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Halliburton Provides Update on Fuel Delivery Mission in Iraq

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HOUSTON, Oct. 21 /PRNewswire-FirstCall/ -- Halliburton today responded to statements about fuel procurement in Iraq.

Because of wartime emergency, the Department of Defense asked Halliburton to provide emergency services in Iraq. One of these wartime emergency services is to provide short term reliable fuel procurement and distribution support for the Iraqi people. Halliburton is successfully helping to restore this needed service in Iraq that will help create some sense of normalcy for those who have suffered losses.

KBR has been directed to acquire, transport and distribute fuel through a hostile environment and deliver it on a reliable and timely basis to various locations within Iraq. KBR was tasked with importing fuel in the region until transition to "in country" companies such as Iraq's state-owned oil company, State Oil Marketing Organization (SOMO), is feasible and reliable.

It has been reported that SOMO can provide these services for a lower cost. A key element of this contract is not just cost, but a reliable source. KBR is bound by guidelines in its contract to negotiate fuel prices on a short term basis only, from suppliers acceptable to the US Army Corps of Engineers. Contractually, KBR has been prevented from procuring fuel contracts for longer than a 30-day period. In addition, all services and their associated costs to execute the mission are subject to the same 30-day procurement limit including trucks, trailers, depots and labor. Simple economics dictate that companies who are not bound by these guidelines, and are able to negotiate price on a long-term contract basis, can negotiate lower prices.

KBR has a good working relationship with SOMO. KBR has coordinated effectively with them since the fuel services mission was issued by the client. SOMO is a likely candidate to assume the task of supplying fuel to Iraq as soon as the client and the Coalition Provisional Authority decide they have the capabilities to continuously supply the quantities of fuel mandated on a reliable basis.

Based on the entire picture, to allege that KBR is overcharging for this needed service, insults the KBR employees who are performing this dangerous mission to help bring fuel to the people of Iraq. The drivers transporting the fuel face the real risk of being killed or wounded, and vehicles and contents being destroyed. The contract allows for billing solely for costs incurred plus a two percent fee. The company's two percent fee is less than the markup for products at a local gas station or supermarket.

KBR continues to negotiate fair and competitive prices to provide fuel to the Iraqi people. KBR used a sound procurement process which has been approved by the government for procurement activities and is subject to government audit. Through an open and competitive bid process, KBR awarded the fuel acquisition contracts to suppliers who could meet the very demanding requirements defined by the client, the United States Army Corps of Engineers. Halliburton's skills and abilities make it one of the few companies in the world that can do the work needed.

Halliburton helped build U.S. warships in World War II, as well as projects in Somalia, Rwanda and Haiti. It also put out more than half of the oil well fires in Kuwait during the 1991 Gulf War and now is assisting with restoration efforts in Iraq.

Halliburton, founded in 1919, is one of the world's largest providers of products and services to the petroleum and energy industries. The Company serves its customers with a broad range of products and services through its Energy Services Group and Engineering and Construction Group. The Company's World Wide Web site can be accessed at www.halliburton.com.

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