with the PGS Data Management acquisition. Cash received of \$1.3 billion in April, 2001 from the sale of our remaining businesses within the Dresser Equipment Group was used to repay our short-term borrowings.

Interest income was \$10 million in the first six months of 2001 and was flat compared to the first six months in 2000.

Foreign exchange losses, net were \$4 million in the first six months of 2001 compared to \$7 million in the first six months of 2000.

Provision for income taxes of \$159 million resulted in an effective tax rate of 40.3% for the first six months of 2001, up slightly from the rate of 38.9% for the first six months of 2000.

Income from continuing operations was \$229 million in the first six months of 2001 compared to \$79 million in the first six months of 2000.

Income (loss) from discontinued operations of (\$38) million in 2001 primarily represents \$90 million, before tax, of accrued expenses related to asbestos claims net of insurance recoveries arising after the divestiture of INDRESCO involving the Harbison-Walker business (see Note 7), net of income from the Dresser Equipment Group for the first quarter of 2001. Income from discontinued operations of \$45 million for the first six months of 2000 is composed of net earnings from the Dresser Equipment Group.

Gain on disposal of discontinued operations of \$299 million after-tax, or \$0.70 per diluted share, in 2001 resulted from the sale of our remaining businesses in the Dresser Equipment Group in April 2001. For the first six months of 2000, the gain on disposal of discontinued operations of \$215 million after-tax, or \$0.48 per diluted share, resulted from the sale of our 51% interest in Dresser-Rand to Ingersoll-Rand in January 2000.

Cumulative effect of accounting change, net of \$1 million reflects the impact of adoption of Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and for Hedging Activities." After recording the cumulative effect of the change our estimated annual expense under Financial Accounting Standards No. 133 is not expected to be materially different from amounts expensed under the prior accounting treatment.

Net income for the first six months of 2001 was \$491 million, or \$1.14 per diluted share. Net income for the first six months of 2000 was \$339 million, or \$0.76 per diluted share.

LIQUIDITY AND CAPITAL RESOURCES

We ended the second quarter of 2001 with cash and equivalents of \$328 million, an increase of \$97 million from the end of 2000.

Cash flows from operating activities provided \$344 million in the first half of 2001 compared to using \$275 million in the same period of 2000. Working capital items, which include receivables, inventories, accounts payable and other working capital, net, used \$370 million of cash in the first six months of 2001 compared to \$630 million in the same period of 2000.

Cash flows used in investing activities were \$452 million in the first half of 2001 and \$187 million in the same period of 2000. Capital expenditures in the first six months of 2001 were \$344 million as compared to \$190 million for the first six months of 2000. In March 2001 we acquired the PGS Data Management division of Petroleum Geo-Services ASA for approximately \$175 million cash.

Cash flows from financing activities used \$957 million in the first six months of 2001 as compared to \$431 million for the first six months of 2000. With the proceeds from the sale of the remaining businesses in Dresser Equipment Group in April 2001 and Dresser-Rand and Ingersoll-Dresser Pump in 2000, we repaid our short-term debt. We paid dividends of \$107 million to our shareholders in the first six months of 2001 as compared to \$111 million in the first six months of 2000. On July 12, 2001 we issued \$425 million of two and five year medium-term notes under our medium-term note program. The notes consist of \$275 million of 6% fixed rate notes due August 1, 2006 and \$150 million of floating rate notes due July 16, 2003. Net proceeds from the two medium-term note offerings were used to reduce short-term debt.

Cash flows from discontinued operations provided \$1.2 billion in the first six months of 2001 as compared to \$804 million for the first six months of 2000. Cash flows for 2001 and 2000 include the proceeds from the sale of the remainder of Dresser Equipment Group of \$1,267 million and Dresser-Rand and Ingersoll-Dresser Pump of \$913 million, respectively.

Capital resources from internally generated funds and access to capital markets are sufficient to fund our working capital requirements and investing activities. Our combined short-term notes payable and long-term debt was 28% of total capitalization at June 30, 2001 compared to 40% at December 31, 2000.

ASBESTOS LITIGATION

During the second quarter of 2001, we experienced an upward trend in the rate that new asbestos claims are filed against us. In addition, during the quarter we became aware that a former subsidiary of Dresser, Harbison-Walker Refractories Company, is failing to provide us with an adequate indemnity and defense from asbestos claims it assumed when it was spun-off by Dresser in 1992. A more complete discussion of these matters is contained in Note 7 to our Quarterly Financial Statements.

ENVIRONMENTAL MATTERS

We are subject to numerous environmental, legal and regulatory requirements related to our operations worldwide. As a result of those obligations, we are involved in environmental litigation and claims, the clean-up of properties we own or have operated, and efforts to meet or correct compliance-related matters.

SHARE REPURCHASE PROGRAM

On April 25, 2000 our Board of Directors approved plans to implement a share repurchase program for up to 44 million shares, or about 10% of our outstanding common stock. As of June 30, 2001 we had repurchased over 20 million shares at a cost of \$759 million. No shares of common stock were repurchased during the first half of 2001 under this plan; however, we may periodically make repurchases of our common stock under this program as we deem appropriate.

ACCOUNTING CHANGES

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 "Business Combinations" which requires the purchase method of accounting for business combination transactions initiated after June 30, 2001.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets". The statement requires that goodwill recorded on acquisitions completed prior to July 1, 2001 be amortized through December 31, 2001. Goodwill amortization is precluded on acquisitions completed after June 30, 2001. Effective January 1, 2002, goodwill will no longer be amortized but will be tested for impairment as set forth in the statement. We are currently reviewing the new standard and evaluating the effects of this standard on our future financial condition, results of operations, and accounting policies and practices. Amortization of goodwill for the first six months of 2001 totaled \$23 million.

CONVERSION TO THE EURO CURRENCY

In 1999 some member countries of the European Union established fixed conversion rates between their existing currencies and the European Union's common currency (euro). This action was the first step towards transition from existing national currencies to the use of the euro as a common currency. The transition period for the introduction of the euro ends June 30, 2002. Issues resulting from the introduction of the euro include converting information technology systems, reassessing currency risk, negotiating and amending existing contracts and processing tax and accounting records. We are addressing these issues and do not expect the transition to the euro to have a material effect on our financial condition or results of operations.

FORWARD-LOOKING INFORMATION

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 Form 10-Q are forward-looking and use words like "may," "may not," "believes," "do not believe," "expects," "do not expect," "do not anticipate," and similar 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 judgement 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:

Geopolitical and legal

- trade restrictions and economic embargoes imposed by the United States and other countries;
- unsettled political conditions, war, civil unrest, currency controls and governmental actions in the numerous countries in which we operate;

- operations in countries with significant amounts of political risk, including, for example, Algeria, Angola, Libya, Nigeria, and Russia;
- changes in foreign exchange rates;
- changes in governmental regulations in the numerous countries in which we operate including, for example, regulations that:
 - encourage or mandate the hiring of local contractors; and
 - require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction;
- litigation, including, for example, contract disputes, asbestos litigation, insurance litigation, and environmental litigation; and
- environmental laws, including, for example, those that require emission performance standards for facilities;

Weather related

- the effects of severe weather conditions, including, for example, hurricanes and tornadoes, on operations and facilities; and
- the impact of prolonged severe or mild weather conditions on the demand for and price of oil and natural gas;

Customers

- the magnitude of governmental spending and outsourcing for military and logistical support of the type that we provide;
- changes in capital spending by customers in the oil and gas industry for exploration, development, production, processing, refining, and pipeline delivery networks;
- changes in capital spending by governments for infrastructure projects of the sort that we perform;
- consolidation of customers in the oil and gas industry; and
- claim negotiations with engineering and construction customers on cost variances and change orders on major projects;

Industry

- technological and structural changes in the industries that we serve;
- sudden changes in energy prices that could undermine the fundamental strength of the world economy or our customers;
- changes in the price of oil and natural gas, resulting from:
 - OPEC's ability to set and maintain production levels and prices for oil;
 - the level of oil production by non-OPEC countries;
 - the policies of governments regarding exploration for and production and development of their oil and natural gas reserves; and
 - the level of demand for oil and natural gas;
- changes in the price or the availability of commodities that we use;
- risks that result from entering into fixed fee engineering, procurement and construction projects of the types that we provide where failure to meet schedules, cost estimates or performance targets could result in nonreimbursable costs which cause the project not to meet our expected profit margins;
- risks that result from entering into complex business arrangements for technically demanding projects where failure by one or more parties could result in monetary penalties; and
- the risk inherent in the use of derivative instruments of the sort that we use which could cause a change in value of the derivative instruments as a result of:
 - adverse movements in foreign exchange rates, interest rates, or commodity prices, or
 - the value and time period of the derivative being different than the exposures or cash flows being hedged;

Personnel and mergers/reorganizations/dispositions

- increased competition in the hiring and retention of employees in specific areas, including, for example, energy services operations, accounting and finance;
- integration of acquired businesses into Halliburton, including:
 - standardizing information systems or integrating data from multiple systems;
 - maintaining uniform standards, controls, procedures and policies; and
 - combining operations and personnel of acquired businesses with ours;
- effectively reorganizing operations and personnel within Halliburton;
- replacing discontinued lines of businesses with acquisitions that add value and complement our core businesses; and
- successful completion of planned dispositions.

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 10-Q, 8-K and 10-K reports to the Securities and Exchange Commission. We also suggest that you listen to our quarterly earnings release conference calls with financial analysts.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial instrument market risk from changes in foreign currency exchange rates, interest rates and to a limited extent, commodity prices. We selectively hedge these exposures through the use of derivative instruments to mitigate our market risk from these exposures. The objective of our hedging is to protect our cash flows related to interest rates and sales or purchases of goods or services from market fluctuations. Our use of derivative instruments includes the following types of market risk:

- volatility of the currency and interest rates;
- time horizon of the derivative instruments;
- market cycles; and
- the type of derivative instruments used.

We do not use derivative instruments for trading purposes. We do not consider any of our hedging activities to be material.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

At our Annual Meeting of Stockholders held on May 15, 2001, stockholders were asked to consider and act upon:

- (1) the election of Directors for the ensuing year,
- (2) a proposal to ratify the appointment of Arthur Andersen LLP as independent accountants to examine the financial statements and books and records of Halliburton for 2001,
- (3) a stockholder proposal on work performed in Myanmar (Burma),
- (4) a stockholder proposal on indexing executive stock options, and
- (5) a stockholder proposal on the executive compensation system.

The following table sets out, for each matter where applicable, the number of votes cast for, against or withheld, as well as the number of abstentions and broker non-votes.

(1) Election of Directors:

Name of Nominee	Votes For	Votes Withheld
Lord Clitheroe	353,073,550	6,059,561
Robert L. Crandall	353,143,397	5,989,714
Kenneth T. Derr	353,299,822	5,833,289
Charles J. DiBona	353,159,817	5,973,294
Lawrence S. Eagleburger	344,947,671	14,185,440
William R. Howell	353,148,146	5,984,965
Ray L. Hunt	300,487,137	58,645,974
David J. Lesar	353,176,448	5,956,663
Aylwin B. Lewis	353,144,149	5,988,962
J. Landis Martin	347,909,211	11,223,900
Jay A. Precourt	353,358,887	5,774,224
Debra L. Reed	353,159,141	5,973,970
C. J. Silas	353,286,750	5,846,361

(2) Proposal to ratify the appointment of Arthur Andersen LLP as the independent auditors for Halliburton for the year 2001:

Number of Votes For	355,558,953
Number of Votes Against	2,275,328
Number of Votes Abstain	1,298,830
Number of Broker Non-Votes	0

(3) Proposal on work performed in Myanmar(Burma):

Number of Votes For	32,183,611
Number of Votes Against	270,625,586
Number of Votes Abstain	13,175,536
Number of Broker Non-Votes	43,148,378

(4) Proposal on indexing executive stock options:

Number of Votes For	42,046,243
Number of Votes Against	268,952,953
Number of Votes Abstain	4,985,537
Number of Broker Non-Votes	43,148,378

(5) Proposal on executive compensation system:

Number of Votes For	24,390,208
Number of Votes Against	286,618,757
Number of Votes Abstain	4,975,768
Number of Broker Non-Votes	43,148,378

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- * 10.1 Supplemental Executive Retirement Plan as amended and restated effective January 1, 2001.
- * 10.2 Benefit Restoration Plan as amended and restated effective January 1, 2001.
- * 10.3 Employment agreement.
- * 24.1 Powers of attorney for the following directors signed in May 2001:
Kenneth T. Derr
Aylwin B. Lewis
Debra L. Reed
- * 24.2 Powers of attorney for Douglas L. Foshee, Robert R. Harl and Edgar J. Ortiz.

* Filed with this Form 10-Q.

(b) Reports on Form 8-K

Date Filed	Date of Earliest Event	Description of Event

During the second quarter of 2001:		
April 11, 2001	April 10, 2001	Item 5. Other Events for a press release announcing the sale of Dresser Equipment Group to an investor group for \$1.55 billion in cash and assumed liabilities.
April 27, 2001	April 25, 2001	Item 5. Other Events for a press release announcing 2001 first quarter earnings.
May 1, 2001	April 30, 2001	Item 5. Other Events for a press release announcing the signing of a definitive agreement to acquire Magic Earth, Inc., a leading 3-D visualization and interpretation technology company with broad applications in the area of data mining.

Date Filed	Date of Earliest Event	Description of Event
May 10, 2001	April 10, 2001	Item 5. Other Events for a press release on the Agreement and Plan of Recapitalization as amended and restated effective April 10, 2001 among Halliburton Company, Dresser B.V. and DEG Acquisitions, LLC.
May 16, 2001	May 15, 2001	Item 5. Other Events for a press release announcing that shareholders have elected all thirteen nominees to the board of directors, ratified the appointment of Arthur Andersen LLP to audit the financial statements for the year 2001, and voted against three shareholder proposals. The board of directors has declared a second quarter dividend of 12.5 cents a share on common stock, payable June 27, 2001 to shareholders of record at the close of business on June 6, 2001.
June 7, 2001	June 4, 2001	Item 5. Other Events for a press release announcing Grandbasin as a Landmark Company.
June 29, 2001	June 28, 2001	Item 5. Other Events for a press release announcing Harbison-Walker Refractories Company request for financial assistance for asbestos claims.
During the third quarter of 2001:		
July 12, 2001	July 12, 2001	Item 5. Other Events for a press release announcing the issuance of \$275 million of fixed-rate notes due August 1, 2006 and \$150 million of floating notes due July 16, 2003 for a total of \$425 million in medium-term notes.
July 20, 2001	July 19, 2001	Item 5. Other Events for a press release announcing the board of directors declared a 2001 third quarter dividend of 12.5 cents a share payable September 27, 2001 to shareholders of record at the close of business on September 6, 2001.
July 27, 2001	July 25, 2001	Item 5. Other Events for a press release announcing 2001 second quarter earnings.
July 27, 2001	July 25, 2001	Item 5. Other Events for a press release announcing Douglas L. Foshee as executive vice president and chief financial officer effective August 6, 2001.

SIGNATURES

As required by the Securities Exchange Act of 1934, the registrant has authorized this report to be signed on behalf of the registrant by the undersigned authorized individuals.

HALLIBURTON COMPANY

Date: August 9, 2001

By: /s/ Gary V. Morris

Gary V. Morris
Executive Vice President

/s/ R. Charles Muchmore, Jr.

R. Charles Muchmore, Jr.
Vice President and Controller and
Principal Accounting Officer

HALLIBURTON COMPANY
SUPPLEMENTAL EXECUTIVE
RETIREMENT PLAN
AS AMENDED AND RESTATED
EFFECTIVE JANUARY 1, 2001

TABLE OF CONTENTS

ARTICLE		PAGE
ARTICLE I:	PURPOSE OF THE PLAN.....	1
ARTICLE II:	DEFINITIONS.....	1
ARTICLE III:	ADMINISTRATION OF THE PLAN.....	2
ARTICLE IV:	ALLOCATIONS UNDER THE PLAN, PARTICIPATION IN THE PLAN AND SELECTION FOR AWARDS.....	4
ARTICLE V:	NON-ASSIGNABILITY OF AWARDS.....	5
ARTICLE VI:	VESTING.....	5
ARTICLE VII:	DISTRIBUTION OF AWARDS.....	5
ARTICLE VIII:	NATURE OF PLAN.....	6
ARTICLE IX:	FUNDING OF OBLIGATION.....	7
ARTICLE X:	AMENDMENT OR TERMINATION OF PLAN.....	7
ARTICLE XI:	GENERAL PROVISIONS.....	7
ARTICLE XII:	EFFECTIVE DATE.....	8

HALLIBURTON COMPANY
SUPPLEMENTAL
EXECUTIVE RETIREMENT PLAN

Halliburton Company, having heretofore established the Halliburton Company Senior Executives' Deferred Compensation Plan, pursuant to the provisions of Article X of said Plan, hereby splits said Plan into the Halliburton Company Supplemental Executive Retirement Plan and the Halliburton Company Benefit Restoration Plan and amends and restates the Halliburton Company Supplemental Executive Retirement Plan to read as follows and to be effective in accordance with the provisions of Article XII hereof.

(ii)

ARTICLE I

Purpose of the Plan

The purpose of the Halliburton Company Supplemental Executive Retirement Plan is to provide supplemental retirement benefits to Participants in order to promote growth of the Company and provide additional means of attracting and holding qualified competent executives.

ARTICLE II

Definitions

Where the following words and phrases appear in the Plan, they shall have the respective meanings set forth below, unless their context clearly indicates to the contrary.

(A) Account: An individual account for each Participant on the books of such Participant's Employer to which is credited amounts allocated for the benefit of such Participant pursuant to the provisions of Article IV, Paragraph (D) and interest credited pursuant to the provisions of Article IV, Paragraph (G).

(B) Administrative Committee: The administrative committee appointed by the Compensation Committee to administer the Plan.

(C) Allocation Year: The calendar year for which an allocation is made to a Participant's Account pursuant to Article IV.

(D) Board: The Board of Directors of the Company.

(E) Code: The Internal Revenue Code of 1986, as amended.

(F) Compensation Committee: The Compensation Committee of the Board.

(G) Company: Halliburton Company.

(H) Employee: Any employee of an Employer. The term does not include independent contractors or persons who are retained by an Employer as consultants only.

(I) Employer: The Company and any Subsidiary designated as an Employer in accordance with the provisions of Article III of the Plan.

(J) ERISA: The Employee Retirement Income Security Act of 1974, as amended.

(K) Participant: A Senior Executive who is selected as a Participant for an Allocation Year. The Compensation Committee shall be the sole judge of who shall be eligible to be a Participant for any Allocation Year. The selection of a Senior Executive to be a Participant for a particular Allocation Year shall not constitute him or her a Participant for another Allocation Year unless he or she is selected to be a Participant for such other Allocation Year by the Compensation Committee.

(L) Plan: The Halliburton Company Supplemental Executive Retirement Plan, as amended and restated January 1, 2001, and as the same may thereafter be amended from time to time.

(M) Senior Executive: An Employee who is a senior executive, including an officer, of an Employer (whether or not he or she is also a director thereto), who is employed by an Employer on a full-time basis, who is compensated for such employment by a regular salary and who, in the opinion of the Compensation Committee, is one of the key personnel of an Employer in a position to contribute materially to its continued growth and development and to its future financial success.

(N) Subsidiary: At any given time, a company (whether a corporation, partnership, limited liability company or other form of entity) in which the Company or any other of the Subsidiaries or both owns, directly or indirectly, an aggregate equity interest of 80% or more.

(O) Termination of Service: Severance from employment with an Employer for any reason other than a transfer between Employers.

(P) Trust: Any trust created pursuant to the provisions of Article IX.

(Q) Trust Agreement: The agreement establishing the Trust.

(R) Trustee: The trustee of the Trust.

(S) Trust Fund: Assets under the Trust as may exist from time to time.

ARTICLE III

Administration of the Plan

(A) The Compensation Committee shall appoint an Administrative Committee to administer, construe and interpret the Plan. Such Administrative Committee, or such successor Administrative Committee as may be duly appointed by the Compensation Committee, shall serve at the pleasure of the Compensation Committee. Decisions of the Administrative Committee, with respect to any matter involving the Plan, shall be final and binding on the Company, its shareholders, each Employer and all officers and other executives of the Employers. For purposes of the Employee Retirement Income Security Act of 1974, the Administrative Committee shall be the Plan "administrator" and shall be the "named fiduciary" with respect to the general administration of the Plan.

(B) The Administrative Committee shall maintain complete and adequate records pertaining to the Plan, including but not limited to Participants' Accounts, amounts transferred to the Trust, reports from the Trustee and all other records which shall be necessary or desirable in the proper administration of the Plan. The Administrative Committee shall furnish the Trustee such information as is required to be furnished by the Administrative Committee or the Company pursuant to the Trust Agreement.

(C) The Company (the "Indemnifying Party") hereby agrees to indemnify and hold harmless the members of the Administrative Committee (the "Indemnified Parties") against any losses, claims, damages or liabilities to which any of the Indemnified Parties may become subject to the extent that such losses, claims, damages or liabilities or actions in respect thereof arise out of or are based upon any act or omission of the Indemnified Party in connection with the administration of this Plan (including any act or omission of such Indemnified

Party constituting negligence, but excluding any act or omission of such Indemnified Party constituting gross negligence or willful misconduct), and will reimburse the Indemnified Party for any legal or other expenses reasonably incurred by him or her in connection with investigating or defending against any such loss, claim, damage, liability or action.

(D) Promptly after receipt by the Indemnified Party under the preceding paragraph of notice of the commencement of any action or proceeding with respect to any loss, claim, damage or liability against which the Indemnified Party believes he or she is indemnified under the preceding paragraph, the Indemnified Party shall, if a claim with respect thereto is to be made against the Indemnifying Party under such paragraph, notify the Indemnifying Party in writing of the commencement thereof, provided, however, that the omission so to notify the Indemnifying Party shall not relieve it from any liability which it may have to the Indemnified Party to the extent the Indemnifying Party is not prejudiced by such omission. If any such action or proceeding shall be brought against the Indemnified Party, and it shall notify the Indemnifying Party of the commencement thereof, the Indemnifying Party shall be entitled to participate therein, and, to the extent that it shall wish, to assume the defense thereof, with counsel reasonably satisfactory to the Indemnified Party, and, after notice from the Indemnifying Party to the Indemnified Party of its election to assume the defense thereof, the Indemnifying Party shall not be liable to such Indemnified Party under the preceding paragraph for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than reasonable costs of investigation or reasonable expenses of actions taken at the written request of the Indemnifying Party. The Indemnifying Party shall not be liable for any compromise or settlement of any such action or proceeding effected without its consent, which consent will not be unreasonably withheld.

(E) The Administrative Committee may designate any Subsidiary as an Employer by written instrument delivered to the Secretary of the Company and the designated Employer. Such written instrument shall specify the effective date of such designated participation, may incorporate specific provisions relating to the operation of the Plan which apply to the designated Employer only and shall become, as to such designated Employer and its employees, a part of the Plan. Each designated Employer shall be conclusively presumed to have consented to its designation and to have agreed to be bound by the terms of the Plan and any and all amendments thereto upon its submission of information to the Administrative Committee required by the terms of or with respect to the Plan; provided, however, that the terms of the Plan may be modified so as to increase the obligations of an Employer only with the consent of such Employer, which consent shall be conclusively presumed to have been given by such Employer upon its submission of any information to the Administrative Committee required by the terms of or with respect to the Plan. Except as modified by the Administrative Committee in its written instrument, the provisions of this Plan shall be applicable with respect to each Employer separately, and amounts payable hereunder shall be paid by the Employer which employs the particular Participant, if not paid from the Trust Fund.

(F) No member of the Administrative Committee shall have any right to vote or decide upon any matter relating solely to himself or herself under the Plan or to vote in any case in which his or her individual right to claim any benefit under the Plan is particularly involved. In any case in which an Administrative Committee member is so disqualified to act and the remaining members cannot agree, the Compensation Committee shall appoint a temporary substitute member to exercise all the powers of the disqualified member concerning the matter in which he or she is disqualified.

ARTICLE IV

Allocations Under the Plan,
Participation in the Plan and Selection for Awards

(A) Each Allocation Year the Compensation Committee shall, in its sole discretion, determine what amounts shall be available for allocation to the Accounts of the Participants pursuant to Paragraph (D) below.

(B) No award shall be made to any person while he or she is a voting member of the Compensation Committee.

(C) The Compensation Committee from time to time may adopt, amend or revoke such regulations and rules as it may deem advisable for its own purposes to guide in determining which of the Senior Executives it shall deem to be Participants for a particular Allocation Year and the method and manner of payment thereof to the Participants.

(D) The Compensation Committee, during the Allocation Year involved or during the next succeeding Allocation Year, shall determine which Senior Executives it shall designate as Participants for such Allocation Year and the amounts allocated to each Participant for such Allocation Year. In making its determination, the Compensation Committee shall consider such factors as the Compensation Committee may in its sole discretion deem material. The Compensation Committee, in its sole discretion, may notify a Senior Executive at any time during a particular Allocation Year or in the Allocation Year following the Allocation Year for which the award is made that he or she has been selected as a Participant for all or part of such Allocation Year, and may determine and notify him or her of the amount which shall be allocated to such Participant for such Allocation Year. The decision of the Compensation Committee in selecting a Senior Executive to be a Participant or in making any allocation to him or her shall be final and conclusive, and nothing herein shall be deemed to give any Senior Executive or his or her legal representatives or assigns any right to be a Participant for such Allocation Year or to be allocated any amount except to the extent of the amount, if any, allocated to a Participant for a particular Allocation Year, but at all times subject to the provisions of the Plan.

(E) A Senior Executive whose service is terminated during the Allocation Year may be selected as a Participant for such part of the Allocation Year prior to his or her Termination of Service and be granted such award with respect to his or her services during such part of the Allocation Year as the Compensation Committee, in its sole discretion and under any rules it may promulgate, may determine.

(F) Allocations to Participants under the Plan shall be made by crediting their respective Accounts on the books of their Employers as of the last day of the Allocation Year. Accounts of Participants shall also be credited with interest as of the last day of each Allocation Year, at the rate set forth in Paragraph (G) below, on the average monthly credit balance of the Account being calculated by using the balance of each Account on the first day of each month. Prior to Termination of Service, the annual interest shall accumulate as a part of the Account balance. After Termination of Service, the annual interest for such Allocation Year may be paid as more particularly set forth hereinafter in Article VII, Paragraph (C).

(G) Interest shall be credited on amounts allocated to Participants' Accounts at the rate of 5% per annum for periods prior to Termination of Service and at the rate of 10% per annum for periods subsequent to Termination of Service.

ARTICLE V

Non-Assignability of Awards

No Participant shall have any right to commute, encumber, pledge, transfer or otherwise dispose of or alienate any present or future right or expectancy which he or she may have at any time to receive payments of any allocations made to such Participant, all such allocations being expressly hereby made non-assignable and non-transferable; provided, however, that nothing in this Article shall prevent transfer (A) by will, (B) by the applicable laws of descent and distribution or (C) pursuant to an order that satisfies the requirements for a "qualified domestic relations order" as such term is defined in section 206(d)(3)(B) of the ERISA and section 414(p)(1)(A) of the Code, including an order that requires distributions to an alternate payee prior to a Participant's "earliest retirement age" as such term is defined in section 206(d)(3)(E)(ii) of the ERISA and section 414(p)(4)(B) of the Code. Attempts to transfer or assign by a Participant (other than in accordance with the preceding sentence) shall, in the sole discretion of the Compensation Committee after consideration of such facts as it deems pertinent, be grounds for terminating any rights of such Participant to any awards allocated to but not previously paid over to such Participant.

ARTICLE VI Vesting

All amounts credited to a Participant's Account shall be fully vested and not subject to forfeiture for any reason except as provided in Article V.

ARTICLE VII

Distribution of Awards

(A) Upon Termination of Service of a Participant the Administrative Committee (i) shall certify to the Trustee or the treasurer of the Employer, as applicable, the amount credited to the Participant's Account on the books of each Employer for which the Participant was employed at a time when he or she earned an award hereunder, (ii) shall determine whether the payment of the amount credited to the Participant's Account under the Plan is to be paid directly by the applicable Employer, from the Trust Fund, if any, or by a combination of such sources (except to the extent the provisions of the Trust Agreement if any, specify payment from the Trust Fund) and (iii) shall determine and certify to the Trustee or the treasurer of the Employer, as applicable, the method of payment of the amount credited to a Participant's Account, selected by the Administrative Committee from among the following alternatives:

- (1) A single lump sum payment upon Termination of Service;

(2) A payment of one-half of the Participant's balance upon Termination of Service, with payment of the additional one-half to be made on or before the last day of a period of one year following Termination of Service; or

(3) Payment in monthly installments over a period not to exceed ten years with such payments to commence upon Termination of Service.

The above notwithstanding, if the total amount credited to the Participant's Account upon Termination of Service is less than \$50,000, such amount shall always be paid in a single lump sum payment upon Termination of Service.

(B) The Trustee or the treasurer of the Employer, as applicable, shall thereafter make payments of awards in the manner and at the times so designated, subject, however, to all of the other terms and conditions of this Plan and the Trust Agreement if any. This Plan shall be deemed to authorize the payment of all or any portion of a Participant's award from the Trust Fund to the extent such payment is required by the provisions of the Trust Agreement, if any.

(C) Interest on the second half of a payment under Paragraph (A)(2) above shall be paid with the final payment, while interest on payments under Paragraph (A)(3) above may be paid at each year end or may be paid as a part of a level monthly payment computed by the Administrative Committee through the use of such methodologies as the Administrative Committee shall select from time to time for such purpose.

(D) If a Participant shall die while in the service of an Employer, or after Termination of Service and prior to the time when all amounts payable to him or her under the Plan have been paid to such Participant, any remaining amounts payable to the Participant hereunder shall be payable to the estate of the Participant. The Administrative Committee shall cause the Trustee or the treasurer of the Employer, as applicable, to pay to the estate of the Participant all of the awards then standing to his or her credit in a lump sum or in such other form of payment consistent with the alternative methods of payment set forth above as the Administrative Committee shall determine after considering such facts and circumstances relating to the Participant and his or her estate as it deems pertinent.

(E) If the Plan is terminated pursuant to the provisions of Article X, the Compensation Committee may, at its election and in its sole discretion, cause the Trustee or the treasurer of the Employer, as applicable, to pay to all Participants all of the awards then standing to their credit in the form of lump sum payments.

ARTICLE VIII

Nature of Plan

This Plan constitutes a mere promise by the Employers to make benefit payments in the future and Participants have the status of general unsecured creditors of the Employers. Further, the adoption of this Plan and any setting aside of amounts by the Employers with which to discharge their obligations hereunder shall not be deemed to create a trust; legal and equitable title to any funds so set aside shall remain in the Employers, and any recipient of benefits hereunder shall have no security or other interest in such funds. Any and all funds so set aside shall remain subject to the claims of the general creditors of the Employers, present and future. This provision shall not require the Employers to set aside any funds, but the Employers may set aside such funds if they choose to do so.

ARTICLE IX

Funding of Obligation

Article VIII above to the contrary notwithstanding, the Employers may fund all or part of their obligations hereunder by transferring assets to a trust if the provisions of the trust agreement creating the Trust require the use of the Trust's assets to satisfy claims of an Employer's general unsecured creditors in the event of such Employer's insolvency and provide that no Participant shall at any time have a prior claim to such assets. Any transfers of assets to a trust may be made by each Employer individually or by the Company on behalf of all Employers. The assets of the Trust shall not be deemed to be assets of this Plan.

ARTICLE X

Amendment or Termination of Plan

The Compensation Committee shall have the power and right from time to time to modify, amend, supplement, suspend or terminate the Plan as it applies to each Employer, provided that no such change in the Plan may deprive a Participant of the amounts allocated to his or her Account or be retroactive in effect to the prejudice of any Participant and the interest rate applicable to amounts credited to Participants' Accounts for periods subsequent to Termination of Service shall not be reduced below 6% per annum. Any such modification, amendment, supplement suspension or termination shall be in writing and signed by a member of the Compensation Committee.

ARTICLE XI

General Provisions

(A) No Participant shall have any preference over the general creditors of an Employer in the event of such Employer's insolvency.

(B) Nothing contained herein shall be construed to give any person the right to be retained in the employ of an Employer or to interfere with the right of an Employer to terminate the employment of any person at any time.

(C) If the Administrative Committee receives evidence satisfactory to it that any person entitled to receive a payment hereunder is, at the time the benefit is payable, physically, mentally or legally incompetent to receive such payment and to give a valid receipt therefor, and that an individual or institution is then maintaining or has custody of such person and that no guardian, committee or other representative of the estate of such person has been duly appointed, the Administrative Committee may direct that such payment thereof be paid to such individual or institution maintaining or having custody of such person, and the receipt of such individual or institution shall be valid and a complete discharge for the payment of such benefit.

(D) Payments to be made hereunder may, at the written request of the Participant, be made to a bank account designated by such Participant, provided that deposits to the credit of such Participant in any bank or trust company shall be deemed payment into his or her hands.

(E) Wherever any words are used herein in the masculine, feminine or neuter gender, they shall be construed as though they were also used in another gender in all cases where they would so apply, and whenever any words are used herein in the singular or plural form, they shall be construed as though they were also used in the other form in all cases where they would so apply.

(F) THIS PLAN SHALL BE CONSTRUED AND ENFORCED UNDER THE LAWS OF THE STATE OF TEXAS EXCEPT TO THE EXTENT PREEMPTED BY FEDERAL LAW.

ARTICLE XII

Effective Date

This amendment and restatement of the Plan shall be effective from and after January 1, 2001 and shall continue in force during subsequent years unless amended or revoked by action of the Compensation Committee.

HALLIBURTON COMPANY

By /s/ David J. Lesar

Chairman of the Board, President
and Chief Executive Officer

HALLIBURTON COMPANY
BENEFIT RESTORATION PLAN
AS AMENDED AND RESTATED
EFFECTIVE JANUARY 1, 2001

TABLE OF CONTENTS

ARTICLE		PAGE
ARTICLE I:	PURPOSE OF THE PLAN.....	1
ARTICLE II:	DEFINITIONS.....	1
ARTICLE III:	ADMINISTRATION OF THE PLAN.....	2
ARTICLE IV:	ALLOCATIONS UNDER THE PLAN, PARTICIPATION IN THE PLAN AND SELECTION FOR AWARDS.....	4
ARTICLE V:	NON-ASSIGNABILITY OF AWARDS.....	4
ARTICLE VI:	VESTING.....	5
ARTICLE VII:	DISTRIBUTION OF AWARDS.....	5
ARTICLE VIII:	NATURE OF PLAN.....	6
ARTICLE IX:	FUNDING OF OBLIGATION.....	6
ARTICLE X:	AMENDMENT OR TERMINATION OF PLAN.....	7
ARTICLE XI:	GENERAL PROVISIONS.....	7
ARTICLE XII:	EFFECTIVE DATE.....	8

HALLIBURTON COMPANY

BENEFIT RESTORATION PLAN

Halliburton Company, having heretofore established the Halliburton Company Senior Executives' Deferred Compensation Plan, pursuant to the provisions of Article X of said Plan, hereby splits said Plan into the Halliburton Company Supplemental Executive Retirement Plan and the Halliburton Company Benefit Restoration Plan and amends and restates the Halliburton Company Benefit Restoration Plan to read as follows and to be effective in accordance with the provisions of Article XII hereof.

(ii)

ARTICLE I

Purpose of the Plan

The purpose of the Halliburton Company Benefit Restoration Plan is to provide a vehicle to restore qualified plan benefits which are reduced as a result of limitations on contributions imposed under the Internal Revenue Code or due to participation in other company sponsored plans and to defer compensation that would otherwise be treated as excessive employee remuneration within the meaning of Section 162(m) of the Internal Revenue Code.

ARTICLE II

Definitions

Where the following words and phrases appear in the Plan, they shall have the respective meanings set forth below, unless their context clearly indicates to the contrary.

(A) Account: An individual account for each Participant on the books of such Participant's Employer to which is credited amounts allocated for the benefit of such Participant pursuant to the provisions of Article IV, Paragraphs (A) and (B), amounts transferred to the Plan from other deferred compensation plans, and interest credited pursuant to the provisions of Article IV, Paragraph (D).

(B) Administrative Committee: The administrative committee appointed by the Compensation Committee to administer the Plan.

(C) Allocation Year: The calendar year for which an allocation is made to a Participant's Account pursuant to Article IV.

(D) Board: The Board of Directors of the Company.

(E) Code: The Internal Revenue Code of 1986, as amended.

(F) Compensation Committee: The Compensation Committee of the Board.

(G) Company: Halliburton Company.

(H) Employee: Any employee of an Employer. The term does not include independent contractors or persons who are retained by an Employer as consultants only.

(I) Employer: The Company and any Subsidiary designated as an Employer in accordance with the provisions of Article III of the Plan.

(J) ERISA: The Employee Retirement Income Security Act of 1974, as amended.

(K) Participant: An Employee whose compensation from the Employers for an Allocation Year is in excess of the limit set forth in Section 401 (a)(17) of the Code for such Allocation Year or who has made elective deferrals for such Allocation Year under the Halliburton Elective Deferral Plan.

(L) Pension Equalizer Contribution: Pension Equalizer Contribution as defined in the Halliburton Retirement and Savings Plan.

(M) Plan: The Halliburton Company Benefit Restoration Plan, as amended and restated January 1, 2001, and as the same may thereafter be amended from time to time.

(N) Subsidiary: At any given time, a company (whether a corporation, partnership, limited liability company or other form of entity) in which the Company or any other of its Subsidiaries or both owns, directly or indirectly, an aggregate equity interest of 80% or more.

(O) Termination of Service: Severance from employment with an Employer for any reason other than a transfer between Employers.

(P) Trust: Any trust created pursuant to the provisions of Article IX.

(Q) Trust Agreement: The agreement establishing the Trust.

(R) Trustee: The trustee of the Trust.

(S) Trust Fund: Assets under the Trust as may exist from time to time.

ARTICLE III

Administration of the Plan

(A) The Compensation Committee shall appoint an Administrative Committee to administer, construe and interpret the Plan. Such Administrative Committee, or such successor Administrative Committee as may be duly appointed by the Compensation Committee, shall serve at the pleasure of the Compensation Committee. Decisions of the Administrative Committee, with respect to any matter involving the Plan, shall be final and binding on the Company, its shareholders, each Employer and all officers and other executives of the Employers. For purposes of the Employee Retirement Income Security Act of 1974, the Administrative Committee shall be the Plan "administrator" and shall be the "named fiduciary" with respect to the general administration of the Plan.

(B) The Administrative Committee shall maintain complete and adequate records pertaining to the Plan, including but not limited to Participants' Accounts, amounts transferred to the Trust, reports from the Trustee and all other records which shall be necessary or desirable in the proper administration of the Plan. The Administrative Committee shall furnish the Trustee such information as is required to be furnished by the Administrative Committee or the Company pursuant to the Trust Agreement.

(C) The Company (the "Indemnifying Party") hereby agrees to indemnify and hold harmless the members of the Administrative Committee (the "Indemnified Parties") against any losses, claims, damages or liabilities to which any of the Indemnified Parties may become subject to the extent that such losses, claims, damages or liabilities or actions in respect thereof arise out of or are based upon any act or omission of the Indemnified Party in connection with the administration of this Plan (including any act or omission of such Indemnified Party constituting negligence, but excluding any act or omission of such Indemnified Party constituting gross negligence or willful misconduct), and will

reimburse the Indemnified Party for any legal or other expenses reasonably incurred by him or her in connection with investigating or defending against any such loss, claim, damage, liability or action.

(D) Promptly after receipt by the Indemnified Party under the preceding paragraph of notice of the commencement of any action or proceeding with respect to any loss, claim, damage or liability against which the Indemnified Party believes he or she is indemnified under the preceding paragraph, the Indemnified Party shall, if a claim with respect thereto is to be made against the Indemnifying Party under such paragraph, notify the Indemnifying Party in writing of the commencement thereof; provided, however, that the omission so to notify the Indemnifying Party shall not relieve it from any liability which it may have to the Indemnified Party to the extent the Indemnifying Party is not prejudiced by such omission. If any such action or proceeding shall be brought against the Indemnified Party, and it shall notify the Indemnifying Party of the commencement thereof, the Indemnifying Party shall be entitled to participate therein, and, to the extent that it shall wish, to assume the defense thereof, with counsel reasonably satisfactory to the Indemnified Party, and, after notice from the Indemnifying Party to the Indemnified Party of its election to assume the defense thereof, the Indemnifying Party shall not be liable to such Indemnified Party under the preceding paragraph for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than reasonable costs of investigation or reasonable expenses of actions taken at the written request of the Indemnifying Party. The Indemnifying Party shall not be liable for any compromise or settlement of any such action or proceeding effected without its consent, which consent will not be unreasonably withheld.

(E) The Administrative Committee may designate any Subsidiary as an Employer by written instrument delivered to the Secretary of the Company and the designated Employer. Such written instrument shall specify the effective date of such designated participation, may incorporate specific provisions relating to the operation of the Plan which apply to the designated Employer only and shall become, as to such designated Employer and its employees, a part of the Plan. Each designated Employer shall be conclusively presumed to have consented to its designation and to have agreed to be bound by the terms of the Plan and any and all amendments thereto upon its submission of information to the Administrative Committee required by the terms of or with respect to the Plan; provided, however, that the terms of the Plan may be modified so as to increase the obligations of an Employer only with the consent of such Employer, which consent shall be conclusively presumed to have been given by such Employer upon its submission of any information to the Administrative Committee required by the terms of or with respect to the Plan. Except as modified by the Administrative Committee in its written instrument, the provisions of this Plan shall be applicable with respect to each Employer separately, and amounts payable hereunder shall be paid by the Employer which employs the particular Participant, if not paid from the Trust Fund.

(F) No member of the Administrative Committee shall have any right to vote or decide upon any matter relating solely to himself or herself under the Plan or to vote in any case in which his or her individual right to claim any benefit under the Plan is particularly involved. In any case in which an Administrative Committee member is so disqualified to act and the remaining members cannot agree, the Compensation Committee shall appoint a temporary substitute member to exercise all the powers of the disqualified member concerning the matter in which he or she is disqualified.

ARTICLE IV

Allocations Under the Plan,
Participation in the Plan and Selection for Awards

(A) The Administrative Committee shall determine for each Allocation Year which Participants' allocations of Employer contributions (other than matching contributions) and forfeitures under qualified defined contribution plans sponsored by the Employers have been reduced for such Allocation Year by reason of the application of Section 401 (a)(17) or Section 415 of the Code, or any combination of such Sections (except that reductions of a Participant's Pension Equalizer Contribution by reason of the application of Section 415 of the Code shall not be taken into account), or by reason of elective deferrals under the Halliburton Elective Deferral Plan, and shall allocate to the credit of each such Participant under the Plan an amount equal to the amount of such reductions applicable to such Participant. In addition, the Administrative Committee shall allocate to the credit of each Participant under the Plan an amount equal to 4% of the sum of (i) the amount of such Participant's compensation (as such term is defined in the applicable qualified defined contribution plan) deferred under the Halliburton Elective Deferral Plan for such Allocation Year and (ii) the amount of such compensation not so deferred that is in excess of the compensation limit under Section 401 (a)(17) of the Code for such Allocation Year.

(B) The Compensation Committee may, in its discretion, allocate to the credit of a Participant under the Plan all or any part of any remuneration payable by the Employer to such Participant which would otherwise be treated as excessive employee remuneration within the meaning of Section 162(m) of the Code for any Allocation Year, rather than paying such excessive remuneration to such Participant.

(C) Allocations to Participants under the Plan shall be made by crediting their respective Account on the books of their Employers as of the last day of the Allocation Year, except that an allocation under Paragraph (B) shall be credited to a Participant on the date the amount would have been paid to the Participant had it not been deferred pursuant to the provisions of Paragraph (B). Accounts of Participants shall also be credited with interest as of the last day of each Allocation Year, at the rate set forth in Paragraph (D) below, on the average monthly credit balance of the Account being calculated by using the balance of each Account on the first day of each month. Prior to Termination of Service, the annual interest shall accumulate as a part of the Account balance. After Termination of Service, the annual interest for such Allocation Year may be paid as more particularly set forth hereinafter in Article VII, Paragraph (C).

(D) Interest shall be credited on amounts allocated to Participants' Account at the rate of 10% per annum.

ARTICLE V

Non-Assignability of Awards

No Participant shall have any right to commute, encumber, pledge, transfer or otherwise dispose of or alienate any present or future right or expectancy which he or she may have at any time to receive payments of any allocations made to such Participant, all such allocations being expressly hereby made non-assignable and non-transferable; provided, however, that nothing in the Article shall prevent transfer (A) by will, (B) by the applicable laws of

descent and distribution or (C) pursuant to an order that satisfies the requirements for a "qualified domestic relations order" as such term is defined in section 206(d)(3)(B) of the ERISA and section 414(p)(1)(A) of the Code, including an order that requires distributions to an alternate payee prior to a Participant's "earliest retirement age" as such term is defined in section 206(d)(3)(E)(ii) of the ERISA and section 414(p)(4)(B) of the Code. Attempts to transfer or assign by a Participant (other than in accordance with the preceding sentence) shall, in the sole discretion of the Compensation Committee after consideration of such facts as it deems pertinent, be grounds for terminating any rights of such Participant to any awards allocated to but not previously paid over to such Participant.

ARTICLE VI

Vesting

All amounts credited to a Participant's Account shall be fully vested and not subject to forfeiture for any reason except as provided in Article V.

ARTICLE VII

Distribution of Awards

(A) Upon Termination of Service of a Participant the Administrative Committee (i) shall certify to the Trustee or the treasurer of the Employer, as applicable, the amount credited to the Participant's Account on the books of each Employer for which the Participant was employed at a time when he or she earned an award hereunder, (ii) shall determine whether the payment of the amount credited to the Participant's Account under the Plan is to be paid directly by the applicable Employer, from the Trust Fund, if any, or by a combination of such sources (except to the extent the provisions of the Trust Agreement if any, specify payment from the Trust Fund) and (iii) shall determine and certify to the Trustee or the treasurer of the Employer, as applicable, the method of payment of the amount credited to a Participant's Account, selected by the Administrative Committee from among the following alternatives:

(1) A single lump sum payment upon Termination of Service;

(2) A payment of one-half of the Participant's balance upon Termination of Service, with payment of the additional one-half to be made on or before the last day of a period of one year following Termination; or

(3) Payment in monthly installments over a period not to exceed ten years with such payments to commence upon Termination of Service.

The above notwithstanding, if the total amount credited to the Participant's Account upon Termination of Service is less than \$50,000, such amount shall always be paid in a single lump sum payment upon Termination of Service.

(B) The Trustee or the treasurer of the Employer, as applicable, shall thereafter make payments of awards in the manner and at the times so designated, subject, however, to all of the other terms and conditions of this Plan and the

Trust Agreement if any. This Plan shall be deemed to authorize the payment of all or any portion of a Participant's award from the Trust Fund to the extent such payment is required by the provisions of the Trust Agreement, if any.

(C) Interest on the second half of a payment under Paragraph (A)(2) above shall be paid with the final payment, while interest on payments under Paragraph (A)(3) above may be paid at each year end or may be paid as a part of a level monthly payment computed by the Administrative Committee through the use of such methodologies as the Administrative Committee shall select from time to time for such purpose.

(D) If a Participant shall die while in the service of an Employer, or after Termination of Service and prior to the time when all amounts payable to him or her under the Plan have been paid to such Participant, any remaining amounts payable to the Participant hereunder shall be payable to the estate of the Participant. The Administrative Committee shall cause the Trustee or the treasurer of the Employer, as applicable, to pay to the estate of the Participant all of the awards then standing to his or her credit in a lump sum or in such other form of payment consistent with the alternative methods of payment set forth above as the Administrative Committee shall determine after considering such facts and circumstances relating to the Participant and his or her estate as it deems pertinent.

(E) If the Plan is terminated pursuant to the provisions of Article X, the Compensation Committee may, at its election and in its sole discretion, cause the Trustee or the treasurer of the Employer, as applicable, to pay to all Participants all of the awards then standing to their credit in the form of lump sum payments.

ARTICLE VIII

Nature of Plan

This Plan constitutes a mere promise by the Employers to make benefit payments in the future and Participants have the status of general unsecured creditors of the Employers. Further, the adoption of this Plan and any setting aside of amounts by the Employers with which to discharge their obligations hereunder shall not be deemed to create a trust; legal and equitable title to any funds so set aside shall remain in the Employers, and any recipient of benefits hereunder shall have no security or other interest in such funds. Any and all funds so set aside shall remain subject to the claims of the general creditors of the Employers, present and future. This provision shall not require the Employers to set aside any funds, but the Employers may set aside such funds if they choose to do so.

ARTICLE IX

Funding of Obligation

Article VIII above to the contrary notwithstanding, the Employers may fund all or part of their obligations hereunder by transferring assets to a trust if the provisions of the trust agreement creating the Trust require the use of the Trust's assets to satisfy claims of an Employer's general unsecured creditors in the event of such Employer's insolvency and provide that no Participant shall at any time have a prior claim to such assets. Any transfers of assets to a trust may be made by each Employer individually or by the Company on behalf of all Employers. The assets of the Trust shall not be deemed to be assets of this Plan.

ARTICLE X

Amendment or Termination of Plan

The Compensation Committee shall have the power and right from time to time to modify, amend, supplement, suspend or terminate the Plan as it applies to each Employer, provided that no such change in the Plan may deprive a Participant of the amounts allocated to his or her Account or be retroactive in effect to the prejudice of any Participant and the interest rate applicable to amounts credited to Participants' Accounts for periods subsequent to Termination of Service shall not be reduced below 6% per annum. Any such modification, amendment, supplement suspension or termination shall be in writing and signed by a member of the Compensation Committee.

ARTICLE XI

General Provisions

(A) No Participant shall have any preference over the general creditors of an Employer in the event of such Employer's insolvency.

(B) Nothing contained herein shall be construed to give any person the right to be retained in the employ of an Employer or to interfere with the right of an Employer to terminate the employment of any person at any time.

(C) If the Administrative Committee receives evidence satisfactory to it that any person entitled to receive a payment hereunder is, at the time the benefit is payable, physically, mentally or legally incompetent to receive such payment and to give a valid receipt therefor, and that an individual or institution is then maintaining or has custody of such person and that no guardian, committee or other representative of the estate of such person has been duly appointed, the Administrative Committee may direct that such payment thereof be paid to such individual or institution maintaining or having custody of such person, and the receipt of such individual or institution shall be valid and a complete discharge for the payment of such benefit.

(D) Payments to be made hereunder may, at the written request of the Participant, be made to a bank account designated by such Participant, provided that deposits to the credit of such Participant in any bank or trust company shall be deemed payment into his or her hands.

(E) Wherever any words are used herein in the masculine, feminine or neuter gender, they shall be construed as though they were also used in another gender in all cases where they would so apply, and whenever any words are used herein in the singular or plural form, they shall be construed as though they were also used in the other form in all cases where they would so apply.

(F) THIS PLAN SHALL BE CONSTRUED AND ENFORCED UNDER THE LAWS OF THE STATE OF TEXAS EXCEPT TO THE EXTENT PREEMPTED BY FEDERAL LAW.

ARTICLE XII

Effective Date

This amendment and restatement of the Plan shall be effective from and after January 1, 2001 and shall continue in force during subsequent years unless amended or revoked by action of the Compensation Committee.

HALLIBURTON COMPANY

By /s/ David J. Lesar

Chairman of the Board, President
and Chief Executive Officer

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement, including Exhibits A and B hereto ("Agreement"), is entered into by and between Halliburton Company ("Employer" or "Halliburton") and Douglas L. Foshee ("Employee"), to be effective on August 6, 2001 (the "Effective Date").

W I T N E S S E T H:

WHEREAS, Employer is desirous of employing Employee pursuant to the terms and conditions and for the consideration set forth in this Agreement, and Employee is desirous of entering the employ of Employer pursuant to such terms and conditions and for such consideration.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and obligations contained herein, Employer and Employee agree as follows:

ARTICLE 1: EMPLOYMENT AND DUTIES:

1.1. Employer agrees to employ Employee, and Employee agrees to be employed by Employer, beginning as of the Effective Date and continuing until the date of termination of Employee's employment pursuant to the provisions of Article 3 (the "Term"), subject to the terms and conditions of this Agreement.

1.2. Beginning as of the Effective Date, Employee shall be employed as Executive Vice President and Chief Financial Officer of Employer. Employee agrees to serve in the assigned position or in such other executive capacities as may be requested from time to time by Employer and to perform diligently and to the best of Employee's abilities the duties and services appertaining to such positions as reasonably determined by Employer, as well as such additional or different duties and services appropriate to such positions which Employee from time to time may be reasonably directed to perform by Employer.

1.3. Employee shall at all times comply with and be subject to such policies and procedures as Halliburton may establish from time to time, including, without limitation, the Halliburton Company Code of Business Conduct (the "Code of Business Conduct").

1.4. Employee shall, during the period of Employee's employment by Employer, devote Employee's full business time, energy, and best efforts to the business and affairs of Employer. Employee may not engage, directly or indirectly, in any other business, investment, or activity that interferes with Employee's performance of Employee's duties hereunder, is contrary to the interest of Employer or any of its affiliated subsidiaries and divisions (collectively, the "Halliburton Entities" or, individually, a "Halliburton Entity"), or requires any significant portion of Employee's business time. The foregoing notwithstanding, the parties recognize and agree that Employee may engage in passive personal investments and other business activities which do not conflict with the business and affairs of the Halliburton Entities or interfere with Employee's performance of his or her duties hereunder. Employee may not serve on the board of directors of any entity other than a Halliburton Entity during the Term without the approval thereof in accordance with Employer's policies and procedures regarding such service. Employee shall be permitted to retain any compensation received for approved service on any unaffiliated corporation's board of directors.

1.5. Employee acknowledges and agrees that Employee owes a fiduciary duty of loyalty, fidelity and allegiance to act at all times in the best interests of the Employer and the other Halliburton Entities and to do no act which would, directly or indirectly, injure any such entity's business, interests, or reputation. It is agreed that any direct or indirect interest in, connection with, or benefit from any outside activities, particularly commercial activities, which interest might in any way adversely affect Employer, or any Halliburton Entity, involves a possible conflict of interest. In keeping with Employee's fiduciary duties to Employer, Employee agrees that Employee shall not knowingly become involved in a conflict of interest with Employer or the Halliburton Entities, or upon discovery thereof, allow such a conflict to continue. Moreover, Employee shall not engage in any activity that might involve a possible conflict of interest without first obtaining approval in accordance with Halliburton's policies and procedures.

1.6 Nothing contained herein shall be construed to preclude the transfer of Employee's employment to another Halliburton Entity ("Subsequent Employer") as of, or at any time after, the Effective Date and no such transfer shall be deemed to be a termination of employment for purposes of Article 3 hereof; provided, however, that, effective with such transfer, all of Employer's obligations hereunder shall be assumed by and be binding upon, and all of Employer's rights hereunder shall be assigned to, such Subsequent Employer and the defined term "Employer" as used herein shall thereafter be deemed amended to mean such Subsequent Employer. Except as otherwise provided above, all of the terms and conditions of this Agreement, including without limitation, Employee's rights and obligations, shall remain in full force and effect following such transfer of employment.

ARTICLE 2: COMPENSATION AND BENEFITS:

2.1. Employee's base salary during the Term shall be not less than \$500,000 per annum which shall be paid in accordance with the Employer's

standard payroll practice for its executives. Employee's base salary may be increased from time to time with the approval of the Compensation Committee of Halliburton's Board of Directors (the "Compensation Committee") or its delegate, as applicable. Such increased base salary shall become the minimum base salary under this Agreement and may not be decreased thereafter without the written consent of Employee.

2.2. During the Term, Employee shall participate in the Halliburton Annual Performance Pay Plan, or any successor annual incentive plan approved by the Compensation Committee; provided, however, that all determinations relating to Employee's participation, including, without limitation, those relating to the performance goals applicable to Employee and Employee's level of participation and payout opportunity, shall be made in the sole discretion of the person or committee to whom such authority has been granted pursuant to such plan's terms.

2.3. Employer shall grant to Employee under the Halliburton Company 1993 Stock and Long-Term Incentive Plan (the "1993 Plan") a non-qualified stock option to purchase up to 34,594 shares of Employer's common stock at an exercise price equal to the closing price of Employer's common stock on the Effective Date. The other terms and conditions of such option are set forth in Exhibit A attached hereto, and forming a part of, this Agreement.

2.4. Employer will grant to Employee under the 1993 Plan 20,000 shares of Employer's common stock subject to restrictions and other terms and conditions set forth in Exhibit B attached hereto, and forming as part of, this Agreement.

2.5. During the Term, Employer shall pay or reimburse Employee for all actual, reasonable and customary expenses incurred by Employee in the course of his or her employment; including, but not limited to, travel, entertainment, subscriptions and dues associated with Employee's membership in professional, business and civic organizations; provided that such expenses are incurred and accounted for in accordance with Employer's applicable policies and procedures.

2.6. While employed by Employer, Employee shall be allowed to participate, on the same basis generally as other executive employees of Employer, in all general employee benefit plans and programs, including improvements or modifications of the same, which on the Effective Date or thereafter are made available by Employer to all or substantially all of Employer's similarly situated executive employees. Such benefits, plans, and programs may include, without limitation, medical, health, and dental care, life insurance, disability protection, and qualified and non-qualified retirement plans. Except as specifically provided herein, nothing in this Agreement is to be construed or interpreted to increase or alter in any way the rights, participation, coverage, or benefits under such benefit plans or programs than provided to similarly situated executive employees pursuant to the terms and conditions of such benefit plans and programs. While employed by Employer, Employee shall be eligible to receive awards under the 1993 Plan or any successor stock-related plan adopted by Halliburton's Board of Directors; provided, however, that the foregoing shall not be construed as a guarantee with respect to the type, amount or frequency of such awards, if any, such decisions being solely within the discretion of the Compensation Committee or its delegate, as applicable.

2.7. Employer shall not, by reason of this Article 2, be obligated to institute, maintain, or refrain from changing, amending or discontinuing, any incentive compensation, employee benefit or stock or stock option program or plan, so long as such actions are similarly applicable to covered employees generally.

2.8. Employer may withhold from any compensation, benefits, or amounts payable under this Agreement all federal, state, city, or other taxes as may be required pursuant to any law or governmental regulation or ruling.

ARTICLE 3: TERMINATION OF EMPLOYMENT AND EFFECTS OF SUCH TERMINATION:

3.1. Employee's employment with Employer shall be terminated (i) upon the death of Employee, (ii) upon Employee's Retirement (as defined below), (iii) upon Employee's Permanent Disability (as defined below), or (iv) at any time by Employer upon written notice to Employee, or by Employee upon thirty (30) days' written notice to Employer, for any or no reason.

3.2. If Employee's employment is terminated by reason of any of the following circumstances, Employee shall not be entitled to receive the benefits set forth in Section 3.3 hereof:

- (i) Death.
- (ii) Retirement. "Retirement" shall mean either (a) Employee's retirement at or after normal retirement age (either voluntarily or pursuant to Halliburton's retirement policy) or (b) the voluntary termination of Employee's employment by Employee in accordance with Employer's early retirement policy for other than Good Reason (as defined below).
- (iii) Permanent Disability. "Permanent Disability" shall mean Employee's physical or mental incapacity to perform his or her usual duties with such condition likely to remain continuously and permanently as determined by the Compensation Committee.
- (iv) Voluntary Termination. "Voluntary Termination" shall mean a termination of employment in the sole discretion and at the election of Employee for other than Good Reason. "Good Reason" shall mean (a) a termination of employment by Employee because of a material breach by Employer of any material provision of this Agreement which remains uncorrected for thirty (30) days following written notice of such breach by Employee to Employer, provided such termination occurs within sixty (60) days after the expiration of the notice period or (b) a termination of employment by Employee within six (6) months after a material reduction in Employee's rank or responsibility with Employer.
- (v) Termination for Cause. Termination of Employee's employment by Employer for Cause. "Cause" shall mean any of the following: (a) Employee's gross negligence or willful misconduct in the performance of the duties and services required of Employee pursuant to this Agreement, (b) Employee's final conviction of a felony, (c) a material violation of the Code of Business Conduct or (d) Employee's material breach of any material provision of this Agreement which remains uncorrected for thirty (30) days following written notice of such breach to Employee by Employer. Determination as to whether or not Cause exists for termination of Employee's employment will be made by the Compensation Committee.

In the event Employee's employment is terminated under any of the foregoing circumstances, all future compensation to which Employee is otherwise entitled and all future benefits for which Employee is eligible shall cease and terminate as of the date of termination, except as specifically provided in this Section 3.2. Employee, or his or her estate in the case of Employee's death, shall be entitled to pro rata base salary through the date of such termination and shall be entitled to any individual bonuses or individual incentive compensation not yet paid but payable under Employer's or Halliburton's plans for years prior to the year of Employee's termination of employment, but shall not be entitled to any bonus or incentive compensation for the year in which he or she terminates employment or any other payments or benefits by or on behalf

of Employer except for those which may be payable pursuant to the terms of Employer's or Halliburton's employee benefit plans (as defined in Section 3.4), stock, stock option or incentive plans, or the applicable agreements underlying such plans.

3.3 If Employee's employment is terminated by Employee for Good Reason or by Employer for any reason other than as set forth in Section 3.2 above Employee shall be entitled to each of the following:

- (i) To the extent not otherwise specifically provided in any underlying restricted stock agreements, Halliburton, at its option and in its sole discretion, shall either (a) cause all shares of Halliburton common stock previously granted to Employee under the 1993 Plan, and any similar plan adopted by Halliburton in the future, which at the date of termination of employment are subject to restrictions (the "Restricted Shares") to be forfeited, in which case, Employer will pay Employee a lump sum cash payment equal to the value of the Restricted Shares (based on the closing price of Halliburton common stock on the New York Stock Exchange on the date of termination of employment); or (b) cause the forfeiture restrictions with respect to the Restricted Shares lapse and such shares shall be retained by Employee.
- (ii) Subject to the provisions of Section 3.4, Employer shall pay to Employee a severance benefit consisting of a single lump sum cash payment equal to two years' of Employee's base salary as in effect at the date of Employee's termination of employment. Such severance benefit shall be paid no later than sixty (60) days following Employee's termination of employment.
- (iii) Employee shall be entitled to any individual bonuses or individual incentive compensation not yet paid but payable under Employer's or Halliburton's plans for years prior to the year of Employee's termination of employment. Such amounts shall be paid to Employee in a single lump sum cash payment no later than sixty (60) days following Employee's termination of employment.
- (iv) Employee shall be entitled to any individual bonuses or individual incentive compensation under Employer's or Halliburton's plans for the year of Employee's termination of employment determined as if Employee had remained employed by the Employer for the entire year. Such amounts shall be paid to Employee at the time that such amounts are paid to similarly situated employees except that no portion of such amounts shall be deferred to future years.

3.4. The severance benefit paid to Employee pursuant to Section 3.3 shall be in consideration of Employee's continuing obligations hereunder after such termination, including, without limitation, Employee's obligations under Article 4. Further, as a condition to the receipt of such severance benefit, Employer, in its sole discretion, may require Employee to first execute a release, in the form established by Employer, releasing Employer and all other Halliburton Entities, and their officers, directors, employees, and agents, from

any and all claims and from any and all causes of action of any kind or character, including, but not limited to, all claims and causes of action arising out of Employee's employment with Employer and any other Halliburton Entities or the termination of such employment. The performance of Employer's obligations under Section 3.3 and the receipt of the severance benefit provided thereunder by Employee shall constitute full settlement of all such claims and causes of action. Employee shall not be under any duty or obligation to seek or accept other employment following a termination of employment pursuant to which a severance benefit payment under Section 3.3 is owing and the amounts due Employee pursuant to Section 3.3 shall not be reduced or suspended if Employee accepts subsequent employment or earns any amounts as a self-employed individual. Employee's rights under Section 3.3 are Employee's sole and exclusive rights against the Employer or its affiliates and the Employer's sole and exclusive liability to Employee under this Agreement, in contract, tort or otherwise, for the termination of his or her employment relationship with Employer. Employee agrees that all disputes relating to Employee's termination of employment, including, without limitation, any dispute as to "Cause" or "Voluntary Termination" and any claims or demands against Employer or Halliburton based upon Employee's employment for any monies other than those specified in Section 3.3, shall be resolved through the Halliburton Dispute Resolution Plan as provided in Section 5.6 hereof; provided, however, that decisions as to whether "Cause" exists for termination of the employment relationship with Employee and whether and as of what date Employee has become permanently disabled are delegated to the Compensation Committee for determination and any dispute of Employee with any such decision shall be limited to whether the Compensation Committee reached such decision in good faith. Nothing contained in this Article 3 shall be construed to be a waiver by Employee of any benefits accrued for or due Employee under any employee benefit plan (as such term is defined in the Employees' Retirement Income Security Act of 1974, as amended) maintained by Employer or Halliburton except that Employee shall not be entitled to any severance benefits pursuant to any severance plan or program of the Employer or Halliburton.

3.5. Termination of the employment relationship does not terminate those obligations imposed by this Agreement which are continuing obligations, including, without limitation, Employee's obligations under Article 4.

ARTICLE 4: OWNERSHIP AND PROTECTION OF INTELLECTUAL PROPERTY AND CONFIDENTIAL INFORMATION:

4.1. All information, ideas, concepts, improvements, discoveries, and inventions, whether patentable or not, which are conceived, made, developed or acquired by Employee, individually or in conjunction with others, during Employee's employment by Employer or any of its affiliates (whether during business hours or otherwise and whether on Employer's premises or otherwise) which relate to the business, products or services of Employer or its affiliates (including, without limitation, all such information relating to corporate opportunities, research, financial and sales data, pricing and trading terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer's organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names, and marks), and all

writings or materials of any type embodying any of such items, shall be the sole and exclusive property of Employer or its affiliates, as the case may be.

4.2. Employee acknowledges that the businesses of Employer and its affiliates are highly competitive and that their strategies, methods, books, records, and documents, their technical information concerning their products, equipment, services, and processes, procurement procedures and pricing techniques, the names of and other information (such as credit and financial data) concerning their customers and business affiliates, all comprise confidential business information and trade secrets which are valuable, special, and unique assets which Employer or its affiliates use in their business to obtain a competitive advantage over their competitors. Employee further acknowledges that protection of such confidential business information and trade secrets against unauthorized disclosure and use is of critical importance to Employer and its affiliates in maintaining their competitive position. Employee hereby agrees that Employee will not, at any time during or after his or her employment by Employer, make any unauthorized disclosure of any confidential business information or trade secrets of Employer or its affiliates, or make any use thereof, except in the carrying out of his or her employment responsibilities hereunder. Confidential business information shall not include information in the public domain (but only if the same becomes part of the public domain through a means other than a disclosure prohibited hereunder). The above notwithstanding, a disclosure shall not be unauthorized if (i) it is required by law or by a court of competent jurisdiction or (ii) it is in connection with any judicial, arbitration, dispute resolution or other legal proceeding in which Employee's legal rights and obligations as an employee or under this Agreement are at issue; provided, however, that Employee shall, to the extent practicable and lawful in any such events, give prior notice to Employer of his or her intent to disclose any such confidential business information in such context so as to allow Employer or its affiliates an opportunity (which Employee will not oppose) to obtain such protective orders or similar relief with respect thereto as may be deemed appropriate.

4.3. All written materials, records, and other documents made by, or coming into the possession of, Employee during the period of Employee's employment by Employer which contain or disclose confidential business information or trade secrets of Employer or its affiliates shall be and remain the property of Employer, or its affiliates, as the case may be. Upon termination of Employee's employment by Employer, for any reason, Employee promptly shall deliver the same, and all copies thereof, to Employer.

4.4 For purposes of this Article 4, "affiliates" shall mean entities in which Employer or Halliburton has a 20% or more direct or indirect equity interest.

ARTICLE 5: MISCELLANEOUS:

5.1. Except as otherwise provided in Section 4.4 hereof, for purposes of this Agreement, the terms "affiliate" or "affiliated" means an entity who directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with Halliburton or in which Halliburton has a 50% or more equity interest.

5.2. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when received by or tendered to Employee, Halliburton or Employer, as applicable, by pre-paid courier or by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Employer or Halliburton, to Halliburton Company at 3600 Lincoln Plaza, 500 North Akard Street, Dallas, Texas 75201-3391, to the attention of the General Counsel.

If to Employee, to his or her last known personal residence.

5.3. This Agreement shall be governed by and construed and enforced, in all respects in accordance with the law of the State of Texas, without regard to principles of conflicts of law, unless preempted by federal law, in which case federal law shall govern; provided, however, that the Halliburton Dispute Resolution Plan and the Federal Arbitration Act shall govern in all respects with regard to the resolution of disputes hereunder.

5.4. No failure by either party hereto at any time to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

5.5. It is a desire and intent of the parties that the terms, provisions, covenants, and remedies contained in this Agreement shall be enforceable to the fullest extent permitted by law. If any such term, provision, covenant, or remedy of this Agreement or the application thereof to any person, association, or entity or circumstances shall, to any extent, be construed to be invalid or unenforceable in whole or in part, then such term, provision, covenant, or remedy shall be construed in a manner so as to permit its enforceability under the applicable law to the fullest extent permitted by law. In any case, the remaining provisions of this Agreement or the application thereof to any person, association, or entity or circumstances other than those to which they have been held invalid or unenforceable, shall remain in full force and effect.

5.6. It is the mutual intention of the parties to have any dispute concerning this Agreement resolved out of court. Accordingly, the parties agree that any such dispute shall, as the sole and exclusive remedy, be submitted for resolution through the Halliburton Dispute Resolution Plan; provided, however, that the Employer, on its own behalf and on behalf of any of the Halliburton Entities, shall be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any breach or the continuation of any breach of the provisions of Article 4 and Employee hereby consents that such restraining order or injunction may be granted without the necessity of the Employer posting any bond. The parties agree that the resolution of any such dispute through such Plan shall be final and binding. A copy of the Halliburton Dispute Resolution Plan, as currently in effect, is attached to this Agreement for information purposes. Halliburton reserves the right to amend such Plan or discontinue such Plan at any time.

5.7. This Agreement shall be binding upon and inure to the benefit of Employer, to the extent herein provided, Halliburton and any other person, association, or entity which may hereafter acquire or succeed to all or

substantially all of the business or assets of Employer or Halliburton by any means whether direct or indirect, by purchase, merger, consolidation, or otherwise. Employee's rights and obligations under this Agreement are personal and such rights, benefits, and obligations of Employee shall not be voluntarily or involuntarily assigned, alienated, or transferred, whether by operation of law or otherwise, without the prior written consent of Employer, other than in the case of death or incompetence of Employee.

5.8. This Agreement replaces and merges any previous agreements and discussions pertaining to the subject matter covered herein. This Agreement constitutes the entire agreement of the parties with regard to the terms of Employee's employment, termination of employment and severance benefits, and contains all of the covenants, promises, representations, warranties, and agreements between the parties with respect to such matters. Each party to this Agreement acknowledges that no representation, inducement, promise, or agreement, oral or written, has been made by either party with respect to the foregoing matters which is not embodied herein, and that no agreement, statement, or promise relating to the employment of Employee by Employer that is not contained in this Agreement shall be valid or binding. Any modification of this Agreement will be effective only if it is in writing and signed by each party whose rights hereunder are affected thereby, provided that any such modification must be authorized or approved by the Compensation Committee or its delegate, as appropriate.

IN WITNESS WHEREOF, Employer and Employee have duly executed this Agreement in multiple originals to be effective on the Effective Date.

HALLIBURTON COMPANY

By: /s/ David J. Lesar

Name: David J. Lesar
Title: Chairman of the Board, President
and Chief Executive Officer

EMPLOYEE

/s/ Douglas L. Foshee

Douglas L. Foshee

Exhibit A To Executive Employment Agreement
Effective August 6, 2001, Between Halliburton Company
And Douglas L. Foshee

NONSTATUTORY STOCK OPTION AGREEMENT
GRANTED _____, 2001

Grantee: _____ ("Employee")

Aggregate Number of Shares Subject to Option: _____

Option Price: \$ _____

Expiration (subject to terms and conditions of Agreement): 10 years

The terms and conditions of the Nonstatutory Stock Option Agreement are set forth on pages 2 through 5.

I HEREBY AGREE TO THE TERMS AND CONDITIONS HEREINAFTER SET FORTH IN THIS NONSTATUTORY STOCK OPTION AGREEMENT DATED _____, 2001.

Employee Signature _____ Date _____

Please sign in the space indicated above to indicate your acceptance of this Option grant and complete the information requested below. (Note that all fields must be completed.) RETURN THIS PAGE WITHIN 60 DAYS OF RECEIPT TO:

ANN PHILIPP, LAW DEPARTMENT
HALLIBURTON COMPANY
3600 LINCOLN PLAZA
500 NORTH AKARD STREET
DALLAS, TEXAS 75201-3391
FAX: (214) 978-2783 (facsimile copies are acceptable)

PLEASE PRINT

Name (First, Middle Initial, Last) _____ U.S. Social Security Number (if applicable) _____

Address (Street or P. O. Box) _____ Foreign I.D. (if applicable) _____

Address (City and State/Province) _____ Birth Date (Month/Day/Year) _____

Address (Postal Code, Country) _____ Daytime Phone Number _____

Name of Employer (Business Unit) _____ Payroll ID Number _____

United States Citizen: Yes _____ No _____

E-mail address: _____

NONSTATUTORY STOCK OPTION AGREEMENT
TERMS AND CONDITIONS

AGREEMENT made as of the _____ day of _____, 2001, between

HALLIBURTON COMPANY, a Delaware corporation (the "Company"), and Employee.

To carry out the purposes of the HALLIBURTON COMPANY 1993 STOCK AND LONG-TERM INCENTIVE PLAN (the "Plan"), by affording Employee the opportunity to purchase shares of common stock, par value \$2.50 per share, of the Company ("Stock"), and in consideration of the mutual agreements and other matters set forth herein and in the Plan, the Company and Employee hereby agree as follows:

1. Grant of Option. The Company hereby irrevocably grants to Employee the right and option ("Option") to purchase all or any part of the number of shares of Stock, on the terms and conditions set forth herein and in the Plan, which Plan is incorporated herein by reference as a part of this Agreement. This Option shall not be treated as an incentive stock option within the meaning of section 422(b) of the Internal Revenue Code of 1986, as amended (the "Code").

2. Purchase Price. The purchase price of Stock purchased pursuant to the exercise of this Option shall be \$ _____ per share, which has been determined to be not less than the fair market value of the Stock at the date of grant of this Option. For all purposes of this Agreement, fair market value of Stock shall be determined in accordance with the provisions of the Plan.

3. Exercise of Option. Subject to the earlier expiration of this Option as herein provided, this Option may be exercised, by written notice to the Company at its principal executive office addressed to the attention of its Vice President and Secretary, at any time and from time to time after the date of grant hereof, but, except as otherwise provided below, this Option shall not be exercisable for more than a percentage of the aggregate number of shares offered by this Option determined by the vesting dates as indicated below to the date of such exercise, in accordance with the following schedule:

Vesting Dates	Percentage of Shares That May be Purchased
Prior to April 1, 2003	0%
April 1, 2003	25%
April 1, 2004	50%
April 1, 2005	75%
April 1, 2006	100%

This Option is not transferable otherwise than by will or the laws of descent and distribution or pursuant to a "qualified domestic relations order" as defined by the Code. The foregoing notwithstanding, while employed by the Company, Employee may, in Employee's sole discretion but subject to compliance with such rules and procedures as the Company may establish, transfer this Option (or a portion thereof) to Employee's spouse, children or grandchildren (including adopted and step children and grandchildren) ("Immediate Family"), to a trust solely for the benefit of Employee and members of Employee's Immediate Family, or to a partnership or limited liability company whose only partners or shareholders are Employee and members of Employee's Immediate Family. Employee's rights under this Agreement shall pass to the transferee and such transferee may exercise this Option (or such portion thereof as has been transferred) and all rights granted by this Agreement to the extent Employee was entitled to exercise this Option during Employee's lifetime, or in the event of Employee's death, to the extent this Option would have been exercisable by Employee's beneficiaries or heirs had this Option not been transferred prior to death. Upon any attempt

to transfer, assign, pledge, hypothecate or otherwise dispose of this Option or of such rights contrary to the provisions hereof or in the Plan, or upon the levy of any attachment or similar process upon this Option or such rights, this Option and such rights shall immediately become null and void.

Except as provided above, this Option may be exercised during Employee's lifetime only by Employee, Employee's guardian or legal representative or a transferee under a qualified domestic relations order. This Option may be exercised only while Employee remains an employee of the Company, subject to the following exceptions:

(a) If Employee's employment with the Company terminates by reason of disability (disability being defined as being physically or mentally incapable of performing either the Employee's usual duties as an Employee or any other duties as an Employee that the Company reasonably makes available and such condition is likely to remain continuously and permanently, as determined by the Company or employing subsidiary), this Option may be exercised in full by Employee (or Employee's estate or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of Employee) at any time during the period ending on the earlier of the Expiration Date (as defined below) or the third anniversary of such termination date.

(b) If Employee dies while in the employ of the Company, Employee's estate, or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of Employee, may exercise this Option in full at any time during the period ending on the earlier of the Expiration Date or the third anniversary of the date of Employee's death.

(c) If Employee's employment with the Company terminates by reason of normal retirement at or after age 65, this Option may be exercised by Employee at any time during the period ending on the Expiration Date, but only as to the number of shares Employee was entitled to purchase on the date of such exercise in accordance with the schedule set forth above. In connection with the termination of Employee's employment with the Company by reason of early retirement, applicable management of the Company and/or business unit may recommend to the Committee or its delegate, as applicable, that this Option be retained. In such event, the Committee or its delegate, as the case may be, shall consider such recommendation and may, in the Committee's or such delegate's sole discretion, approve the retention of this Option following such early retirement, in which case the Option may be exercised by Employee at any time during the period ending on the Expiration Date, but only as to the number of shares Employee was entitled to purchase on the date of such exercise in accordance with the schedule set forth above. If, after retirement as set forth above, Employee should die, this Option may be exercised in full by Employee's estate (or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of the Employee) during the period ending on the earlier of the Expiration Date or the third anniversary of the date of Employee's death.

(d) If Employee's employment with the Company terminates for any reason other than those set forth in subparagraphs (a) through (c) above, this Option may be exercised by Employee at any time during the period of 30 days following such termination, or by Employee's estate (or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of the Employee) during a period of six months following Employee's death if Employee dies during such 30-day period, but in each case only as to the number of shares Employee was entitled to purchase hereunder upon exercise of this Option as of the date Employee's employment so terminates.

This Option shall not be exercisable in any event prior to the expiration of six months from the date of grant hereof or after the expiration of ten years from the date of grant hereof (the "Expiration Date") notwithstanding anything hereinabove contained. The purchase price of shares as to which this Option is exercised shall be paid in full at the time of exercise (a) in cash (including check, bank draft or money order payable to the order of the Company), (b) by delivering to the Company shares of Stock having a fair market value equal to the purchase price and which shares, if acquired from the Company, have been held by Employee for more than six months, or (c) by a combination of cash or Stock. Payment may also be made by delivery (including by facsimile transmission) to the Company of an executed irrevocable option exercise form, coupled with irrevocable instructions to a broker-dealer designated by the Company to simultaneously sell a sufficient number of the shares as to which the option is exercised and deliver directly to the Company that portion of the sales proceeds representing the exercise price. No fraction of a share of Stock shall be issued by the Company upon exercise of an Option or accepted by the Company in payment of the purchase price thereof; rather, Employee shall provide a cash payment for such amount as is necessary to effect the issuance and acceptance of only whole shares of Stock. Unless and until a certificate or certificates representing such shares shall have been issued by the Company to Employee, Employee (or the person permitted to exercise this Option in the event of Employee's death) shall not be or have any of the rights or privileges of a shareholder of the Company with respect to shares acquirable upon an exercise of this Option.

4. Withholding of Tax. To the extent that the exercise of this Option or the disposition of shares of Stock acquired by exercise of this Option results in compensation income to Employee for federal or state income tax purposes, Employee shall deliver to the Company at the time of such exercise or disposition such amount of money or shares of Stock as the Company may require to meet its withholding obligation under applicable tax laws or regulations, and, if Employee fails to do so, the Company is authorized to withhold from any cash or Stock remuneration then or thereafter payable to Employee any tax required to be withheld by reason of such resulting compensation income. Upon an exercise of this Option, the Company is further authorized in its discretion to satisfy any such withholding requirement out of any cash or shares of Stock distributable to Employee upon such exercise.

5. Status of Stock. Notwithstanding any other provision of this Agreement, in the absence of an effective registration statement for issuance under the Securities Act of 1933, as amended (the "Act"), of the shares of Stock acquirable upon exercise of this Option, or an available exemption from registration under the Act, issuance of shares of Stock acquirable upon exercise of this Option will be delayed until registration of such shares is effective or an exemption from registration under the Act is available. The Company intends to use its best efforts to ensure that no such delay will occur. In the event exemption from registration under the Act is available upon an exercise of this Option, Employee (or the person permitted to exercise this Option in the event of Employee's death or incapacity), if requested by the Company to do so, will execute and deliver to the Company in writing an agreement containing such provisions as the Company may require to assure compliance with applicable securities laws.

Employee agrees that the shares of Stock which Employee may acquire by exercising this Option will not be sold or otherwise disposed of in any manner which would constitute a violation of any applicable securities laws, whether federal or state. Employee also agrees (i) that the certificates representing the shares of Stock purchased under this Option may bear such legend or legends as the Company deems appropriate in order to assure compliance with applicable securities laws, (ii) that the Company may refuse to register the transfer of the shares of Stock purchased under this Option on the stock transfer records of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable securities law and (iii) that the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the shares of Stock purchased under this Option.

6. Employment Relationship. For purposes of this Agreement, Employee shall be considered to be in the employment of the Company as long as Employee remains an employee of either the Company, a parent or subsidiary corporation (as defined in section 424 of the Code) of the Company, or a corporation or a parent or subsidiary of such corporation assuming or substituting a new option for this Option. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee or its delegate, as appropriate, and such determination shall be final.

7. Binding Effect. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Employee.

8. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its officer thereunto duly authorized, and Employee has executed this Agreement, all as of the day and year first above written.

HALLIBURTON COMPANY

By:

David J. Lesar
Chairman of the Board, President and
Chief Executive Officer

Exhibit B To Executive Employment Agreement
Effective August 6, 2001, Between Halliburton Company
and Douglas L. Foshee

RESTRICTED STOCK AGREEMENT

AGREEMENT made as of the _____ day of _____, 2001, between
HALLIBURTON COMPANY, a Delaware corporation (the "Company"), and _____
("Employee").

1. Award.

(a) Shares. Pursuant to the Halliburton Company 1993 Stock and Long-Term Incentive Plan (the "Plan") _____ shares (the "Restricted Shares") of the Company's common stock, par value \$2.50 per share ("Stock"), shall be issued as hereinafter provided in Employee's name subject to certain restrictions thereon.

(b) Issuance of Restricted Shares. The Restricted Shares shall be issued upon acceptance hereof by Employee and upon satisfaction of the conditions of this Agreement.

(c) Plan Incorporated. Employee acknowledges receipt of a copy of the Plan, and agrees that this award of Restricted Shares shall be subject to all of the terms and conditions set forth in the Plan, including future amendments thereto, if any, pursuant to the terms thereof, which Plan is incorporated herein by reference as a part of this Agreement.

2. Restricted Shares. Employee hereby accepts the Restricted Shares when issued and agrees with respect thereto as follows:

(a) Forfeiture Restrictions. The Restricted Shares may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of to the extent then subject to the Forfeiture Restrictions (as hereinafter defined), and in the event of termination of Employee's employment with the Company or employing subsidiary for any reason other than (i) normal retirement on or after age sixty-five, (ii) death or (iii) disability as determined by the Company or employing subsidiary, or except as otherwise provided in the last two sentences of subparagraph (b) of this Paragraph 2, Employee shall, for no consideration, forfeit to the Company all Restricted Shares to the extent then subject to the Forfeiture Restrictions. The prohibition against transfer and the obligation to forfeit and surrender Restricted Shares to the Company upon termination of employment are herein referred to as "Forfeiture Restrictions." The Forfeiture Restrictions shall be binding upon and enforceable against any transferee of Restricted Shares.

(b) Lapse of Forfeiture Restrictions. The Forfeiture Restrictions shall lapse as to the Restricted Shares in accordance with the following schedule provided that Employee has been continuously employed by the Company from the date of this Agreement through the lapse date:

Lapse Date -----	Percentage of Total Number of Restricted Shares as to Which Forfeiture Restrictions Lapse -----
First Anniversary of the date of this Agreement	10%
Second Anniversary of the date of this Agreement	10%
Third Anniversary of the date of this Agreement	10%
Fourth Anniversary of the date of this Agreement	10%
Fifth Anniversary of the date of this Agreement	10%
Sixth Anniversary of the date of this Agreement	10%
Seventh Anniversary of the date of this Agreement	10%
Eighth Anniversary of the date of this Agreement	10%
Ninth Anniversary of the date of this Agreement	10%
Tenth Anniversary of the date of this Agreement	10%

Notwithstanding the foregoing, the Forfeiture Restrictions shall lapse as to all of the Restricted Shares on the earlier of (i) the occurrence of a Corporate Change (as such term is defined in the Plan), (ii) the date Employee's employment with the Company is terminated by reason of death, disability (as determined by the Company or employing subsidiary) or normal retirement on or after age sixty-five or (iii) the date on which Employee shall become entitled to the severance benefits set forth in Section 3.3 of that certain Executive Employment Agreement by and between Employee and the Company. In the event Employee's employment is terminated for any other reason, including retirement prior to age sixty-five with the approval of the Company or employing subsidiary, the Committee which administers the Plan (the "Committee") or its delegate, as appropriate, may, in the Committee's or such delegate's sole discretion, approve the lapse of Forfeiture Restrictions as to any or all Restricted Shares still subject to such restrictions, such lapse to be effective on the date of such approval or Employee's termination date, if later.

(c) Certificates. A certificate evidencing the Restricted Shares shall be issued by the Company in Employee's name, or at the option of the Company, in the name of a nominee of the Company, pursuant to which Employee shall have voting rights and shall be entitled to receive all dividends unless and until the Restricted Shares are forfeited pursuant to the provisions of this Agreement. The certificate shall bear a legend evidencing the nature of the Restricted Shares, and the Company may cause the certificate to be delivered upon issuance to the Secretary of the Company or to such other depository as may be designated by the Company as a depository for safekeeping until the forfeiture occurs or the Forfeiture Restrictions lapse pursuant to the terms of the Plan and this award. Upon request of the Committee or its delegate, Employee shall deliver to the Company a stock power, endorsed in blank, relating to the Restricted Shares then subject to the Forfeiture Restrictions. Upon the lapse of the Forfeiture Restrictions without forfeiture, the Company shall cause a new certificate or certificates to be issued without legend in the name of Employee for the shares upon which Forfeiture Restrictions lapsed. Notwithstanding any other provisions of this Agreement, the issuance or delivery of any shares of Stock (whether subject to restrictions or unrestricted) may be postponed for such period as may be required to comply with applicable requirements of any national securities exchange or any requirements under any law or regulation applicable to the issuance or delivery of such shares. The Company shall not be obligated to issue or deliver any shares of Stock if the issuance or delivery thereof shall constitute a violation of any provision of any law or of any regulation of any governmental authority or any national securities exchange.

3. Withholding of Tax. To the extent that the receipt of the Restricted Shares or the lapse of any Forfeiture Restrictions results in income to Employee for federal or state income tax purposes, Employee shall deliver to the Company at the time of such receipt or lapse, as the case may be, such amount of money or shares of unrestricted Stock as the Company may require to meet its withholding obligation under applicable tax laws or regulations, and, if Employee fails to do so, the Company is authorized to withhold from any cash or Stock remuneration then or thereafter payable to Employee any tax required to be withheld by reason of such resulting compensation income.

4. Status of Stock. Employee agrees that the Restricted Shares will not be sold or otherwise disposed of in any manner which would constitute a violation of any applicable federal or state securities laws. Employee also agrees (i) that the certificates representing the Restricted Shares may bear such legend or legends as the Company deems appropriate in order to assure compliance with applicable securities laws, (ii) that the Company may refuse to register the transfer of the Restricted Shares on the stock transfer records of the Company if such proposed transfer would be in the opinion of counsel satisfactory to the Company constitute a violation of any applicable securities law and (iii) that the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the Restricted Shares.

5. Employment Relationship. For purposes of this Agreement, Employee shall be considered to be in the employment of the Company as long as Employee remains an employee of either the Company, any successor corporation or a parent or subsidiary corporation (as defined in section 424 of the Code) of the Company or any successor corporation. Any question as to whether and when there has been

a termination of such employment, and the cause of such termination, shall be determined by the Committee, or its delegate, as appropriate, and its determination shall be final.

6. Committee's Powers. No provision contained in this Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee or, to the extent delegated, in its delegate pursuant to the terms of the Plan or resolutions adopted in furtherance of the Plan, including, without limitation, the right to make certain determinations and elections with respect to the Restricted Shares.

7. Binding Effect. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Employee.

8. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by an officer thereunto duly authorized, and Employee has executed this Agreement, all as of the date first above written.

HALLIBURTON COMPANY

By:

David J. Lesar
Chairman of the Board, President
and Chief Executive Officer

Employee

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I, the undersigned, do hereby constitute and appoint Susan S. Keith, John M. Allen and Bruce A. Metzinger, or any of them acting alone, my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, to prepare and sign for me, and in my name, place and stead, in any and all capacities, any and all reports as may from time to time be required under Section 16(a) of the Securities Exchange Act of 1934, as amended, and the rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, and to file the same with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done (with full power to each of them to act alone), as fully and to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

This Power of Attorney shall remain in full force and effect until revoked by me in writing.

IN WITNESS WHEREOF, I hereto set my hand this 21st day of May, 2001.

/s/ Kenneth T. Derr

Kenneth T. Derr

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I, the undersigned, do hereby constitute and appoint Susan S. Keith, John M. Allen and Bruce A. Metzinger, or any of them acting alone, my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, to prepare and sign for me, and in my name, place and stead, in any and all capacities, any and all reports as may from time to time be required under Section 16(a) of the Securities Exchange Act of 1934, as amended, and the rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, and to file the same with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done (with full power to each of them to act alone), as fully and to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

This Power of Attorney shall remain in full force and effect until revoked by me in writing.

IN WITNESS WHEREOF, I hereto set my hand this 15th day of May, 2001.

/s/ Aylwin B. Lewis

Aylwin B. Lewis

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I, the undersigned, do hereby constitute and appoint Susan S. Keith, John M. Allen and Bruce A. Metzinger, or any of them acting alone, my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, to prepare and sign for me, and in my name, place and stead, in any and all capacities, any and all reports as may from time to time be required under Section 16(a) of the Securities Exchange Act of 1934, as amended, and the rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, and to file the same with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done (with full power to each of them to act alone), as fully and to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

This Power of Attorney shall remain in full force and effect until revoked by me in writing.

IN WITNESS WHEREOF, I hereto set my hand this 15th day of May, 2001.

/s/ Debra L. Reed

Debra L. Reed

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I, the undersigned, do hereby constitute and appoint Susan S. Keith, John M. Allen and Bruce A. Metzinger, or any of them acting alone, my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, to prepare and sign for me, and in my name, place and stead, in any and all capacities, any and all reports as may from time to time be required under Section 16(a) of the Securities Exchange Act of 1934, as amended, and the rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, and to file the same with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done (with full power to each of them to act alone), as fully and to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

This Power of Attorney shall remain in full force and effect until revoked by me in writing.

IN WITNESS WHEREOF, I hereto set my hand this 6th day of August, 2001.

/s/ Douglas L. Foshee

Douglas L. Foshee

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I, the undersigned, do hereby constitute and appoint Susan S. Keith, John M. Allen and Bruce A. Metzinger, or any of them acting alone, my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, to prepare and sign for me, and in my name, place and stead, in any and all capacities, any and all reports as may from time to time be required under Section 16(a) of the Securities Exchange Act of 1934, as amended, and the rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, and to file the same with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done (with full power to each of them to act alone), as fully and to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

This Power of Attorney shall remain in full force and effect until revoked by me in writing.

IN WITNESS WHEREOF, I hereto set my hand this 7th day of August, 2001.

/s/ Robert R. Harl

Robert R. Harl

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I, the undersigned, do hereby constitute and appoint Lester L. Coleman, Susan S. Keith and John M. Allen, or any of them acting alone, my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, to prepare and sign for me, and in my name, place and stead, in any and all capacities, any and all reports as may from time to time be required under Section 16(a) of the Securities Exchange Act of 1934, as amended, and the rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, and to file the same with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done (with full power to each of them to act alone), as fully and to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

This Power of Attorney shall remain in full force and effect until revoked by me in writing.

IN WITNESS WHEREOF, I hereto set my hand this 24th day of May, 2001.

/s/ Edgar J. Ortiz

Edgar J. Ortiz