UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the quarterly period ended September 30, 2014

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 001-03492

HALLIBURTON COMPANY

(a Delaware corporation)
75-2677995

3000 North Sam Houston Parkway East
Houston, Texas 77032
(Address of Principal Executive Offices)

Telephone Number – Area Code (281) 871-2699

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 [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	[X]	Accelerated filer	[ ]
Non-accelerated filer	[ ]	Smaller reporting company	[ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

As of October 17, 2014, 847,460,293 shares of Halliburton Company common stock, $2.50 par value per share, were outstanding.

HALLIBURTON COMPANY

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

HALLIBURTON COMPANY
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
Millions of dollars and shares except per share data	2014	2013	2014	2013
Revenue:				
Services	$ 6,665	$ 5,627	$ 18,332	$ 16,527
Product sales	2,036	1,845	5,768	5,236
Total revenue	8,701	7,472	24,100	21,763
Operating costs and expenses:				
Cost of services	5,486	4,765	15,402	14,144
Cost of sales	1,702	1,519	4,857	4,386
Activity related to the Macondo well incident	(195)	—	(195)	1,000
General and administrative	74	80	238	239
Total operating costs and expenses	7,067	6,364	20,302	19,769
Operating income	1,634	1,108	3,798	1,994
Interest expense, net of interest income of $3, $1, $10 and $6	(96)	(91)	(283)	(233)
Other, net	12	(12)	(43)	(37)
Income from continuing operations before income taxes	1,550	1,005	3,472	1,724
Provision for income taxes	(411)	(296)	(939)	(380)
Income from continuing operations	1,139	709	2,533	1,344
Income (loss) from discontinued operations, net of income tax (provision) benefit of $(10), $1, $(8) and $1	66	(1)	63	(4)
Net income	$ 1,205	$ 708	$ 2,596	$ 1,340
Net (income) loss attributable to noncontrolling interest	(2)	(2)	3	(8)
Net income attributable to company	$ 1,203	$ 706	$ 2,599	$ 1,332
Amounts attributable to company shareholders:				
Income from continuing operations	$ 1,137	$ 707	$ 2,536	$ 1,336
Income (loss) from discontinued operations, net	66	(1)	63	(4)
Net income attributable to company	$ 1,203	$ 706	$ 2,599	$ 1,332
Basic income per share attributable to company shareholders:				
Income from continuing operations	$ 1.34	$ 0.79	$ 2.99	$ 1.46
Income from discontinued operations, net	0.08	—	0.07	—
Net income per share	$ 1.42	$ 0.79	$ 3.06	$ 1.46
Diluted income per share attributable to company shareholders:				
Income from continuing operations	$ 1.33	$ 0.79	$ 2.97	$ 1.45
Income from discontinued operations, net	0.08	—	0.08	—
Net income per share	$ 1.41	$ 0.79	$ 3.05	$ 1.45
Cash dividends per share	$ 0.15	$ 0.125	$ 0.45	$ 0.375
Basic weighted average common shares outstanding	848	890	848	915
Diluted weighted average common shares outstanding	854	894	853	919

See notes to condensed consolidated financial statements.

HALLIBURTON COMPANY
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

Millions of dollars	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Net income	$ 1,205	$ 708	$ 2,596	$ 1,340
Other comprehensive income, net of income taxes:				
Defined benefit and other postretirement plan adjustments	$ (2)	$ 2	$ 3	$ 8
Other	(2)	—	(3)	1
Other comprehensive income (loss), net of income taxes	(4)	2	—	9
Comprehensive income	$ 1,201	$ 710	$ 2,596	$ 1,349
Comprehensive (income) loss attributable to noncontrolling interest	(2)	(2)	3	(8)
Comprehensive income attributable to company shareholders	$ 1,199	$ 708	$ 2,599	$ 1,341

See notes to condensed consolidated financial statements.

HALLIBURTON COMPANY
Condensed Consolidated Balance Sheets

Millions of dollars and shares except per share data	September 30, 2014 (Unaudited)	December 31, 2013
Assets		
Current assets:		
Cash and equivalents	$ 2,029	$ 2,356
Receivables (net of allowances for bad debts of $117)	7,555	6,181
Inventories	3,650	3,305
Other current assets	1,613	1,862
Total current assets	14,847	13,704
Property, plant, and equipment (net of accumulated depreciation of $10,656 and $9,480)	12,050	11,322
Goodwill	2,312	2,168
Other assets	2,374	2,029
Total assets	$ 31,583	$ 29,223
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 3,005	$ 2,365
Accrued employee compensation and benefits	986	1,029
Loss contingency for Macondo well incident	395	278
Other current liabilities	1,503	1,354
Total current liabilities	5,889	5,026
Long-term debt	7,816	7,816
Loss contingency for Macondo well incident	805	1,022
Employee compensation and benefits	580	584
Other liabilities	975	1,160
Total liabilities	16,065	15,608
Shareholders' equity:		
Common shares, par value $2.50 per share (authorized 2,000 shares, issued 1,072 shares)	2,679	2,680
Paid-in capital in excess of par value	299	415
Accumulated other comprehensive loss	(307)	(307)
Retained earnings	21,060	18,842
Treasury stock, at cost (225 and 223 shares)	(8,240)	(8,049)
Company shareholders' equity	15,491	13,581
Noncontrolling interest in consolidated subsidiaries	27	34
Total shareholders' equity	15,518	13,615
Total liabilities and shareholders' equity	$ 31,583	$ 29,223

See notes to condensed consolidated financial statements.

HALLIBURTON COMPANY
Condensed Consolidated Statements of Cash Flows
(Unaudited)

Millions of dollars	Nine Months Ended September 30 2014	2013
Cash flows from operating activities:		
Net income	$ 2,596	$ 1,340
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation, depletion, and amortization	1,569	1,403
Deferred income tax benefit, continuing operations	(535)	(273)
Activity related to the Macondo well incident	(195)	1,000
Other changes:		
Receivables	(1,339)	(856)
Accounts payable	653	243
Inventories	(319)	(210)
Payment of Barracuda-Caratinga obligation	—	(219)
Other	483	121
Total cash flows from operating activities	2,913	2,549
Cash flows from investing activities:		
Capital expenditures	(2,284)	(2,075)
Sales of investment securities	256	294
Payments to acquire businesses, net of cash acquired	(230)	(12)
Purchases of investment securities	(166)	(168)
Other investing activities	92	94
Total cash flows from investing activities	(2,332)	(1,867)
Cash flows from financing activities:		
Payments to reacquire common stock	(800)	(4,356)
Dividends to shareholders	(381)	(337)
Proceeds from long-term borrowings, net of offering costs	—	2,968
Other financing activities	311	58
Total cash flows from financing activities	(870)	(1,667)
Effect of exchange rate changes on cash	(38)	(8)
Decrease in cash and equivalents	(327)	(993)
Cash and equivalents at beginning of period	2,356	2,484
Cash and equivalents at end of period	$ 2,029	$ 1,491
Supplemental disclosure of cash flow information:		
Cash payments during the period for:		
Interest	$ 357	$ 269
Income taxes	$ 1,010	$ 566

See notes to condensed consolidated financial statements.

HALLIBURTON COMPANY
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements were prepared using generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Regulation S-X. Accordingly, these financial statements do not include all information or notes required by generally accepted accounting principles for annual financial statements and should be read together with our 2013 Annual Report on Form 10-K.

Our accounting policies are in accordance with United States generally accepted accounting principles. The preparation of financial statements in conformity with these 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 revenue and expenses during the reporting period.

Ultimate results could differ from our estimates.

In our opinion, the condensed consolidated financial statements included herein contain all adjustments necessary to present fairly our financial position as of September 30, 2014, the results of our operations for the three and nine months ended September 30, 2014 and 2013, and our cash flows for the nine months ended September 30, 2014 and 2013. Such adjustments are of a normal recurring nature. In addition, certain reclassifications of prior period balances have been made to conform to the current period presentation. The results of our operations for the three and nine months ended September 30, 2014 may not be indicative of results for the full year.

Note 2. Business Segment and Geographic Information

We operate under two divisions, which form the basis for the two operating segments we report: the Completion and Production segment and the Drilling and Evaluation segment.

The following table presents information on our business segments. “Corporate and other” includes expenses related to support functions and corporate executives. Also included are certain gains and losses not attributable to a particular business segment, such as adjustments to our loss contingency related to the Macondo well incident recorded during the third quarter of 2014 and the first quarter of 2013.

Intersegment revenue was immaterial. Our equity in earnings and losses of unconsolidated affiliates that are accounted for by the equity method of accounting are included in revenue and operating income of the applicable segment.

	Three Months Ended September 30		Nine Months Ended September 30	
Millions of dollars	2014	2013	2014	2013
Revenue:				
Completion and Production	$ 5,420	$ 4,501	$ 14,782	$ 12,964
Drilling and Evaluation	3,281	2,971	9,318	8,799
Total revenue	$ 8,701	$ 7,472	$ 24,100	$ 21,763
Operating income:				
Completion and Production	$ 1,071	$ 763	$ 2,619	$ 2,110
Drilling and Evaluation	451	450	1,263	1,272
Total operations	1,522	1,213	3,882	3,382
Corporate and other	112	(105)	(84)	(1,388)
Total operating income	$ 1,634	$ 1,108	$ 3,798	$ 1,994
Interest expense, net of interest income	(96)	(91)	(283)	(233)
Other, net	12	(12)	(43)	(37)
Income from continuing operations before income taxes	$ 1,550	$ 1,005	$ 3,472	$ 1,724

Receivables

As of September 30, 2014, 38% of our gross trade receivables were from customers in the United States. As of December 31, 2013, 34% of our gross trade receivables were from customers in the United States. No other country or single customer accounted for more than 10% of our gross trade receivables at these dates.

Venezuela. We have experienced delays in collecting payment on our receivables from our primary customer in Venezuela. These receivables are not disputed, and we have not historically had material write-offs relating to this customer. Our total outstanding trade receivables in Venezuela were $653 million, or approximately 9% of our gross trade receivables, as of September 30, 2014, compared to $486 million, or approximately 8% of our gross trade receivables, as of December 31, 2013. Of the $653 million of receivables in Venezuela as of September 30, 2014, $215 million have been classified as long-term and included within "Other assets" on our condensed consolidated balance sheets. Of the $486 million of receivables in Venezuela as of December 31, 2013, $183 million have been classified as long-term and included within "Other assets" on our condensed consolidated balance sheets.

In February 2013, the Venezuelan government devalued the Bolívar, from the preexisting exchange rate of 4.3 Bolívares per United States dollar to 6.3 Bolívares per United States dollar.

During 2014, the Venezuelan government has made available two new foreign exchange rate mechanisms through which a company may be able to legally convert Bolívares to United States dollars, in addition to the National Center of Foreign Commerce official rate of 6.3 Bolívares per United States dollar:

(1) a bid rate established via weekly auctions under the Complementary System of Foreign Currency Acquirement (SICAD I); and
(2) an auction rate which is intended to more closely resemble a market-driven exchange rate (SICAD II).

The availability of new currency mechanisms had no impact on our results of operations during the three and nine months ended September 30, 2014 as we continue to use the official exchange rate to remeasure net assets denominated in Bolívares. We have not utilized nor do we intend at this time to utilize either of the newly available exchange mechanisms to transact business in Venezuela. We will continue to monitor any future impact of these mechanisms on the exchange rate we use to remeasure our Venezuelan subsidiary's financial statements.

For additional information, see Part I, Item 1(a), "Risk Factors" in our 2013 Annual Report on Form 10-K.

Note 3. Inventories

Inventories are stated at the lower of cost or market value. In the United States, we manufacture certain finished products and parts inventories for drill bits, completion products, bulk materials, and other tools that are recorded using the last-in, first-out method, which totaled $195 million as of September 30, 2014 and $157 million as of December 31, 2013. If the average cost method had been used, total inventories would have been $38 million higher than reported as of September 30, 2014 and $35 million higher than reported as of December 31, 2013. The cost of the remaining inventory was recorded on the average cost method. Inventories consisted of the following:

Millions of dollars	September 30, 2014	December 31, 2013
Finished products and parts	$ 2,621	$ 2,445
Raw materials and supplies	799	720
Work in process	230	140
Total	$ 3,650	$ 3,305

Finished products and parts are reported net of obsolescence reserves of $144 million as of September 30, 2014 and $130 million as of December 31, 2013.

Note 4. Shareholders' Equity

The following tables summarize our shareholders' equity activity:

Millions of dollars	Total shareholders' equity	Company shareholders' equity	Noncontrolling interest in consolidated subsidiaries
Balance at December 31, 2013	$ 13,615	$ 13,581	$ 34
Shares repurchased	(800)	(800)	—
Stock plans	505	505	—
Payments of dividends to shareholders	(381)	(381)	—
Other	(17)	(13)	(4)
Comprehensive income	2,596	2,599	(3)
Balance at September 30, 2014	$ 15,518	$ 15,491	$ 27

Millions of dollars	Total shareholders' equity	Company shareholders' equity	Noncontrolling interest in consolidated subsidiaries
Balance at December 31, 2012	$ 15,790	$ 15,765	$ 25
Shares repurchased	(4,356)	(4,356)	—
Stock plans	397	397	—
Payments of dividends to shareholders	(337)	(337)	—
Other	(25)	(22)	(3)
Comprehensive income	1,349	1,341	8
Balance at September 30, 2013	$ 12,818	$ 12,788	$ 30

Our Board of Directors has authorized a program to repurchase our common stock from time to time. During the nine months ended September 30, 2014, under that program we repurchased approximately 13.3 million shares of our common stock for a total cost of $800 million. In July 2014, our Board of Directors increased the authorization to repurchase our common stock by approximately $4.8 billion. Approximately $5.7 billion remains authorized for repurchases as of September 30, 2014. From the inception of this program in February 2006 through September 30, 2014, we repurchased approximately 201 million shares of our common stock for a total cost of approximately $8.4 billion.

Accumulated other comprehensive loss consisted of the following:

Millions of dollars	September 30, 2014	December 31, 2013
Defined benefit and other postretirement liability adjustments	$ (238)	$ (241)
Cumulative translation adjustments	(70)	(69)
Other	1	3
Total accumulated other comprehensive loss	$ (307)	$ (307)

Note 5. KBR Separation

During 2007, we completed the separation of KBR, Inc. (KBR) from us by exchanging KBR common stock owned by us for our common stock. We entered into various agreements relating to the separation of KBR, including, among others, a Master Separation Agreement (MSA) and a Tax Sharing Agreement (TSA). We recorded a liability at that time reflecting the estimated fair value of the indemnities provided to KBR. Since the separation, we have recorded adjustments to reflect changes to our estimation of our remaining obligation. All such adjustments were recorded in "Income (loss) from discontinued operations, net of income tax (provision) benefit." During the first quarter of 2013, we paid $219 million to satisfy our obligation under a guarantee related to the Barracuda-Caratinga matter, a legacy KBR project. There were no amounts accrued for indemnities provided to KBR at September 30, 2014.

Tax Sharing Agreement

The TSA provides for the calculation and allocation of United States and certain other jurisdiction tax liabilities between KBR and us for the periods 2001 through the date of separation. The TSA is complex, and finalization of amounts owed between KBR and us under the TSA can occur only after income tax audits are completed by the taxing authorities and both parties have had time to analyze the results.

During the second quarter of 2012, we sent a notice to KBR requesting the appointment of an arbitrator in accordance with the terms of the TSA. This request asked the arbitrator to find that, pursuant to the TSA, KBR owed us for certain specific tax matters. KBR denied that it owed us anything and asserted instead that we owed KBR for those tax matters.

Since the second quarter of 2012, we and KBR have been involved in numerous arbitration and court proceedings relating to the dispute. In September 2014, we and KBR agreed in principle to a settlement under which we and KBR released all claims asserted against each other with respect to the disputed tax matters. In exchange for the release, among other things, KBR agreed to pay us an aggregate amount of $81 million, with $12 million paid up front, $19 million payable upon KBR receiving the benefit of certain foreign tax credits and $50 million payable in four, equal quarterly installments beginning in the fourth quarter of 2014. A definitive settlement agreement was signed in October 2014.

During the third quarter of 2014, we recorded $63 million of income related to the settlement within “Income (loss) from discontinued operations, net of income tax (provision) benefit” in our condensed consolidated statements of operations. This amount represents the $81 million settlement, less foreign tax credits allocated to KBR under the terms of the TSA and an immaterial receivable previously recorded.

Note 6. Commitments and Contingencies

Macondo well incident

Overview. The semisubmersible drilling rig, Deepwater Horizon, sank on April 22, 2010 after an explosion and fire onboard the rig that began on April 20, 2010. The Deepwater Horizon was owned by an affiliate of Transocean Ltd. and had been drilling the Macondo exploration well in Mississippi Canyon Block 252 in the Gulf of Mexico for the lease operator, BP Exploration & Production, Inc. (BP Exploration), an indirect wholly owned subsidiary of BP p.l.c. We performed a variety of services for BP Exploration, including cementing, mud logging, directional drilling, measurement-while-drilling, and rig data acquisition services. Crude oil flowing from the well site spread across thousands of square miles of the Gulf of Mexico and reached the United States Gulf Coast. Efforts to contain the flow of hydrocarbons from the well were led by the United States government and by BP p.l.c., BP Exploration, and their affiliates (collectively, as applicable, BP). There were eleven fatalities and a number of injuries as a result of the Macondo well incident.

Litigation. Since April 21, 2010, plaintiffs have filed lawsuits relating to the Macondo well incident. Generally, those lawsuits allege either (1) damages arising from the oil spill pollution and contamination (*e.g.*, diminution of property value, lost tax revenue, lost business revenue, lost tourist dollars, inability to engage in recreational or commercial activities) or (2) wrongful death or personal injuries. We are named along with other unaffiliated defendants in more than 1,800 complaints, most of which are alleged class actions, involving pollution damage claims and at least six personal injury lawsuits involving three decedents and at least two allegedly injured persons who were on the drilling rig at the time of the incident. At least six additional lawsuits naming us and others relate to alleged personal injuries sustained by those responding to the explosion and oil spill. Additional civil lawsuits may be filed against us.

The pollution complaints generally allege, among other things, negligence and gross negligence, property damages, taking of protected species, and potential economic losses as a result of environmental pollution, and generally seek awards of compensatory damages, including unspecified economic damages, and punitive damages, as well as injunctive relief. Plaintiffs in these pollution cases have brought suit under various legal provisions, including the Oil Pollution Act of 1990 (OPA), the Clean Water Act (CWA), the Migratory Bird Treaty Act of 1918, the Endangered Species Act of 1973 (ESA), the Outer Continental Shelf Lands Act (OCSLA), the Longshoremen and Harbor Workers Compensation Act, general maritime law, state common law, and various state environmental and products liability statutes. Furthermore, the pollution complaints include suits brought against us by governmental entities, including all of the coastal states of the Gulf of Mexico, numerous local governmental entities, the Mexican State of Yucatan, and the United Mexican States.

The wrongful death and other personal injury complaints generally allege negligence and gross negligence and seek awards of compensatory damages, including unspecified economic damages, and punitive damages.

Plaintiffs originally filed the lawsuits described above in federal and state courts throughout the United States. Except for a small number of likely immaterial lawsuits not yet consolidated, the Judicial Panel on Multi-District Litigation ordered all of the lawsuits against us consolidated in the MDL proceeding before Judge Carl Barbier in the United States Eastern District of Louisiana.

Judge Barbier is also presiding over a separate proceeding filed by Transocean under the Limitation of Liability Act (Limitation Action). In the Limitation Action, Transocean seeks to limit its liability for claims arising out of the Macondo well incident to the value of the rig and its freight. While the Limitation Action has been formally consolidated into the MDL, the court is nonetheless, in some respects, treating the Limitation Action as an associated but separate proceeding. In February 2011, Transocean tendered us, along with all other defendants, into the Limitation Action. As a result of the tender, we and all other defendants are being treated as direct defendants to the plaintiffs' claims as if the plaintiffs had sued us and the other defendants directly. As further discussed below, in the Limitation Action, the judge determined the allocation of liability among all defendants in the hundreds of lawsuits associated with the Macondo well incident, including those in the MDL proceeding that are pending in his court.

The defendants in the proceedings described above have filed numerous cross claims and third party claims against certain other defendants. Claims against us seek subrogation, contribution, indemnification, including with respect to liabilities under the OPA, and direct damages, and allege negligence, gross negligence, fraudulent conduct, willful misconduct, fraudulent concealment, comparative fault, and breach of warranty of workmanlike performance. In addition, the defendants in the proceedings described above, including us, filed claims, including for liabilities under the OPA and other claims similar to those described above, against the other defendants. Our claims against the other defendants seek contribution and indemnification, and allege negligence, gross negligence and willful misconduct. Several of the parties have settled claims among themselves, and claims against some parties have been dismissed. We also filed an answer to Transocean's Limitation petition denying Transocean's right to limit its liability, denying all claims and responsibility for the incident, seeking contribution and indemnification, and alleging negligence and gross negligence.

Judge Barbier issued an order, among others, clarifying certain aspects of law applicable to the lawsuits pending in his court. The court ruled that: (1) general maritime law will apply, and therefore all claims brought under state law causes of action were dismissed; (2) general maritime law claims may be brought directly against defendants who are non-“responsible parties” under the OPA with the exception of pure economic loss claims by plaintiffs other than commercial fishermen; (3) all claims for damages, including pure economic loss claims, may be brought under the OPA directly against responsible parties; and (4) punitive damage claims may be brought against both responsible and non-responsible parties under general maritime law. As discussed below, with respect to the ruling that claims for damages may be brought under the OPA against responsible parties, we have not been named as a responsible party under the OPA, but BP has filed a claim against us for contribution with respect to liabilities incurred by BP under the OPA. The rulings in the court's order remain subject to each applicable party's right to appeal. Certain parishes in Louisiana appealed the dismissal of their state law claims, and the United States Fifth Circuit Court of Appeals (Fifth Circuit) affirmed the dismissal. The parishes filed a petition for writ of certiorari in the United States Supreme Court, which the Court denied.

The MDL court dismissed: (1) claims by or on behalf of owners, lessors, and lessees of real property that allege to have suffered a reduction in the value of real property even though the property was not physically touched by oil and the property was not sold; (2) claims for economic losses based solely on consumers' decisions not to purchase fuel or goods from BP fuel stations and stores based on consumer animosity toward BP; and (3) claims by or on behalf of recreational fishermen, divers, beachgoers, boaters and others that allege damages such as loss of enjoyment of life from their inability to use portions of the Gulf of Mexico for recreational and amusement purposes. In dismissing those claims, the MDL court also noted that we are not liable with respect to those claims under the OPA because we are not a “responsible party” under the OPA. A group of plaintiffs appealed the order, but the Fifth Circuit dismissed the appeal.

In April 2012, BP announced that it had reached definitive settlement agreements with the Plaintiffs' Steering Committee (PSC) in the MDL to resolve the substantial majority of eligible private economic loss and medical claims stemming from the Macondo well incident (BP MDL Settlements). The PSC acts on behalf of individuals and business plaintiffs in the MDL. The BP MDL Settlements do not include claims against BP made by the United States Department of Justice (DOJ) or other federal agencies or by states and local governments. The BP MDL Settlements provide that the settlement classes are precluded from asserting compensatory damages claims against us. The economic loss settlement (BP Economic Loss Settlement) provides that, to the extent permitted by law, BP assigns to the settlement class certain of its claims, rights, and recoveries against Transocean and us for damages, including BP's alleged direct damages such as damages for clean-up expenses and damage to the well and reservoir. The MDL court has since certified the classes and granted final approval for the BP MDL Settlements. BP's medical claims settlement was final as of February 2014. BP has challenged certain provisions of the BP Economic Loss Settlement in the MDL court and applicable appellate courts. We are unable to predict at this time the effect that any challenge, modification, or overturning of the BP Economic Loss Settlement may have on us.

The first phase of the MDL trial, which concluded in April 2013, covered issues arising out of the conduct and degree of culpability of various parties allegedly relevant to the loss of well control, the ensuing fire and explosion on and sinking of the Deepwater Horizon, and the initiation of the release of hydrocarbons from the Macondo well. At the conclusion of the plaintiffs' case, in March 2013, the MDL court dismissed all claims against certain defendants, leaving BP, Transocean, and us as the remaining defendants with respect to the matters addressed during the first phase of the trial.

In September 2014, we reached an agreement, subject to court approval, to settle a substantial portion of the plaintiffs’ claims asserted against us relating to the Macondo well incident (our MDL Settlement). Pursuant to our MDL Settlement, we

agreed to pay an aggregate of $1.1 billion, which includes legal fees and costs, into a trust in three installments over the next two years, except that one installment of legal fees will not be paid until all of the conditions to the settlement have been satisfied or waived. Under our MDL Settlement, (1) a class of plaintiffs alleging physical damage to property or damages associated with the commercial fishing industry arising from the Macondo well incident agree to release all claims against us for punitive damages and (2) class members of the BP Economic Loss Settlement agree to release the claims against us that BP assigned to them in that settlement. We also agreed to release BP for any damages, consideration, or other relief that we provide under our MDL Settlement.

Certain conditions must be satisfied before our MDL Settlement becomes effective and the funds are released from the trust. These conditions include, among others, the BP Economic Loss Settlement becoming final and effective and the issuance of a final order of the MDL court, including the resolution of any appeals, that (1) affirms we have no liability for compensatory damages to the class members of the BP Economic Loss Settlement, (2) adopts the MDL court's January 2012 order enforcing our indemnity rights against BP (see "Indemnification and Insurance" below), and (3) adopts the MDL court's prior order that, under general maritime law, pure economic loss claims by plaintiffs other than commercial fishermen may not be brought against us. In addition, we have the right to terminate our MDL Settlement if more than an agreed number of plaintiffs elect to opt out of the settlement prior to the expiration of the opt out deadline to be established by the MDL court.

Our MDL Settlement does not cover claims against us by the state governments of Alabama, Florida, Mississippi, Louisiana, or Texas, claims by our own employees, compensatory damages claims by plaintiffs in the MDL that opted out of or were excluded from the settlement class in the BP MDL Settlements, or claims by other defendants in the MDL or their respective employees. However, as discussed below, these claims have either been dismissed, are subject to dismissal, are subject to indemnification by BP pursuant to rulings of the MDL court, or are not believed to be material. In addition, our MDL Settlement does not cover civil claims, if any, that may be brought against us by the United States government, although the government has not brought a claim against us in the DOJ's civil action described below.

Before approving our MDL Settlement, the MDL court must certify the settlement class, the numerous class members must be notified of the proposed settlement, and the court must hold a fairness hearing. We are unable to predict when the MDL court will approve our MDL Settlement.

Subsequently in September 2014, the MDL court ruled (Phase One Ruling) that, among other things, (1) in relation to the Macondo well incident, BP's conduct was reckless, Transocean's conduct was negligent, and our conduct was negligent, (2) fault for the Macondo blowout, explosion, and spill is apportioned 67% to BP, 30% to Transocean, and 3% to us, and (3) the indemnity and release clauses in our contract with BP are valid and enforceable against BP. The MDL court did not find that our conduct was grossly negligent, thereby, subject to any appeals, eliminating our exposure in the MDL for punitive damages.

The Phase One Ruling is subject to appeal. BP has announced that it will immediately appeal the Phase One Ruling to the Fifth Circuit and that it believes the findings that it was grossly negligent and that its activities at the Macondo well amounted to willful misconduct are not supported by the evidence at trial. On October 2, 2014, BP filed a motion in the MDL court to amend the court's findings, alter or amend the court's judgment, or for a new trial. BP's motion questions the court's determination that a casing breach caused the blowout and claims that the court relied upon excluded evidence to reach that conclusion. BP's motion contends that the court's finding that BP was grossly negligent should be reversed and that the fault allocation should be reapportioned. We have opposed this motion.

The second phase of the MDL trial was split into two parts, with testimony presented in October 2013. The first part covered attempts to collect, control, or halt the flow of hydrocarbons from the well, while the second part covered the quantification of hydrocarbons discharged from the well. The parties submitted proposed findings of fact and conclusions of law, post-trial briefs and responses during December 2013 and January 2014. According to a stipulation and post-trial filings, BP contends that 2.45 million barrels of oil were released into the Gulf of Mexico and the DOJ contends that a total of 4.2 million barrels were released. The MDL court has not issued a ruling on the questions that were the subject of the second phase of the trial.

The DOJ's civil action for CWA violations, fines, and penalties against BP Exploration, Anadarko Petroleum Corporation and Anadarko E&P Company LP, which had an approximate 25% interest in the Macondo well, certain subsidiaries of Transocean Ltd., and others will be addressed by the MDL court in another phase of the trial currently scheduled to begin in January 2015. Also, the MDL court has scheduled a trial of seven OPA test cases which are limited to the plaintiffs and BP. The plaintiffs have dropped their general maritime law claims against us in these test cases, although BP asserts in its affirmative defenses that the damages involved were caused by third parties such as Transocean and us.

Damages for the cases tried in the MDL proceeding, including punitive damages, if any, are expected to be tried following the issuance of the MDL court's rulings regarding the first two phases of the MDL trial. Under ordinary MDL procedures, such cases would, unless waived by the respective parties, be tried in the courts from which they were transferred into the MDL. It remains unclear, however, what impact the overlay of the Limitation Action will have on where these matters are tried. A process is underway to establish a schedule for trial of the State of Alabama's OPA and general maritime law damages claims, with a potential trial commencing in the fourth quarter of 2015.

Subject to all applicable appeals and final approvals, the following briefly summarizes the status of the various claims against us based on the various settlements and MDL court rulings described above:

- compensatory damages claims asserted against us by the members of the settlement class in the BP MDL Settlements may not be pursued under the terms of that settlement;
- compensatory damages claims asserted against us by plaintiffs in the MDL that are not members of the settlement class in the BP MDL Settlements, including plaintiffs who opted out of or were excluded from those settlements, the state governments of Alabama, Florida, Mississippi, Louisiana, and Texas, the Mexican State of Yucatan, and the United Mexican States, are either dismissed, subject to dismissal, or subject to indemnification by BP pursuant to rulings of the MDL court;
- punitive damages claims asserted against us by the members of the settlement class in our MDL Settlement are released pursuant to that settlement, and we should not otherwise be held liable for punitive damages claims asserted by any other plaintiffs in the MDL because the Phase One Ruling did not find that our conduct was grossly negligent;
- BP's direct damages claims against us, such as claims for clean-up expenses and damage to the well and reservoir, that are assigned to members of the settlement class in the BP Economic Loss Settlement are released pursuant to our MDL Settlement;
- BP's claim against us for contribution, indemnity, or subrogation with respect to fines and penalties under the CWA or other federal or state statute are unresolved, although we believe that the claim is without merit and is subject to a release given by BP in our contract relating to the Macondo well; and
- claims against us asserted by Transocean, and claims against us that are not included in the MDL are unresolved, but these claims are subject to indemnification by BP pursuant to the rulings of the MDL court and we do not believe that these claims are material.

As a result of our MDL Settlement and the Phase One Ruling, we reduced our existing loss contingency liability related to the Macondo well incident from $1.3 billion to $1.2 billion as of September 30, 2014, consisting of a current portion of $395 million and a non-current portion of $805 million. The $1.2 billion represents a loss contingency related to our MDL Settlement as well as an additional loss contingency of $72 million unrelated to that settlement that is probable and for which a reasonable estimate of a loss can be made. Our loss contingency liability does not include potential recoveries from our insurers or indemnification by BP. Additionally, during the third quarter of 2014, we recorded $95 million of income for an insurance recovery related to our MDL Settlement that we believe is probable. As a result, we recorded an adjustment of $195 million for Macondo-related activity in operating income within "Corporate and other" in our condensed consolidated statements of operations for the three and nine months ended September 30, 2014. See "Indemnification and Insurance" below for information regarding amounts that we could potentially recover from insurance and are currently unable to classify as probable.

Subject to the satisfaction of the conditions of our MDL Settlement and to the resolution of appeals of the Phase One Ruling, we believe our MDL Settlement and the Phase One Ruling have eliminated any additional material financial exposure to us in relation to the Macondo well incident. However, because our MDL Settlement is subject to court approval and other conditions and the Phase One Ruling is subject to appeals, we are unable to predict the ultimate outcome of the many lawsuits, investigations, and other matters relating to the Macondo well incident, including appeals of the Phase One Ruling, further orders and rulings of the MDL court and other courts, and indemnification and insurance arrangements. We are also unable to predict whether the court will approve our MDL Settlement or whether the conditions of our MDL Settlement will be satisfied. Accordingly, there are additional loss contingencies relating to the Macondo well incident that are reasonably possible but for which we cannot make a reasonable estimate and we may adjust our estimated loss contingency liability and our amounts recoverable from insurance in the future. In addition, applicable accounting rules and guidance may require us to recognize a loss contingency for which we may be fully indemnified, without recognizing a corresponding receivable for the amount of the indemnity payment. Depending on the developments discussed above, liabilities arising out of the Macondo well incident could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

We intend to continue defending any litigation, fines, and/or penalties relating to the Macondo well incident and to vigorously pursue any damages, remedies, or other rights available to us as a result of the Macondo well incident. We have incurred and expect to continue to incur significant legal fees and costs, some of which we intend to seek recovery of through indemnity or insurance arrangements, as a result of the numerous investigations and lawsuits relating to the incident.

Regulatory Action. In October 2011, the Bureau of Safety and Environmental Enforcement (BSEE) issued a notification of Incidents of Noncompliance (INCs) to us for allegedly violating federal regulations relating to the failure to take measures to prevent the unauthorized release of hydrocarbons, the failure to take precautions to keep the Macondo well under control, the failure to cement the well in a manner that would, among other things, prevent the release of fluids into the Gulf of Mexico, and the failure to protect health, safety, property, and the environment as a result of a failure to perform operations in a safe and workmanlike manner. According to the BSEE's notice, we did not ensure an adequate barrier to hydrocarbon flow after cementing the production casing and did not detect the influx of hydrocarbons until they were above the blowout preventer stack. We understand that the regulations in effect at the time of the alleged violations provide for fines of up to $35,000 per day per violation. We have appealed the INCs to the Interior Board of Land Appeals (IBLA). In January 2012, the IBLA, in response to our and the BSEE's joint request, suspended the appeal pending certain proceedings in the MDL trial. At the conclusion of the suspension of the appeal, we expect to file a proposal for further action within 60 days. The BSEE has

announced that the INCs will be reviewed for possible imposition of civil penalties once the appeal has ended. The BSEE has stated that this is the first time the Department of the Interior has issued INCs directly to a contractor that was not the well's operator.

DOJ Investigations and Actions. On June 1, 2010, the United States Attorney General announced that the DOJ was launching civil and criminal investigations into the Macondo well incident. The DOJ announced that it was reviewing, among other traditional criminal statutes, possible violations of and liabilities under the CWA, the OPA, and the ESA.

The CWA provides authority for civil penalties for discharges of oil into or upon navigable waters of the United States, adjoining shorelines, or in connection with the OCSLA in quantities that are deemed harmful. A single discharge event may result in the assertion of numerous violations under the CWA. Civil proceedings under the CWA can be commenced against an “owner, operator, or person in charge of any vessel, onshore facility, or offshore facility from which oil or a hazardous substance is discharged” in violation of the CWA. The civil penalties that can be imposed against responsible parties range from up to $1,100 per barrel of oil discharged in the case of those found strictly liable to $4,300 per barrel of oil discharged in the case of those found to have been grossly negligent.

The OPA establishes liability for discharges of oil from vessels, onshore facilities, and offshore facilities into or upon the navigable waters of the United States. Under the OPA, the “responsible party” for the discharging vessel or facility is liable for removal and response costs as well as for damages, including recovery costs to contain and remove discharged oil and damages for injury to natural resources and real or personal property, lost revenues, lost profits, and lost earning capacity. The cap on liability under the OPA during 2010 was the full cost of removal of the discharged oil plus up to $75 million for damages, except that the $75 million cap does not apply in the event the damage was proximately caused by gross negligence or the violation of certain federal safety, construction or operating standards. The OPA defines the set of responsible parties differently depending on whether the source of the discharge is a vessel or an offshore facility. Liability for vessels is imposed on owners and operators; liability for offshore facilities is imposed on the holder of the permit or lessee of the area in which the facility is located.

The ESA establishes liability for injury and death to wildlife. The ESA provides for civil penalties for knowing violations that can range up to $25,000 per violation.

On December 15, 2010, the DOJ filed a civil action seeking damages and injunctive relief against BP Exploration, Anadarko Petroleum Corporation and Anadarko E&P Company LP, which had an approximate 25% interest in the Macondo well, certain subsidiaries of Transocean Ltd., and others for violations of the CWA and the OPA. The DOJ’s complaint seeks a declaration that the defendants are strictly liable under the CWA as a result of harmful discharges of oil into the Gulf of Mexico and upon United States shorelines as a result of the Macondo well incident. The complaint also seeks a declaration that the defendants are strictly liable under the OPA for the discharge of oil that has resulted in, among other things, injury to, loss of, loss of use of, or destruction of natural resources and resource services in and around the Gulf of Mexico and the adjoining United States shorelines and resulting in removal costs and damages to the United States far exceeding $75 million. BP Exploration has been designated, and has accepted the designation, as a responsible party for the pollution under the CWA and the OPA. Others have also been named as responsible parties, and all responsible parties may be held jointly and severally liable for any damages under the OPA. Under the OPA, a responsible party may make a claim for contribution against any other responsible party or against third parties it alleges contributed to or caused the oil spill. In connection with the proceedings discussed above under “Litigation,” in April 2011 BP filed a claim against us for statutory and equitable contribution with respect to liabilities incurred by BP under the OPA or another law, which subsequent court filings have indicated may include the CWA, and requested a judgment that the DOJ assert its claims for OPA financial liability directly against us. We filed a motion to dismiss BP’s claim, and that motion is pending. In July 2013, we also filed a motion for summary judgment requesting a court order that we are not liable to BP or Transocean for equitable indemnification or contribution with regard to any CWA fines and penalties that have been assessed or may be assessed against BP or Transocean. That motion is also pending.

We were not named as a responsible party under the CWA or the OPA in the DOJ civil action, and we do not believe we are a responsible party under the CWA or the OPA. While we were not included in the DOJ’s civil complaint, there can be no assurance that federal governmental authorities will not bring a civil action against us under the CWA, the OPA, and/or other statutes or regulations.

In July 2013, we reached an agreement with the DOJ to conclude the federal government's criminal investigation of us in relation to the Macondo well incident. We pled guilty to one misdemeanor violation of federal law concerning the deletion of certain computer files created after the occurrence of the Macondo well incident. We paid a criminal fine of $0.2 million and agreed to three years' probation. Under the plea agreement, the DOJ agreed that it will not pursue further criminal prosecution of us, including our subsidiaries, for any conduct relating to or arising out of the Macondo well incident. We have agreed to continue to cooperate with the DOJ in any ongoing investigation related to or arising from the incident. In September 2013, our guilty plea was entered and approved by a federal district court judge on the terms and conditions of the plea agreement, and the DOJ closed its criminal investigation of us in relation to the Macondo well incident.

In November 2012, BP announced that it reached an agreement with the DOJ to resolve all federal criminal charges against it stemming from the Macondo well incident. BP agreed to plead guilty to 14 criminal charges, with 13 of those charges

based on the negligent misinterpretation of the negative pressure test conducted on the Deepwater Horizon. BP also agreed to, among other things, pay $4.0 billion, including approximately $1.3 billion in criminal fines, and to a term of five years' probation.

In January 2013, Transocean announced that it reached an agreement with the DOJ to resolve certain claims for civil penalties and potential criminal claims against it arising from the Macondo well incident. Transocean agreed, among other things, to plead guilty to one misdemeanor violation of the CWA for negligent discharge of oil into the Gulf of Mexico, to pay $1.0 billion in CWA penalties and $400 million in fines and recoveries, and to a term of five years' probation.

Indemnification and Insurance. Our contract with BP relating to the Macondo well generally provides for our indemnification by BP for certain claims and expenses relating to the Macondo well incident, including those resulting from pollution or contamination (other than claims by our employees, loss or damage to our property, and any pollution emanating directly from our equipment). Also, under our contract with BP, we have, among other things, generally agreed to indemnify BP and other contractors performing work on the well for claims for personal injury of our employees and subcontractors, as well as for damage to our property. In turn, we believe that BP was obligated to obtain agreement by other contractors performing work on the well to indemnify us for claims for personal injury of their employees or subcontractors, as well as for damages to their property. We have entered into separate indemnity agreements with Transocean and M-I Swaco, under which we have agreed to indemnify those parties for claims for personal injury of our employees and subcontractors and they have agreed to indemnify us for claims for personal injury of their employees and subcontractors.

In January 2012, the MDL court entered an order regarding certain indemnification matters. The court held that BP is required to indemnify us for third-party compensatory claims, or actual damages, that arise from pollution or contamination that did not originate from our property or equipment located above the surface of the land or water, even if we were found to be grossly negligent. The court also held, however, that BP does not owe us indemnity for punitive damages or for civil penalties under the CWA, if any. As discussed above, the DOJ is not seeking civil penalties from us under the CWA, but BP has filed a claim for contribution against us with respect to its liabilities.

As discussed above, the Phase One Ruling found that the indemnification provisions in our contract with BP are valid and enforceable against BP.

In addition to our contractual indemnity arrangements, we had a general liability insurance program of $600 million at the time of the Macondo well incident. Our insurance was designed to cover claims by businesses and individuals made against us in the event of property damage, injury, or death and, among other things, claims relating to environmental damage, as well as legal fees incurred in defending against those claims. We have received payments from our insurers with respect to covered legal fees incurred in connection with the Macondo well incident. Through September 30, 2014, we have incurred legal fees and related expenses of approximately $312 million, of which $276 million has been reimbursed under or is expected to be covered by our insurance program.

With respect to our MDL Settlement, we expect to collect an additional $95 million under our general liability insurance program.

With regard to the remaining $200 million of potential insurance recovery relating to the Macondo well incident, our insurance carriers have notified us that they do not intend to reimburse us with respect to our MDL Settlement. We disagree with our insurance carriers and intend to vigorously pursue recovery of the $200 million. Due to the uncertainty surrounding such recovery, no related amounts have been recognized in the condensed consolidated financial statements as of September 30, 2014.

Securities and related litigation

In June 2002, a class action lawsuit was filed against us in federal court alleging violations of the federal securities laws after the Securities and Exchange Commission (SEC) initiated an investigation in connection with our change in accounting for revenue on long-term construction projects and related disclosures. In the weeks that followed, approximately twenty similar class actions were filed against us. Several of those lawsuits also named as defendants several of our present or former officers and directors. The class action cases were later consolidated, and the amended consolidated class action complaint, styled *Richard Moore, et al. v. Halliburton Company, et al.*, was filed and served upon us in April 2003. As a result of a substitution of lead plaintiffs, the case was styled *Archdiocese of Milwaukee Supporting Fund (AMSF) v. Halliburton Company, et al*. AMSF has changed its name to Erica P. John Fund, Inc. (the Fund). We settled with the SEC in the second quarter of 2004.

In June 2003, the lead plaintiffs filed a motion for leave to file a second amended consolidated complaint, which was granted by the court. In addition to restating the original accounting and disclosure claims, the second amended consolidated complaint included claims arising out of our 1998 acquisition of Dresser Industries, Inc., including that we failed to timely disclose the resulting asbestos liability exposure.

In April 2005, the court appointed new co-lead counsel and named the Fund the new lead plaintiff, directing that it file a third consolidated amended complaint and that we file our motion to dismiss. The court held oral arguments on that motion in August 2005. In March 2006, the court entered an order in which it granted the motion to dismiss with respect to claims arising prior to June 1999 and granted the motion with respect to certain other claims while permitting the Fund to re-plead some of those claims to correct deficiencies in its earlier complaint. In April 2006, the Fund filed its fourth amended consolidated complaint. We filed a motion to dismiss those portions of the complaint that had been re-pled. A hearing was held on that motion in July 2006, and in March 2007 the court ordered dismissal of the claims against all individual defendants other than our Chief Executive Officer (CEO). The court ordered that the case proceed against our CEO and us.

In September 2007, the Fund filed a motion for class certification, and our response was filed in November 2007. The district court held a hearing in March 2008, and issued an order in November 2008 denying the motion for class certification. The Fund appealed the district court's order to the Fifth Circuit Court of Appeals. The Fifth Circuit affirmed the district court's order denying class certification. In May 2010, the Fund filed a writ of certiorari in the United States Supreme Court. In January 2011, the Supreme Court granted the writ of certiorari and accepted the appeal. The Court heard oral arguments in April 2011 and issued its decision in June 2011, reversing the Fifth Circuit ruling that the Fund needed to prove loss causation in order to obtain class certification. The Court's ruling was limited to the Fifth Circuit's loss causation requirement, and the case was returned to the Fifth Circuit for further consideration of our other arguments for denying class certification. The Fifth Circuit returned the case to the district court, and in January 2012 the court issued an order certifying the class. We filed a Petition for Leave to Appeal with the Fifth Circuit, which was granted. In April 2013, the Fifth Circuit issued an order affirming the District Court's order certifying the class.

We filed a writ of certiorari with the United States Supreme Court seeking an appeal of the Fifth Circuit decision. In November 2013, the Supreme Court granted our writ. Oral argument was held before the Supreme Court in March 2014. The Supreme Court issued its decision in June 2014, maintaining the presumption of class member reliance through the "fraud on the market" theory, but holding that we are entitled to rebut that presumption by presenting evidence that there was no impact on our stock price from the alleged misrepresentation. Because the district court and the Fifth Circuit denied us that opportunity, the Supreme Court vacated the Fifth Circuit's decision and remanded for further proceedings consistent with the Supreme Court decision. In December 2014, the district court is scheduled to hold a hearing to consider whether there was an impact on our stock price from the alleged misrepresentations. Fact discovery has been stayed except as it relates to class certification. We cannot predict the outcome or consequences of this case, which we intend to vigorously defend.

Investigations

We are conducting internal investigations of certain areas of our operations in Angola and Iraq, focusing on compliance with certain company policies, including our Code of Business Conduct (COBC), and the FCPA and other applicable laws.

In December 2010, we received an anonymous e-mail alleging that certain current and former personnel violated our COBC and the FCPA, principally through the use of an Angolan vendor. The e-mail also alleges conflicts of interest, self-dealing, and the failure to act on alleged violations of our COBC and the FCPA. We contacted the DOJ to advise them that we were initiating an internal investigation.

During the second quarter of 2012, in connection with a meeting with the DOJ and the SEC regarding the above investigation, we advised the DOJ and the SEC that we were initiating unrelated, internal investigations into payments made to a third-party agent relating to certain customs matters in Angola and to third-party agents relating to certain customs and visa matters in Iraq.

Since the initiation of the investigations described above, we have participated in meetings with the DOJ and the SEC to brief them on the status of the investigations and have been producing documents to them both voluntarily and as a result of SEC subpoenas to us and certain of our current and former officers and employees.

We expect to continue to have discussions with the DOJ and the SEC regarding the Angola and Iraq matters described above and have indicated that we would further update them as our investigations progress. We have engaged outside counsel and independent forensic accountants to assist us with these investigations.

During the second quarter of 2013, we received a civil investigative demand from the Antitrust Division of the DOJ regarding pressure pumping services. We have engaged in discussions with the DOJ on this matter and have provided responses to the DOJ's information requests. We understand there have been others in our industry who have received similar correspondence from the DOJ, and we do not believe that we are being singled out for any particular scrutiny.

We intend to continue to cooperate with the DOJ's and the SEC's inquiries and requests in these investigations. Because these investigations are ongoing, we cannot predict their outcome or the consequences thereof.

Environmental

We are subject to numerous environmental, legal, and regulatory requirements related to our operations worldwide. In the United States, these laws and regulations include, among others:

- the Comprehensive Environmental Response, Compensation, and Liability Act;
- the Resource Conservation and Recovery Act;
- the Clean Air Act;
- the Federal Water Pollution Control Act;
- the Toxic Substances Control Act; and
- the Oil Pollution Act.

In addition to the federal laws and regulations, states and other countries where we do business often have numerous environmental, legal, and regulatory requirements by which we must abide. We evaluate and address the environmental impact of our operations by assessing and remediating contaminated properties in order to avoid future liabilities and comply with environmental, legal, and regulatory requirements. Our Health, Safety, and Environment group has several programs in place to maintain environmental leadership and to help prevent the occurrence of environmental contamination. On occasion, in addition to the matters relating to the Macondo well incident described above, we are involved in other environmental litigation and claims, including the remediation of properties we own or have operated, as well as efforts to meet or correct compliance-related matters. We do not expect costs related to those claims and remediation requirements to have a material adverse effect on our liquidity, consolidated results of operations, or consolidated financial position. Excluding our loss contingency for the Macondo well incident, our accrued liabilities for environmental matters were $58 million as of September 30, 2014 and $66 million as of December 31, 2013. Because our estimated liability is typically within a range and our accrued liability may be the amount on the low end of that range, our actual liability could eventually be well in excess of the amount accrued. Our total liability related to environmental matters covers numerous properties.

Additionally, we have subsidiaries that have been named as potentially responsible parties along with other third parties for nine federal and state Superfund sites for which we have established reserves. As of September 30, 2014, those nine sites accounted for approximately $3 million of our $58 million total environmental reserve. Despite attempts to resolve these Superfund matters, the relevant regulatory agency may at any time bring suit against us for amounts in excess of the amount accrued. With respect to some Superfund sites, we have been named a potentially responsible party by a regulatory agency; however, in each of those cases, we do not believe we have any material liability. We also could be subject to third-party claims with respect to environmental matters for which we have been named as a potentially responsible party.

Guarantee arrangements

In the normal course of business, we have agreements with financial institutions under which approximately $2.4 billion of letters of credit, bank guarantees, or surety bonds were outstanding as of September 30, 2014, including $258 million of surety bond guarantees related to our Venezuelan operations. Some of the outstanding letters of credit have triggering events that would entitle a bank to require cash collateralization.

Note 7. Income per Share

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. Differences between basic and diluted weighted average common shares outstanding for all periods presented resulted from the dilutive effect of awards granted under our stock incentive plans.

Excluded from the computation of diluted income per share are options to purchase two million shares of common stock that were outstanding during the nine months ended September 30, 2014, and options to purchase one million and five million shares of common stock that were outstanding during the three and nine months ended September 30, 2013, respectively. These options were outstanding but were excluded because they were antidilutive, as the option exercise price was greater than the average market price of the common shares. There were no antidilutive shares outstanding for the three months ended September 30, 2014.

Note 8. Fair Value of Financial Instruments

At September 30, 2014, we held $280 million of investments in fixed income securities with maturities ranging from less than one year to November 2019, compared to $373 million of investments in fixed income securities held at December 31, 2013. These securities are accounted for as available-for-sale and recorded at fair value as follows:

	September 30, 2014			December 31, 2013		
Millions of dollars	Level 1	Level 2	Total	Level 1	Level 2	Total
Fixed income securities:						
U.S. treasuries (a)	$ —	$ —	$ —	$ 100	$ —	$ 100
Other (b)	—	280	280	—	273	273
Total	$ —	$ 280	$ 280	$ 100	$ 273	$ 373

(a) These securities are classified as "Other current assets" in our condensed consolidated balance sheets.

(b) Of these securities, $131 million are classified as “Other current assets” and $149 million are classified as “Other assets” on our condensed consolidated balance sheets as of September 30, 2014, compared to $139 million classified as “Other current assets” and $134 million classified as “Other assets” as of December 31, 2013. These securities consist primarily of municipal bonds, corporate bonds, and other debt instruments.

Our Level 1 asset fair values are based on quoted prices in active markets and our Level 2 asset fair values are based on quoted prices for identical assets in less active markets. We have no financial instruments measured at fair value using unobservable inputs (Level 3). The carrying amount of cash and equivalents, receivables, and accounts payable, as reflected in the condensed consolidated balance sheets, approximates fair value due to the short maturities of these instruments.

The carrying amount and fair value of our long-term debt is as follows:

	September 30, 2014				December 31, 2013			
Millions of dollars	Level 1	Level 2	Total fair value	Carrying value	Level 1	Level 2	Total fair value	Carrying value
Long-term debt	$ 4,860	$ 4,220	$ 9,080	$ 7,816	$ 8,405	$ 292	$ 8,697	$ 7,816

Our Level 1 debt fair values are calculated using quoted prices in active markets for identical liabilities with transactions occurring on the last two days of period-end. Our Level 2 debt fair values are calculated using significant observable inputs for similar liabilities where estimated values are determined

from observable data points on our other bonds and on other similarly rated corporate debt or from observable data points of transactions occurring prior to two days from period-end and adjusting for changes in market conditions. We have no debt measured at fair value using unobservable inputs (Level 3).

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

EXECUTIVE OVERVIEW

Organization

We are a leading provider of services and products to the energy industry. We serve the upstream oil and natural gas industry throughout the lifecycle of the reservoir, from locating hydrocarbons and managing geological data, to drilling and formation evaluation, well construction and completion, and optimizing production through the life of the field. Activity levels within our operations are significantly impacted by spending on upstream exploration, development, and production programs by major, national, and independent oil and natural gas companies. We report our results under two segments, the Completion and Production segment and the Drilling and Evaluation segment:

- our Completion and Production segment delivers cementing, stimulation, well intervention, pressure control services, well control and prevention services, pipeline and process services, specialty chemicals, artificial lift, and completion products and services. The segment consists of Production Enhancement, Cementing, Completion Tools, Boots & Coots, Multi-Chem, and Artificial Lift.
- our Drilling and Evaluation segment provides field and reservoir modeling, drilling, evaluation, and precise wellbore placement solutions that enable customers to model, measure, drill, and optimize their well construction activities. The segment consists of Baroid, Sperry Drilling, Wireline and Perforating, Drill Bits and Services, Landmark Software and Services, Testing and Subsea, and Consulting and Project Management.

The business operations of our segments are organized around four primary geographic regions: North America, Latin America, Europe/Africa/CIS, and Middle East/Asia. We have significant manufacturing operations in various locations, including the United States, Canada, Malaysia, China, Singapore, and the United Kingdom.

With over 80,000 employees, we operate in approximately 80 countries around the world, and our corporate headquarters are in Houston, Texas and Dubai, United Arab Emirates.

Financial results

Our consolidated revenue for the third quarter of 2014 was $8.7 billion, an increase of $1.2 billion, or 16%, from the third quarter of 2013, attributable to increased stimulation activity in the United States land market, as well as increased activity across all regions for fluids, cementing, logging, and well intervention control services. On a consolidated basis, all of our product service lines experienced revenue growth from the third quarter of 2013. Additionally, during the third quarter of 2014, our revenue outside of North America comprised approximately 46% of consolidated revenue and represents our ongoing strategy to grow our international business and balance our geographic mix. Operating income increased $526 million, or 47%, during the third quarter of 2014, as compared to the third quarter of 2013, primarily due to higher stimulation activity in the United States land market, increased well intervention services across all regions, and increased drilling activity in the Eastern Hemisphere. Operating income in the third quarter of 2014 was also impacted by $195 million of Macondo-related activity as a result of a reduction of our loss contingency liability and an expected insurance recovery, while operating income in the third quarter of 2013 was adversely impacted by $54 million of restructuring charges related to severance and asset write-offs.

During the first nine months of 2014, we produced revenue of $24.1 billion and operating income of $3.8 billion. Revenue increased $2.3 billion, or 11%, from the first nine months of 2013, primarily due to higher stimulation activity in the United States land market and increased activity in almost all of our product service lines in the Eastern Hemisphere, partially offset by lower activity in Latin America. Operating income increased $1.8 billion, or 90%, from the first nine months of 2013, primarily as a result of various corporate items as well as increased stimulation activity in the United States land market. Operating income in the first nine months of 2014 was impacted by $195 million of Macondo-related activity as a result of a reduction of our loss contingency liability and an expected insurance recovery. Operating income in the first nine months of 2013 was impacted by a $1.0 billion increase of our Macondo-related loss contingency, a $55 million charge related to a charitable contribution to the National Fish and Wildlife Foundation, and a $54 million restructuring charge related to severance and asset write-offs.

Business outlook

We continue to believe in the strength of the long-term fundamentals of our business. Energy demand is expected to increase over the long term driven by economic growth in developing countries despite current underlying downside risks, such as sluggish growth in developed countries and uncertainties associated with geopolitical tensions in North Africa, Iraq, and Russia. Furthermore, development of new resources is expected to be more complex, resulting in higher service intensity.

In North America, our margins have improved during the year which we believe is due to increasing demand for our services and efficiencies in our cost structure, gained through our strategic initiatives and the application of key technologies. The industry has seen a shift from natural gas plays to oil and liquids-rich basins, as customers allocate their budgets to basins with the best economics. In addition, we are continuing to observe a meaningful switch to multi-well pad activity among our customer base, which is resulting in increased drilling and completion service efficiency. We believe the incremental efficiency gains provided by multi-well pad drilling will continue to enable us to leverage our operational scale and expertise.

Outside of North America, both revenue and operating income increased in the first nine months of 2014, compared to the first nine months of 2013. We believe that international growth will continue as a result of volume increases as we deploy resources on our recent contract wins and new projects, continued improvement in markets where we have made strategic investments, the introduction of new technology, and increased pricing and cost recovery on select contracts. We also believe that international unconventional oil and natural gas, mature fields, and deepwater projects will contribute to activity improvements over the long term, and we plan to leverage our extensive experience in North America to capitalize on these opportunities. Consistent with our long-term strategy to grow our operations outside of North America, we also expect to continue to invest in capital equipment for our international operations.

Despite the geopolitical issues we have been facing in Russia, Libya, and Iraq, Eastern Hemisphere activity continues to expand at a steady rate. In Latin America, it has been a challenging year, primarily as a result of reduced activity in Brazil and the timing of contract approvals and our recent mobilization of integrated project management work in Mexico; however, we believe activity will improve for the remainder of the year, driven by higher software and consulting services and increased integrated project activity. As such, this does not change our long-term outlook for Latin America, which we expect to contribute significantly to our future growth and profitability.

We are continuing to execute several key initiatives in 2014, which include the following strategies:

- focusing on unconventional plays, mature fields, and deepwater markets by leveraging our broad technology offerings to provide value to our customers through integrated solutions and enabling them to more efficiently drill and complete their wells;
- exploring opportunities for acquisitions that will enhance or augment our current portfolio of services and products, including those with unique technologies or distribution networks in areas where we do not already have significant operations;
- making key investments in technology and infrastructure to maximize growth opportunities. To that end, we are continuing to migrate our technology and manufacturing capacity, as well as our supply chain, closer to our customers in the Eastern Hemisphere;
- improving working capital, and managing our balance sheet to maximize our financial flexibility. We are working to improve service delivery through a project that we expect will result in, among other things, significant improvements to our current order-to-cash and purchase-to-pay processes;
- growing our international revenues and margins by directing capital and resources into strategic growth markets;
- improving our North America margins by leveraging technologies and reducing costs through more efficient operations; and
- continuing to seek ways to be one of the most cost efficient service providers in the industry by maintaining capital discipline and leveraging our scale and breadth of operations.

Our operating performance and business outlook are described in more detail in “Business Environment and Results of Operations.”

Financial markets, liquidity, and capital resources

We believe we have invested our cash balances conservatively and secured sufficient financing to help mitigate any near-term negative impact on our operations from adverse market conditions. For additional information, see “Liquidity and Capital Resources” and “Business Environment and Results of Operations.”

LIQUIDITY AND CAPITAL RESOURCES

We ended the third quarter of 2014 with cash and equivalents of $2.0 billion, compared to $2.4 billion at the end of 2013. As of September 30, 2014, approximately $107 million of the $2.0 billion of cash and equivalents was held by our foreign subsidiaries and would be subject to United States tax if repatriated. However, our intent is to permanently reinvest these funds outside of the United States and our current plans do not suggest a need to repatriate them to fund our United States operations. At September 30, 2014, we also held $280 million of investments in fixed income securities compared to $373 million at December 31, 2013. These securities are reflected in "Other current assets" and "Other assets" in our condensed consolidated balance sheets.

Significant sources and uses of cash

Cash flows from operating activities were $2.9 billion in the first nine months of 2014.

Capital expenditures were $2.3 billion in the first nine months of 2014, and were predominantly made in our Production Enhancement, Sperry Drilling, Cementing, Wireline and Perforating, and Baroid product service lines.

During the first nine months of 2014, our primary components of working capital (receivables, inventories, and accounts payable) increased by a net $1.0 billion, primarily due to increased business activity.

We repurchased approximately 13.3 million shares of our common stock during the first nine months of 2014 for a total cost of $800 million.

We paid $381 million in dividends to our shareholders during the first nine months of 2014.

During the first nine months of 2014, we paid $230 million for acquisitions of various businesses, net of cash acquired, to further enhance our existing product service lines.

During the first quarter of 2014, we received a $155 million income tax refund, including interest, for agreed upon tax items for the tax years 2003 through 2006 and 2008 through 2009.

Future sources and uses of cash

During the third quarter of 2014, we reached an agreement, subject to court approval, to settle a substantial portion of the plaintiffs' claims asserted against us relating to the Macondo well incident for approximately $1.1 billion, of which approximately $395 million would be paid over the next year. See Note 6 to the condensed consolidated financial statements for further information.

During the third quarter of 2014, we reached a settlement with KBR under which KBR agreed to pay us $81 million related to amounts owed to us under our Tax Sharing Agreement with KBR. See Note 5 to the condensed consolidated financial statements for further information.

Capital spending for 2014 is currently expected to be approximately $3.2 billion. The capital expenditures plan for the fourth quarter of 2014 is primarily directed toward our Production Enhancement, Sperry Drilling, Boots & Coots, Wireline and Perforating, and Cementing product service lines, with an increasing amount dedicated to our operations in North America.

Subject to Board of Directors approval, our intention is to pay dividends representing at least 15% to 20% of our net income on an annual basis. In October 2014, Halliburton’s Board of Directors approved a 20% increase of the quarterly dividend from $0.15 to $0.18 per share, or approximately $152 million per quarter, which is expected to be paid in the fourth quarter of 2014.

In July 2014, our Board of Directors increased the authorization to repurchase our common stock by approximately $4.8 billion. Approximately $5.7 billion remains authorized for repurchases as of September 30, 2014 and may be used for open market and other share purchases.

We are continuing to explore opportunities for acquisitions that will enhance or augment our current portfolio of services and products, including those with unique technologies or distribution networks in areas where we do not already have significant operations.

Other factors affecting liquidity

Financial position in current market. As of September 30, 2014, we had $2.0 billion of cash and equivalents, $280 million in fixed income investments, and a total of $3.0 billion of available committed bank credit under our revolving credit facility. Furthermore, we have no financial covenants or material adverse change provisions in our bank agreements, and our debt maturities extend over a long period of time. Although a portion of earnings from our foreign subsidiaries is reinvested outside the United States indefinitely, we do not consider this to have a significant impact on our liquidity. We currently believe that our capital expenditures, working capital investments, and dividends, if any, during the remainder of 2014 can be fully funded through cash from operations.

As a result, we believe we have a reasonable amount of liquidity and, if necessary, additional financing flexibility given the current market environment to fund our potential contingent liabilities, if any. However, as discussed in Note 6 to the condensed consolidated financial statements, there are future developments that may arise as a result of the Macondo well incident that could have a material adverse effect on our liquidity.

Guarantee agreements. In the normal course of business, we have agreements with financial institutions under which approximately $2.4 billion of letters of credit, bank guarantees, or surety bonds were outstanding as of September 30, 2014. Some of the outstanding letters of credit have triggering events that would entitle a bank to require cash collateralization.

Credit ratings. Credit ratings for our long-term debt remain A2 with Moody's Investors Service and A with Standard & Poor's. The credit ratings on our short-term debt remain P-1 with Moody's Investors Service and A-1 with Standard & Poor's.

Customer receivables. In line with industry practice, we bill our customers for our services in arrears and are, therefore, subject to our customers delaying or failing to pay our invoices. In weak economic environments, we may experience increased delays and failures to pay our invoices due to, among other reasons, a reduction in our customers' cash flow from operations and their access to the credit markets as well as unsettled political conditions. If our customers delay paying or fail to pay us a significant amount of our outstanding receivables, it could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition. See "Business Environment and Results of Operations – International operations – Venezuela" for further discussion related to Venezuela.

BUSINESS ENVIRONMENT AND RESULTS OF OPERATIONS

We operate in approximately 80 countries throughout the world to provide a comprehensive range of discrete and integrated services and products to the energy industry related to the exploration, development, and production of oil and natural gas. A significant amount of our consolidated revenue is derived from the sale of services and products to major, national, and independent oil and natural gas companies worldwide. The industry we serve is highly competitive with many substantial competitors in each segment of our business. During the first nine months of 2014, based upon the location of the services provided and products sold, 51% of our consolidated revenue was from the United States, compared to 49% of consolidated revenue from the United States in the first nine months of 2013. No other country accounted for more than 10% of our revenue during these periods.

Operations in some countries may be adversely affected by unsettled political conditions, acts of terrorism, civil unrest, force majeure, war or other armed conflict, sanctions, expropriation or other governmental actions, inflation, foreign currency exchange restrictions, and highly inflationary currencies, as well as other geopolitical factors. We believe the geographic diversification of our business activities reduces the risk that loss of operations in any one country, other than the United States, would be materially adverse to our consolidated results of operations.

Activity within our business segments is significantly impacted by spending on upstream exploration, development, and production programs by our customers. Also impacting our activity is the status of the global economy, which impacts oil and natural gas consumption.

Some of the more significant determinants of current and future spending levels of our customers are oil and natural gas prices, the world economy, the availability of credit, government regulation, and global stability, which together drive worldwide drilling activity. Our financial performance is significantly affected by oil and natural gas prices and worldwide rig activity, which are summarized in the following tables. Additionally, due to improved drilling and completion efficiencies as
more of our customers move to multi-well pad drilling, our financial performance is impacted by well count in the North America market.

The following table shows the average oil and natural gas prices for West Texas Intermediate (WTI), United Kingdom Brent crude oil, and Henry Hub natural gas:

	Three Months Ended September 30		Year Ended December 31
	2014	2013	2013
Oil price - WTI (1)	$ 97.78	$ 104.74	$ 97.99
Oil price - Brent (1)	101.82	109.28	108.71
Natural gas price - Henry Hub (2)	3.96	3.56	3.73

(1) Oil price measured in dollars per barrel
(2) Natural gas price measured in dollars per million British thermal units (Btu), or MMBtu

The historical average rig counts based on the weekly Baker Hughes Incorporated rig count information were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
Land vs. Offshore	2014	2013	2014	2013
United States:				
Land	1,842	1,708	1,788	1,708
Offshore (incl. Gulf of Mexico)	61	61	57	55
Total	1,903	1,769	1,845	1,763
Canada:				
Land	382	345	369	344
Offshore	3	4	2	2
Total	385	349	371	346
International (excluding Canada):				
Land	1,020	971	1,021	969
Offshore	328	314	324	320
Total	1,348	1,285	1,345	1,289
Worldwide total	3,636	3,403	3,561	3,398
Land total	3,244	3,024	3,178	3,021
Offshore total	392	379	383	377

	Three Months Ended September 30		Nine Months Ended September 30	
Oil vs. Natural Gas	2014	2013	2014	2013
United States (incl. Gulf of Mexico):				
Oil	1,578	1,386	1,514	1,372
Natural gas	325	383	331	391
Total	1,903	1,769	1,845	1,763
Canada:				
Oil	220	225	220	240
Natural gas	165	124	151	106
Total	385	349	371	346
International (excluding Canada):				
Oil	1,074	1,015	1,074	1,021
Natural gas	274	270	271	268
Total	1,348	1,285	1,345	1,289
Worldwide total	3,636	3,403	3,561	3,398
Oil total	2,872	2,626	2,808	2,633
Natural gas total	764	777	753	765

	Three Months Ended September 30		Nine Months Ended September 30	
Drilling Type	2014	2013	2014	2013
United States (incl. Gulf of Mexico):				
Horizontal	1,314	1,073	1,247	1,096
Vertical	372	435	384	444
Directional	217	261	214	223
Total	1,903	1,769	1,845	1,763

Our customers' cash flows, in most instances, depend upon the revenue they generate from the sale of oil and natural gas. Lower oil and natural gas prices usually translate into lower exploration and production budgets, while the opposite is true for higher oil and natural gas prices.

WTI oil spot prices fluctuated throughout the first nine months of 2013 between a low of $87 per barrel and a high of $111 per barrel, while Brent crude oil spot prices fluctuated between a low of $97 per barrel and a high of $119 per barrel during this same period. During the first nine months of 2014, WTI oil spot prices ranged between $91 per barrel and $108 per barrel, while Brent crude oil spot prices ranged between $95 per barrel and $115 per barrel. Spot crude oil prices during the current year were negatively affected by rising exports from Libya and Iraq, softening demand in Europe and Asia, and robust production in the United States that has cut the demand for West African barrels. Despite the recent production increase in Libya, the country still faces a considerable challenge in ramping up production to its full capacity or even sustaining it at the current level. Additionally, high refinery runs contributed in a reduction to the differential between WTI and Brent crude oil spot prices, which has narrowed from an average of $8 per barrel during the first half of 2014 to $4 per barrel in the third quarter.

According to the International Energy Agency's (IEA) October 2014 "Oil Market Report," 2014 global oil demand is expected to average approximately 92.4 million barrels per day, which is up 1% from 2013. Although the latest European, Chinese, and Russia economic conditions have caused some alarm, the IEA still forecasts overall demand momentum to accelerate modestly over the remainder of 2014.

During the first nine months of 2014, average Henry Hub natural gas prices in the United States increased approximately 24% compared to the first nine months of 2013, due to an increase in natural gas storage withdrawals related to an unseasonably harsh winter in the early part of 2014. Higher natural gas prices this year contributed to a decline in natural gas consumption in the power sector, and the United States Energy Information Administration October 2014 "Short Term Energy Outlook" forecasts natural gas spot prices will remain near current levels until the start of the next winter heating season, with natural gas consumption in the power sector to increase next year.

North America operations

Volatility in oil and natural gas prices can impact our customers' drilling and production activities, particularly in North America. For the first nine months of 2014, the average natural gas directed rig count fell by 15 rigs, or 3%, while the average oil directed rig count increased 8%, compared to the first nine months of 2013. In the first nine months of 2014 our North America revenue and operating income increased 14% and 19%, respectively, compared to the first nine months of 2013.

Service intensity levels have continued to expand, and rising completion volumes have resulted in the need to expand our infrastructure.

In the United States land market, there was a moderate increase in rig count over the past year, driven by an increase in horizontal rigs primarily in the Permian Basin. We see service intensity expanding across many basins which is evidenced by longer laterals, increased stage counts, and rising volumes per stage. This trend is beneficial to our overall business and should enable us to leverage our broad technology offerings.

In the Gulf of Mexico, our deepwater activity outlook remains positive as we continue to focus on leveraging our technology to increase reliability and reduce uncertainty. Over the long term, the continued growth in the Gulf of Mexico is dependent on, among other things, governmental approvals for permits, our customers' actions, and new deepwater rigs entering the market.

International operations

The industry experienced steady volume increases in the first nine months of 2014, with average international rig count improving by 4%, compared to the first nine months of 2013. In the Eastern Hemisphere, we continue to execute our growth strategy. Relative to the first nine months of 2013, we grew our Eastern Hemisphere revenue and operating income by 11% and 18%, respectively, as a result of growth in both the Middle East/Asia and Europe/Africa/CIS regions. We had strong growth in our Saudi Arabia operations due to increased activity in most of our product service lines. Our Eastern Hemisphere activity is expanding at a steady rate and we expect the fourth quarter of 2014 to be our strongest quarter of the year, due to seasonal year-end software and equipment sales.

In Latin America, although it has been a challenging year, activity has improved during the third quarter of 2014. Over the long term, we are optimistic about our position in Latin America and the future growth potential of this market. With the passage of energy reform in Mexico, we expect to see a strong opportunity for growth in Mexico's shale, mature fields, and deepwater markets in future years. We believe foreign investment in this market will be beneficial to our business.

Venezuela. As of September 30, 2014, our total net investment in Venezuela was approximately $554 million, including net monetary assets of $146 million denominated in Bolívares. Also, at September 30, 2014 we had $258 million of surety bond guarantees outstanding relating to our Venezuelan operations.

We have experienced delays in collecting payment on our receivables from our primary customer in Venezuela. These receivables are not disputed, and we have not historically had material write-offs relating to this customer. Additionally, we routinely monitor the financial stability of our customers. Our total outstanding trade receivables in Venezuela were $653 million, or approximately 9% of our gross trade receivables, as of September 30, 2014, compared to $486 million, or approximately 8% of our gross trade receivables, as of December 31, 2013. Of the $653 million receivables in Venezuela as of September 30, 2014, $215 million has been classified as long-term and included within “Other assets” on our condensed consolidated balance sheets.

In February 2013, the Venezuelan government devalued the Bolívar, from the preexisting exchange rate of 4.3 Bolívares per United States dollar to 6.3 Bolívares per United States dollar.

During 2014, the Venezuelan government has made available two new foreign exchange rate mechanisms through which a company may be able to legally convert Bolívares to United States dollars, in addition to the National Center of Foreign Commerce official rate of 6.3 Bolívares per United States dollar:

(1) a bid rate established via weekly auctions under the Complementary System of Foreign Currency Acquirement (SICAD I); and
(2) an auction rate which is intended to more closely resemble a market-driven exchange rate (SICAD II).

The availability of new currency mechanisms had no impact on our results of operations during the nine months ended September 30, 2014 as we continue to use the official exchange rate to remeasure net assets denominated in Bolívares. We have not utilized nor do we intend at this time to utilize either of the newly available exchange mechanisms to transact business in Venezuela. Had we used the SICAD I rate of 12.0 Bolívares per United States dollar or the SICAD II rate of 50.0 Bolívares per United States dollar to remeasure our net monetary position as of September 30, 2014, we would have incurred a foreign currency loss ranging from $69 million to $128 million for the third quarter of 2014. We will continue to monitor any future impact of these mechanisms on the exchange rate we use to remeasure our Venezuelan subsidiary’s financial statements.

For additional information, see Part I, Item 1(a), “Risk Factors” in our 2013 Annual Report on Form 10-K.

RESULTS OF OPERATIONS IN 2014 COMPARED TO 2013

Three Months Ended September 30, 2014 Compared with Three Months Ended September 30, 2013

REVENUE:	Three Months Ended September 30		Favorable	Percentage
Millions of dollars	2014	2013	(Unfavorable)	Change
Completion and Production	$ 5,420	$ 4,501	$ 919	20%
Drilling and Evaluation	3,281	2,971	310	10
Total revenue	$ 8,701	$ 7,472	$ 1,229	16%
By geographic region:				
Completion and Production:				
North America	$ 3,705	$ 2,925	$ 780	27%
Latin America	435	412	23	6
Europe/Africa/CIS	699	636	63	10
Middle East/Asia	581	528	53	10
Total	5,420	4,501	919	20
Drilling and Evaluation:				
North America	1,019	956	63	7
Latin America	610	590	20	3
Europe/Africa/CIS	765	704	61	9
Middle East/Asia	887	721	166	23
Total	3,281	2,971	310	10
Total revenue by region:				
North America	4,724	3,881	843	22
Latin America	1,045	1,002	43	4
Europe/Africa/CIS	1,464	1,340	124	9
Middle East/Asia	1,468	1,249	219	18

OPERATING INCOME:	Three Months Ended September 30		Favorable	Percentage
Millions of dollars	2014	2013	(Unfavorable)	Change
Completion and Production	$ 1,071	$ 763	$ 308	40 %
Drilling and Evaluation	451	450	1	—
Corporate and other	112	(105)	217	207
Total operating income	$ 1,634	$ 1,108	$ 526	47 %
By geographic region:				
Completion and Production:				
North America	$ 765	$ 489	$ 276	56 %
Latin America	65	63	2	3
Europe/Africa/CIS	126	119	7	6
Middle East/Asia	115	92	23	25
Total	1,071	763	308	40
Drilling and Evaluation:				
North America	141	168	(27)	(16)
Latin America	73	92	(19)	(21)
Europe/Africa/CIS	90	82	8	10
Middle East/Asia	147	108	39	36
Total	451	450	1	—
Total operating income by region				
(excluding Corporate and other):				
North America	906	657	249	38
Latin America	138	155	(17)	(11)
Europe/Africa/CIS	216	201	15	7
Middle East/Asia	262	200	62	31

The 16% increase in consolidated revenue in the third quarter of 2014, as compared to the third quarter of 2013, was primarily attributable to increased stimulation activity in the United States land market and higher activity across the majority of our product service lines in the Eastern Hemisphere. On a consolidated basis, all of our product service lines experienced revenue growth from the third quarter of 2013. Revenue outside of North America was 46% of consolidated revenue in the third quarter of 2014, compared to 48% of consolidated revenue in the third quarter of 2013.

The increase of $526 million, or 47%, in consolidated operating income during the third quarter of 2014, as compared to the third quarter of 2013, was primarily due to higher stimulation activity in the United States land market, increased well intervention services across all regions, and increased drilling activity in the Eastern Hemisphere. Operating income in the third quarter of 2014 was also impacted by $195 million of Macondo-related activity as a result of a reduction of our loss contingency liability and an expected insurance recovery, while operating income in the third quarter of 2013 was adversely impacted by $54 million of restructuring charges related to severance and asset write-offs.

Completion and Production revenue in the third quarter of 2014 increased 20% as compared to the third quarter of 2013, primarily due to increased activity in North America, as well as higher cementing and well intervention services across all international regions. North America revenue rose 27%, driven by higher stimulation activity in the United States land market and strong growth across all product service lines. Latin America revenue increased 6%, primarily due to higher activity across all product service lines in Venezuela, which more than offset lower stimulation activity in Mexico. Europe/Africa/CIS revenue increased 10%, driven by higher activity across the majority of our product service lines in the United Kingdom, Angola, and Nigeria, along with higher stimulation activity and well intervention services in the Netherlands, which were partially offset by a decrease in pressure pumping activity in Norway. Middle East/Asia revenue grew 10%, mainly due to increased completion tools sales and pressure pumping activity in Saudi Arabia and higher well intervention services in Indonesia. Revenue outside

of North America was 32% of total segment revenue in the third quarter of 2014, compared to 35% of total segment revenue in the third quarter of 2013.

Completion and Production operating income increased 40% in the third quarter of 2014, as compared to the third quarter of 2013, primarily due to stronger stimulation activity and improved cost efficiencies in the United States land market, as well as increased well intervention services across all regions. North America operating income improved 56% due to increased stimulation activity, modest pricing improvements, and improved cost efficiencies in the United States land market. Latin America operating income was 3% higher compared to the third quarter of 2013 as a result of increased profitability on well intervention services in Venezuela and Mexico, which was partially offset by decreased completion tools sales in Brazil and Trinidad. Europe/Africa/CIS operating income increased 6%, primarily due to increased activity and profitability across the majority of our product service lines in the United Kingdom and Angola, which were partially offset by reduced cementing activity in Norway and Mozambique. Middle East/Asia operating income rose 25%, mainly due to higher pressure pumping activity and completion tools sales in Saudi Arabia.

Drilling and Evaluation revenue increased 10% in the third quarter of 2014, as compared to the third quarter of 2013, primarily driven by higher fluid activity across all regions and increased drilling and consulting activity in the Eastern Hemisphere. North America revenue increased 7% compared to the third quarter of 2013 due to increased drilling and fluid activity in the United States land market and the Gulf of Mexico. Latin America revenue increased 3%, primarily due to increased activity in all of our product service lines in Venezuela and higher drilling and fluid activity in Argentina, which were partially offset by a decline in activity across the majority of our product service lines in Mexico and Ecuador. Europe/Africa/CIS revenue increased 9% as a result of higher drilling and fluid activity in the United Kingdom, Russia and the Netherlands, along with increased activity across all product service lines in Nigeria. Middle East/Asia revenue grew 23%, mainly due to higher activity in most of our product service lines in Saudi Arabia, higher drilling activity in Thailand, and increased consulting, wireline, and fluid services in India. Revenue outside of North America was 69% of total segment revenue in the third quarter of 2014, compared to 68% of total segment revenue in the third quarter of 2013.

Drilling and Evaluation operating income was essentially flat in the third quarter of 2014 compared to the third quarter of 2013, as increased drilling and fluid activity in the Eastern Hemisphere were offset by decreased drilling and fluid activity in the United States land market and Latin America. North America operating income decreased 16%, due to reduced activity across most of our product service lines. Latin America operating income decreased 21%, primarily due to lower activity across most of our product service lines in Mexico, which was partially offset by increased activity across most product service lines in Brazil and higher logging activity in Venezuela. Europe/Africa/CIS operating income grew 10% as a result of increased activity for all of our product service lines in the United Kingdom and Nigeria, along with increased drilling activity in Azerbaijan, which were partially offset by reduced drilling and logging activity in Angola. Middle East/Asia operating income rose 36%, driven by higher drilling and fluid activity in Saudi Arabia, as well as increased drilling and logging activity in Thailand.

Corporate and other was $112 million of income in the third quarter of 2014, compared to $105 million of expenses in the third quarter of 2013, primarily due to $195 million of activity related to the Macondo well incident recorded in the third quarter of 2014 as a result of a reduction of our loss contingency liability and an expected insurance recovery. See Note 6 to the condensed consolidated financial statements for further information.

NONOPERATING ITEMS

Other, net was $12 million of income for the quarter ended September 30, 2014, compared to $12 million of expenses for the quarter ended September 30, 2013. This $24 million increase was primarily impacted by currency exchange instruments designed to mitigate foreign currency risks.

Effective tax rate. Our effective tax rate on continuing operations was 26.5% for the quarter ended September 30, 2014 and 29.5% for the quarter ended September 30, 2013. The effective tax rate for the quarter ended September 30, 2014 was positively impacted by a $201 million net operating loss valuation allowance released as a result of a reorganization of our legal entity structure in Brazil, as well as lower tax rates in certain foreign jurisdictions. Partially offsetting these items were tax expenses related to Macondo activity recorded during the third quarter of 2014, which was tax-effected at the United States statutory rate, as well as approximately $100 million for a write-off of certain prepaid tax assets recorded in Iraq and additional tax expenses related to the settlement of a research and development credit with the United States tax authorities. The effective tax rate for quarter ended September 30, 2013 was also positively impacted by lower tax rates in certain foreign jurisdictions.

Income (loss) from discontinued operations, net includes $63 million of income for the three months ended September 30, 2014 related to a settlement we reached with KBR for amounts owed to us under our Tax Sharing Agreement with KBR. See Note 5 to the condensed consolidated financial statements for further information.

Nine Months Ended September 30, 2014 Compared with Nine Months Ended September 30, 2013

REVENUE:	Nine Months Ended September 30		Favorable	Percentage
Millions of dollars	2014	2013	(Unfavorable)	Change
Completion and Production	$ 14,782	$ 12,964	$ 1,818	14 %
Drilling and Evaluation	9,318	8,799	519	6
Total revenue	$ 24,100	$ 21,763	$ 2,337	11 %
By geographic region:				
Completion and Production:				
North America	$ 9,957	$ 8,546	$ 1,411	17 %
Latin America	1,185	1,158	27	2
Europe/Africa/CIS	1,940	1,744	196	11
Middle East/Asia	1,700	1,516	184	12
Total	14,782	12,964	1,818	14
Drilling and Evaluation:				
North America	3,012	2,843	169	6
Latin America	1,616	1,733	(117)	(7)
Europe/Africa/CIS	2,204	2,082	122	6
Middle East/Asia	2,486	2,141	345	16
Total	9,318	8,799	519	6
Total revenue by region:				
North America	12,969	11,389	1,580	14
Latin America	2,801	2,891	(90)	(3)
Europe/Africa/CIS	4,144	3,826	318	8
Middle East/Asia	4,186	3,657	529	14

OPERATING INCOME:	Nine Months Ended September 30		Favorable	Percentage
Millions of dollars	2014	2013	(Unfavorable)	Change
Completion and Production	$ 2,619	$ 2,110	$ 509	24 %
Drilling and Evaluation	1,263	1,272	(9)	(1)
Corporate and other	(84)	(1,388)	1,304	(94)
Total operating income	$ 3,798	$ 1,994	$ 1,804	90 %
By geographic region:				
Completion and Production:				
North America	$ 1,841	$ 1,438	$ 403	28 %
Latin America	161	139	22	16
Europe/Africa/CIS	300	257	43	17
Middle East/Asia	317	276	41	15
Total	2,619	2,110	509	24
Drilling and Evaluation:				
North America	457	490	(33)	(7)
Latin America	138	226	(88)	(39)
Europe/Africa/CIS	248	226	22	10
Middle East/Asia	420	330	90	27
Total	1,263	1,272	(9)	(1)
Total operating income by region				
(excluding Corporate and other):				
North America	2,298	1,928	370	19
Latin America	299	365	(66)	(18)
Europe/Africa/CIS	548	483	65	13
Middle East/Asia	737	606	131	22

Consolidated revenue in the first nine months of 2014 increased 11%, as compared to the first nine months of 2013, primarily as a result of higher stimulation activity in the United States land market and increased activity in almost all of our product service lines in the Eastern Hemisphere, which were partially offset by lower activity in Latin America. Revenue outside of North America was 46% of consolidated revenue in the first nine months of 2014, compared to 48% of consolidated revenue in the first nine months of 2013.

The increase of $1.8 billion, or 90%, in consolidated operating income in the first nine months of 2014, as compared to the first nine months of 2013, was primarily as a result of various corporate items as well as increased stimulation activity in the United States land market and growth in the Eastern Hemisphere, which more than offset lower activity and margins experienced in Latin America. Operating income in the first nine months of 2014 was impacted by $195 million of Macondo-related activity as a result of a reduction of our loss contingency liability and an expected insurance recovery. Operating income in the first nine months of 2013 was impacted by a $1.0 billion increase of our Macondo-related loss contingency, a $55 million charge related to a charitable contribution to the National Fish and Wildlife Foundation, and a $54 million restructuring charge related to severance and asset write-offs.

Completion and Production revenue increased 14% from the first nine months of 2013, with activity increases across all regions and predominately in North America due to higher stimulation activity in the United States land market. North America revenue rose by 17% as a result of increased stimulation activity in the United States land market. Latin America revenue was essentially flat, as increased activity levels in the majority of our product service lines in Venezuela and Argentina were partially offset by a decrease in stimulation activity in Mexico and lower pressure pumping activity in Brazil. Europe/Africa/CIS revenue improved by 11%, driven by higher completion tools sales in Angola, Nigeria and the United Kingdom, and increased cementing activity in Angola, which were partially offset by reduced pressure pumping activity in Norway. Middle East/Asia revenue grew 12%, primarily due to increased activity in the majority of our product service lines in Saudi Arabia, higher cementing activity in Thailand, and increased pressure pumping activity in Australia, which more than offset reduced activity levels in Oman and a decline in completion tools sales in Malaysia. Revenue outside of North America was 33% of

total segment revenue in the first nine months of 2014, compared to 34% of total segment revenue in the first nine months of 2013.

Completion and Production operating income improved by 24% from the first nine months of 2013 as a result of increased profitability across all regions. North America operating income increased 28% as a result of increased profitability for stimulation activity in the United States land market, which more than offset reductions in cementing services in that market. Latin America operating income grew 16%, primarily due to improved pressure pumping activity in Argentina and higher profitability for well intervention and cementing services in Mexico, which were partially offset by reduced completion tools sales in Mexico and Brazil. Europe/Africa/CIS operating income improved 17% as a result of improved cementing activity in Angola, as well as higher completion tools sales in Angola and the United Kingdom. Middle East/Asia operating income rose by 15%, primarily due to increased profitability for the majority of our product services lines in Saudi Arabia, which was partially offset by reduced activity levels in Oman.

Drilling and Evaluation revenue increased 6% from the first nine months of 2013, primarily due to a strong performance in the Eastern Hemisphere, which was partially offset by a decrease in drilling activity and consulting services in Latin America. North America revenue rose by 6%, due to increased fluid activity in the United States land market and higher activity in the majority of our product service lines in the Gulf of Mexico. Latin America revenue decreased 7%, primarily due to a decline in drilling activity in Brazil and activity reductions in Mexico for the majority of our product services lines. These decreases were partially offset by higher activity levels in most of our product service lines in Venezuela and Argentina. Europe/Africa/CIS revenue improved by 6% as a result of an increase in drilling and fluid activity in the United Kingdom, Angola, and Russia, and an increase in fluid activity in the Netherlands, which were partially offset by reduced fluid activity in Norway and Egypt. Middle East/Asia revenue increased 16% as a result of increased activity in all of our product services lines in Saudi Arabia and increased demand for drilling activity in Thailand and fluid activity in Malaysia. Revenue outside of North America was 68% of total segment revenue in the first nine months of both 2014 and 2013.

Drilling and Evaluation operating income was essentially flat from the first nine months of 2013, as lower drilling activity and margins in Latin America were offset by strong growth in the Eastern Hemisphere. North America operating income decreased 7% due to a decline in drilling services in Canada and the United States land market. Latin America operating income declined by 39%, mainly due to reduced activity levels in Mexico and lower drilling activity and pricing in Brazil, which were partially offset by improved activity levels in Argentina. Europe/Africa/CIS operating income rose by 10%, as a result of increased drilling activity in the United Kingdom and Angola, improved profitability for drilling services in Norway, and increased activity levels in Tanzania. Middle East/Asia operating income increased 27%, primarily due to an increase in demand and profitability for drilling activity in Saudi Arabia, as well as improved drilling services in Thailand, which were partially offset by reduced drilling services and logging activity in China.

Corporate and other expenses were $84 million in the first nine months of 2014 compared to $1.4 billion in the first nine months of 2013. The significant decrease was primarily due to $195 million of activity related to the Macondo well incident recorded in the first nine months of 2014 as a result of a reduction of our loss contingency liability and an expected insurance recovery, compared to a $1.0 billion increase of our Macondo-related loss contingency and a $55 million charge related to a charitable contribution to the National Fish and Wildlife Foundation recorded in the first nine months of 2013. See Note 6 to the condensed consolidated financial statements for further information.

NONOPERATING ITEMS

Interest expense, net of interest income increased $50 million in the first nine months of 2014, as compared to the first nine months of 2013, primarily due to higher interest expense as a result of the issuance of $3.0 billion aggregate principal amount of senior notes in August 2013.

Effective tax rate. Our effective tax rate was 27.0% for the nine months ended September 30, 2014 and 22.0% for the nine months ended September 30, 2013. The effective tax rate for the nine months ended September 30, 2014 was positively impacted by a $201 million net operating loss valuation allowance released as a result of a reorganization of our legal entity structure in Brazil, as well as lower tax rates in certain foreign jurisdictions. Partially offsetting these items were tax expenses related to Macondo activity recorded during the third quarter of 2014, which was tax-effected at the United States statutory rate, as well as approximately $100 million for a write-off of certain prepaid tax assets recorded in Iraq and additional tax expenses related to the settlement of a research and development credit with the United States tax authorities. Our effective tax rate for the nine months ended September 30, 2013 was also positively impacted by lower tax rates in certain foreign jurisdictions; federal tax benefits of approximately $50 million due to the reinstatement of certain tax benefits and credits related to the first quarter of 2013 enactment of the American Taxpayer Relief Act of 2012; and the tax impact related to an increase of our Macondo-related loss contingency recorded during the first quarter of 2013, which was tax-effected at the United States statutory rate.

Income (loss) from discontinued operations, net includes $63 million of income for the nine months ended September 30, 2014 related to a settlement we reached with KBR for amounts owed to us under our Tax Sharing Agreement with KBR. See Note 5 to the condensed consolidated financial statements for further information.

ENVIRONMENTAL MATTERS

We are subject to numerous environmental, legal, and regulatory requirements related to our operations worldwide. For information related to environmental matters, see Note 6 to the condensed consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) issued a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance under United States generally accepted accounting principles (U.S. GAAP) and International Financial Reporting Standards (IFRS). The issuance of this guidance completes the joint effort by the FASB and the IASB to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and IFRS.

The core principle of the new guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The standard creates a five-step model that requires companies to exercise judgment when considering the terms of a contract and all relevant facts and circumstances. The standard allows for several transition methods: (a) a full retrospective adoption in which the standard is applied to all of the periods presented, or (b) a modified retrospective adoption in which the standard is applied only to the most current period presented in the financial statements, including additional disclosures of the standard's application impact to individual financial statement line items.

This standard is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. We are currently evaluating this standard and our existing revenue recognition policies to determine which contracts in the scope of the guidance will be affected by the new requirements and what impact they would have on our consolidated financial statements upon adoption of this standard. We have not yet determined which transition method we will utilize upon adoption.

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," "believe," "do not believe," "plan," "estimate," "intend," "expect," "do not expect," "anticipate," "do not anticipate," "should," "likely," and other expressions. We may also provide oral or written forward-looking information in other materials we release to the public. Forward-looking information involves risk and uncertainties and reflects our best judgment based on current information. Our results of operations can be affected by inaccurate assumptions we make or by known or unknown risks and uncertainties. In addition, other factors may affect the accuracy of our forward-looking information. As a result, no forward-looking information can be guaranteed. Actual events and the results of our operations may vary materially.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For quantitative and qualitative disclosures about market risk, see Part II, Item 7(a), "Quantitative and Qualitative Disclosures About Market Risk," in our 2013 Annual Report on Form 10-K. Our exposure to market risk has not changed materially since December 31, 2013.

Item 4. Controls and Procedures

In accordance with the Securities Exchange Act of 1934 Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2014 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There has been no change in our internal control over financial reporting that occurred during the three months ended September 30, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information related to Item 1. Legal Proceedings is included in Note 6 to the condensed consolidated financial statements.

Item 1(a). Risk Factors

The statements in this section describe the known material risks to our business and should be considered carefully. The risk factor below updates the respective risk factor previously discussed in our 2013 Annual Report on Form 10-K.

We, among others, have been named as a defendant in numerous lawsuits and there have been numerous investigations relating to the Macondo well incident that could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

The semisubmersible drilling rig, Deepwater Horizon, sank on April 22, 2010 after an explosion and fire onboard the rig that began on April 20, 2010. The Deepwater Horizon was owned by an affiliate of Transocean Ltd. and had been drilling the Macondo exploration well in Mississippi Canyon Block 252 in the Gulf of Mexico for the lease operator, BP Exploration & Production, Inc. (BP Exploration), an indirect wholly owned subsidiary of BP p.l.c. (BP p.l.c., BP Exploration, and their affiliates, collectively, as applicable, BP). There were eleven fatalities and a number of injuries as a result of the Macondo well incident. Crude oil flowing from the Macondo well site spread across thousands of square miles of the Gulf of Mexico and reached the United States Gulf Coast. We performed a variety of services for BP, including cementing, mud logging, directional drilling, measurement-while-drilling, and rig data acquisition services.

We are named along with other unaffiliated defendants in more than 1,800 complaints, most of which are alleged class-actions, involving pollution damage claims and at least six personal injury lawsuits involving three decedents and at least two allegedly injured persons who were on the drilling rig at the time of the incident. At least six additional lawsuits naming us and others relate to alleged personal injuries sustained by those responding to the explosion and oil spill. Other defendants in the lawsuits have filed claims against us seeking subrogation, indemnification, including with respect to liabilities under the Oil Pollution Act of 1990 (OPA), contribution and direct damages, and alleging negligence, gross negligence, fraudulent conduct, willful misconduct, and fraudulent concealment. See Note 6 to the condensed consolidated financial statements. Additional lawsuits may be filed against us, including civil actions under federal statutes and regulations, as well as criminal and civil actions under state statutes and regulations. Those statutes and regulations could result in criminal penalties, including fines and imprisonment, as well as civil fines, and the degree of the penalties and fines may depend on the type of conduct and level of culpability, including strict liability, negligence, gross negligence, and knowing violations of the statute or regulation.

In October 2011, the Bureau of Safety and Environmental Enforcement (BSEE) issued a notification of Incidents of Noncompliance (INCs) to us for allegedly violating federal regulations relating to the failure to take measures to prevent the unauthorized release of hydrocarbons, the failure to take precautions to keep the Macondo well under control, the failure to cement the well in a manner that would, among other things, prevent the release of fluids into the Gulf of Mexico, and the failure to protect health, safety, property, and the environment as a result of a failure to perform operations in a safe and workmanlike manner. According to the BSEE's notice, we did not ensure an adequate barrier to hydrocarbon flow after cementing the production casing and did not detect the influx of hydrocarbons until they were above the blowout preventer stack. We understand that the regulations in effect at the time of the alleged violations provide for fines of up to $35,000 per day per violation. We have appealed the INCs to the Interior Board of Land Appeals (IBLA). In January 2012, the IBLA, in response to our and the BSEE's joint request, suspended the appeal pending certain proceedings in the multi-district litigation (MDL) trial. At the conclusion of the suspension of the appeal, we expect to file a proposal for further action within 60 days. The BSEE has announced that the INCs will be reviewed for possible imposition of civil penalties once the appeal has ended. The BSEE has stated that this is the first time the Department of the Interior has issued INCs directly to a contractor that was not the well's operator.

Our contract with BP relating to the Macondo well generally provides for our indemnification by BP for certain claims and expenses relating to the Macondo well incident. BP, in connection with filing its claims with respect to the MDL proceeding, asked the court to declare that it is not liable to us in contribution, indemnification, or otherwise with respect to liabilities arising from the Macondo well incident. Other defendants in the litigation have generally denied any obligation to contribute to any liabilities arising from the Macondo well incident. In January 2012, the MDL court entered an order regarding certain indemnification matters. The court held that BP is required to indemnify us for third-party compensatory claims, or actual damages, that arise from pollution or contamination that did not originate from our property or equipment located above the surface of the land or water, even if we were found to be grossly negligent. The court also held, however, that BP does not owe us indemnity for punitive damages or for civil penalties under the Clean Water Act (CWA), if any.

In September 2014, we reached an agreement, subject to court approval, to settle a substantial portion of the plaintiffs' claims asserted against us relating to the Macondo well incident (our MDL Settlement). Pursuant to our MDL Settlement, we agreed to pay an aggregate of $1.1 billion, which includes legal fees and costs, into a trust in three installments over the next

two years, except that one installment of legal fees will not be paid until all of the conditions to our MDL Settlement have been satisfied or waived. Under our MDL Settlement, (1) a class of plaintiffs alleging physical damage to property or damages associated with the commercial fishing industry arising from the Macondo well incident agree to release all claims against us for punitive damages and (2) class members of the BP April 2012 economic loss settlement agree to release the claims against us that BP assigned to them in that settlement. Certain conditions must be satisfied before our MDL Settlement becomes effective, and our MDL Settlement does not cover all claims asserted against us in the MDL.

Subsequently in September 2014, the MDL court ruled (Phase One Ruling) that, among other things, (1) in relation to the Macondo well incident, BP's conduct was reckless, Transocean's conduct was negligent, and our conduct was negligent, (2) fault for the Macondo blowout, explosion, and spill is apportioned 67% to BP, 30% to Transocean, and 3% to us, and (3) the indemnity and release clauses in our contract with BP are valid and enforceable against BP. The MDL court did not find that our conduct was grossly negligent.

For additional information relating to our MDL Settlement and the Phase One Ruling, see Note 6 to the condensed consolidated financial statements.

As of September 30, 2014, our existing loss contingency liability related to the Macondo well incident was reduced from $1.3 billion to $1.2 billion as a result of our MDL Settlement and the Phase One Ruling. The $1.2 billion represents a loss contingency related to our MDL Settlement as well as an additional loss contingency of $72 million unrelated to our MDL Settlement that is probable and for which a reasonable estimate of a loss can be made. Our loss contingency liability does not include potential recoveries from our insurers or indemnification by BP.

Because our MDL Settlement is subject to court approval and other conditions and the Phase One Ruling is subject to appeals, we are unable to predict the ultimate outcome of the many lawsuits, investigations, and other matters relating to the Macondo well incident, including appeals of the Phase One Ruling, further orders and rulings of the MDL court and other courts, and indemnification and insurance arrangements. BP has announced that it will immediately appeal the Phase One Ruling to the Fifth Circuit and that it believes the findings that it was grossly negligent and that its activities at the Macondo well amounted to willful misconduct are not supported by the evidence at trial. In addition, our insurance carriers for approximately $200 million of insurance have notified us that they do not intend to reimburse us for any amounts with respect to our MDL Settlement. We are unable to predict whether or when the court will approve our MDL Settlement or whether or when the conditions of our MDL Settlement will be satisfied.

As a result of the various potential developments relating to the Macondo well incident, there are additional loss contingencies relating to the Macondo well incident that are reasonably possible but for which we cannot make a reasonable estimate. Accordingly, we may adjust our estimated loss contingency liability and our amounts recoverable from insurance in the future. In addition, applicable accounting rules and guidance may require us to recognize a loss contingency for which we may be fully indemnified, without recognizing a corresponding receivable for the amount of the indemnity payment. Depending on the outcome of the various potential developments relating to the Macondo well incident, liabilities arising out of the incident could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Following is a summary of our repurchases of our common stock during the three months ended September 30, 2014.

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Maximum Number (or Approximate Dollar Value) of Shares that may yet be Purchased Under the Program (b)
July 1 - 31	604,329	$69.94	569,900	$5,960,011,809
August 1 - 31	3,796,770	$68.67	3,786,100	$5,700,004,373
September 1 - 30	16,005	$67.45	—	$5,700,004,373
Total	4,417,104	$68.84	4,356,000	

(a) Of the 4,417,104 shares purchased during the third quarter of 2014, 61,104 shares were acquired from employees in connection with the settlement of income tax and related benefit withholding obligations arising from vesting in restricted stock grants. These shares were not part of a publicly announced program to purchase common shares.

(b) Our Board of Directors has authorized a program to repurchase our common stock from time to time. In July 2014, our Board of Directors increased the authorization to repurchase our common stock by approximately $4.8 billion. During the third quarter of 2014, we repurchased approximately 4.4 million shares of our common stock pursuant to our share repurchase program for a total cost of approximately $300 million and at an average price of $68.87 per share. Approximately $5.7 billion remains authorized for repurchases as of September 30, 2014. From the inception of this program in February 2006 through September 30, 2014, we repurchased approximately 201 million shares of our common stock for a total cost of approximately $8.4 billion.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Our barite and bentonite mining operations, in support of our fluid services business, are subject to regulation by the federal Mine Safety and Health Administration under the Federal Mine Safety and Health Act of 1977. Information concerning mine safety violations or other regulatory matters required by section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95 to this quarterly report.

Item 5. Other Information

None.

Item 6. Exhibits

*	10.1	HESI Punitive Damages and Assigned Claims Settlement Agreement dated September 2, 2014, entered into between Halliburton Company and Halliburton Energy Services, Inc. and counsel for The Plaintiffs Steering Committee in MDL 2179 and the Deepwater Horizon Economic and Property Damages Settlement Class.
*	12.1	Statement Regarding the Computation of Ratio of Earnings to Fixed Charges.
*	31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*	31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
**	32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**	32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*	95	Mine Safety Disclosures
*	101.INS	XBRL Instance Document
*	101.SCH	XBRL Taxonomy Extension Schema Document
*	101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*	101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*	101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
*	101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

*	Filed with this Form 10-Q
**	Furnished with this Form 10-Q

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

/s/ Mark A. McCollum	/s/ Christian A. Garcia
Mark A. McCollum	Christian A. Garcia
Executive Vice President and	Senior Vice President and
Chief Financial Officer	Chief Accounting Officer

Date: October 24, 2014

Exhibit 10.1

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF LOUISIANA

In Re: Oil Spill by the Oil Rig "Deepwater Horizon" in the Gulf of Mexico, on April 20, 2010	******* ** * *	**MDL NO. 2179** **SECTION J** **HONORABLE CARL J. BARBIER** **Magistrate Judge SHUSHAN**

HESI PUNITIVE DAMAGES AND ASSIGNED CLAIMS SETTLEMENT AGREEMENT

This Agreement, dated September 2, 2014, sets forth the terms and conditions agreed upon by the Parties for the settlement of this matter. The Parties intend for this Settlement Agreement to be deemed complete and fully enforceable as the final Settlement Agreement ("SA"). This SA is intended by the Parties to fully, finally, and forever settle and release the Released Claims against HESI, released subject to the terms and conditions herein. The Parties recognize additional documents will be required in order to implement the SA. The Parties agree to work in good faith to present to the Court all documents needed to implement the SA and agree that, in the absence of agreement by the Parties with respect to such documents, the Court shall resolve disputes between the Parties consistently with the terms of this SA.

RECITALS

A. Halliburton Energy Services, Inc. and Halliburton Company (further defined as "HESI" in Section 1) are corporations organized under the laws of Delaware; HESI is a provider of services and products to the energy industry.

B. Plaintiffs who are within the definition of the New Class in Section 4, and the "DHEPDS Class," defined in Section 5, (collectively "Plaintiffs") have alleged and/or been assigned general maritime law claims alleged against HESI relating to the *Deepwater Horizon* Incident defined in Section 5, including negligence, gross negligence, willful misconduct, strict liability, negligence per se, nuisance, trespass, and other claims.

C. Plaintiffs contend that they would prevail in litigation. HESI disputes and denies the Plaintiffs' claims, has raised various affirmative, legal and other defenses, and contends that it would prevail in litigation.

D. After careful consideration, the DHEPDS Class, as a juridical entity, DHEPDS Class Counsel, and the PSC on behalf of members of the putative New Class have concluded that it is in the best interests of the DHEPDS Class and the members of the putative New Class to compromise and settle certain claims asserted against HESI and other Halliburton Released Parties, as defined in Section 5, in consideration of the terms and benefits of the SA. After arm's length negotiations with HESI and HESI's counsel, the DHEPDS Class, DHEPDS Class Counsel, and the PSC on behalf of the putative New Class, have considered, among other things: (1) the complexity, expense, and likely duration of the litigation; (2) the stage of the litigation and amount of discovery and testimony completed; (3) the potential for Plaintiffs or HESI prevailing on the merits; and (4) the range of possible recovery and certainty of damages; and have determined the SA is fair, reasonable, adequate

and in the best interests of the DHEPDS Class and the members of the putative New Class.

E. After careful consideration, HESI has concluded that it is in the best interests of HESI and all Halliburton Released Parties to compromise and settle certain claims asserted against them, in consideration of the terms and benefits of the SA. After arm's length negotiations with the DHEPDS Class, DHEPDS Class Counsel, and the PSC on behalf of the putative New Class, HESI and HESI's counsel have considered, among other things: (1) the complexity, expense, and likely duration of the litigation, including delays in litigation; (2) the stage of the litigation and amount of discovery and testimony completed; (3) the burdens of litigation; (4) the potential for HESI or Plaintiffs prevailing on the merits; and (5) the range of possible recovery and certainty of damages; and have determined the SA is fair, reasonable, adequate and in the best interests of HESI and the Halliburton Released Parties.

F. The Parties agree that this SA is subject to the terms and conditions herein.

NOW THEREFORE, it is agreed that the foregoing recitals are hereby expressly incorporated into this SA and made a part hereof and, further, that in consideration of the agreements, promises, representations and warranties set forth in this SA; the benefits, payments, and releases described in this SA; the entry by the Court of Final orders as described in Section 19; and such other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Released Claims shall be settled, compromised and resolved as between HESI, the Halliburton Released Parties, the DHEPDS Class, and the New Class under and subject to the following terms and conditions:

TERMS AND CONDITIONS

1. Parties.

The Parties to this SA are:

(a) Halliburton Energy Services, Inc., and Halliburton Company, including all subsidiaries, all product service lines (*e.g.*, Sperry Drilling Services), predecessors, successors, assigns, and HESI Affiliates ("HESI");

(b) The Plaintiffs Steering Committee in MDL 2179 ("PSC"), on behalf of the members of a putative New Class, as defined in Section 4; and

(c) DHEPDS Class Counsel, on behalf of the DHEPDS Class, as defined in Section 5.

2. Actions and Claims.

This SA sets forth the terms and conditions agreed upon to settle and resolve:

(a) Punitive Damages Claims, as defined in Section 5, arising out of, due to, resulting from, or relating in any way to, directly or indirectly, the *Deepwater Horizon* Incident that the New Class Members assert against HESI. As referenced and subject to the conditions herein, the intent and purpose of this SA is that a putative class action (to be filed subsequent to execution of this SA), for settlement purposes only, asserting Punitive Damages Claims against HESI on behalf of the New Class as defined in Section 4 (the "New Class Action") will be resolved by this SA, and certain Punitive Damages Claims made by and on behalf of the New Class Members against HESI will be resolved and dismissed with prejudice in accordance with the terms of this SA.

(b) Assigned Claims, as defined in Section 5, that the DHEPDS Class asserts against HESI. As referenced and subject to the conditions herein, the intent and purpose of this SA is that all Assigned Claims against HESI will be resolved and dismissed with prejudice by and on behalf of the DHEPDS Class in accordance with the terms of this SA.

3. New *Deepwater Horizon* Punitive Damages Settlement Class ("New Class") Description.

It is the intent of the Parties to capture within the New Class definition all potential claimants who are not excluded from the New Class in accordance with Section 4(b) and who may have valid Punitive Damages Claims against HESI arising out of, due to, resulting from, or relating in any way to, directly or indirectly, the *Deepwater Horizon* Incident. The Parties contemplate that the New Class definition may be adjusted upon agreement of and consistent with the intent of the Parties, with approval of the Court, based upon information made available to the Parties after execution of this SA.

4. New *Deepwater Horizon* Punitive Damages Settlement Class ("New Class") Definition.

(a) New Class Definition.

(1) All Natural Persons, businesses, trusts, non-profits, or any other Entity who, anytime between April 20, 2010 through April 18, 2012, owned, leased, rented, or held any proprietary interest in Real Property (a) alleged to have been touched by oil, other hydrocarbons, or other substances from the MC252 Well, (b) alleged to have been touched by substances used in connection with the *Deepwater Horizon* Incident, or (c) classified as having

or having had the presence of oil thereupon in the database of the *Deepwater Horizon* Unified Command Shoreline Cleanup Assessment Team ("SCAT" database).

(2) All Natural Persons, businesses, trusts, non-profits, or any other Entity who, anytime between April 20, 2010 through April 18, 2012, owned, chartered, leased, rented, or held any proprietary interest in Personal Property located in Gulf Coast Areas or Identified Gulf Waters, alleged to have been touched by (a) oil, other hydrocarbons, or other substances from the MC252 Well, or (b) substances used in connection with the *Deepwater Horizon* Incident.

(3) All Commercial Fishermen or Charterboat Operators who, anytime from April 20, 2009 through April 18, 2012, (a) owned, chartered, leased, rented, managed, operated, utilized or held any proprietary interest in commercial fishing or charter fishing Vessels that were Home Ported in or that landed Seafood in the Gulf Coast Areas, or (b) worked on or shared an interest in catch from Vessels that fished in Specified Gulf Waters and landed Seafood in the Gulf Coast Area.

(4) All Natural Persons who, anytime between April 20, 2009 through April 18, 2012, fished or hunted in the Identified Gulf Waters or Gulf Coast Areas to harvest, catch, barter, consume or trade natural resources including Seafood and game, in a traditional or customary manner, to sustain basic family dietary, economic security, shelter, tool, or clothing needs.

(b) New Class Exclusions.

Excluded from the New Class are the following:

(1)Any New Class Member who timely and properly elects to opt out of the New Class under the procedures established by the Court;

(2)Defendants in MDL 2179, and individuals who are current employees of HESI, or who were employees of HESI during the Class Period;

(3)The Court, including any sitting judges on the United States District Court for the Eastern District of Louisiana, their law clerks serving during the pendency of MDL 2179, and any immediate family members of any such judge or law clerk;

(4)Governmental Organizations as defined in Section 5;

(5)Any Natural Person or Entity who or that made a claim to the GCCF, was paid, and executed a valid GCCF Release and Covenant Not to Sue, provided, however, that a GCCF Release and Covenant Not to Sue covering only Bodily Injury Claims shall not be the basis for exclusion of a Natural Person;

(6)BP Released Parties and individuals who were employees of BP Released Parties during the Class Period; and

(7)Transocean and individuals who were employees of Transocean during the Class Period.

This SA does not recognize or release any Bodily Injury Claims of any New Class Members.

5.Definitions.

For purposes of this SA, terms with initial capital letters have the meanings set forth below:

(a) Administrative Costs means all costs associated with the implementation and administration of the notice, allocation and claims processes contemplated by this SA, including without limitation, court approved compensation and costs of special masters, and/or Claims Administrator, including but not limited to its vendors, experts and legal counsel, if any, costs of the Notice Program(s), costs of implementing and administering the New Class claims process, costs of establishing the Grantor Trust, costs of distributing Settlement Benefits, costs associated with the establishment and operation of the Grantor Trust, including but not limited to the trustee, any directed trustee, and any paying agent, and including all Taxes on monies held in the Grantor Trust, and all other costs and compensation associated with the implementation and administration of this SA. Administrative Costs do not include costs HESI incurs to analyze New Class Opt Out forms.

(b) Affiliate means, with respect to any Natural Person or Entity, any other Natural Person or Entity that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or has the power to control or be controlled by, or is under common control or common ownership with, such Natural Person or Entity.

(c) Allocation Special Master means the special master appointed by the Court to allocate the Aggregate Payment described in Section 6 between the New Class and the DHEPDS Class subject to the terms and conditions set forth in this SA.

(d) Assigned Claims means all of the claims defined in Section 1.1.3 of Exhibit 21 to the DHEPDS, but does not include the "Retained Claims" defined in Section 1.1.4 of Exhibit 21 to the DHEPDS.

(e) Assignment means the assignment of claims made through Exhibit 21 to the DHEPDS.

(f) Bodily Injury Claims means claims for actual damages or Punitive Damages, including lost wages, for or resulting from personal injury, latent personal injury, future personal injury, progression of existing personal injury, disease, death, fear of disease or personal injury or death, mental or physical pain or suffering, or emotional or mental harm, anguish or loss of enjoyment of life, including any claim for mental health injury, arising out of, due to, resulting from, or relating in any way to, directly or indirectly, the *Deepwater Horizon* Incident.

(g) BP means BP Exploration & Production Inc. and BP America Production Company.

(h) BP Released Parties means the Released Parties described in Section 10.3 of and Exhibit 20 to the DHEPDS.

(i) Charterboat Operators means owners, captains and deckhands of charter fishing vessels that carry passengers(s) for hire to engage in recreational fishing.

(j) Claims Administrator means the claims administrator appointed by the Court to oversee the Claims Program for the New Class.

(k) Claims Program means the Court-supervised claims program developed to distribute Settlement Benefits to the New Class as described in Section 8.

(l) Class Period means April 20, 2010 until April 18, 2012.

(m) Commercial Fisherman means a Natural Person or Entity that derives income from catching Seafood and selling Seafood, which shall include Vessel owners, boat captains, boat crew, boat hands, and others who are paid based on the quantity of Seafood lawfully caught while holding a commercial fishing license issued by the United States and/or the State(s) of Alabama, Florida, Louisiana, Mississippi and/or Texas, or otherwise engaged in lawful commercial fishing.

(n) Court means the United States District Court for the Eastern District of Louisiana, in In re: Oil Spill by the Oil Rig "*Deepwater Horizon*" in the Gulf of Mexico, on April 20, 2010, MDL No. 2179, Judge Carl Barbier, presiding.

(o) *Deepwater Horizon* Incident means the events, actions, inactions and omissions leading up to and including (i) the blowout of the MC252 Well; (ii) the explosions and fire on board the *Deepwater Horizon* on or about April 20, 2010; (iii) the sinking of the *Deepwater Horizon* on or about April 22, 2010; (iv) efforts to control the MC252 well; (v) the release of oil, other hydrocarbons and other substances from the MC252 Well and/or the *Deepwater Horizon* and its appurtenances; (vi) the efforts to contain the MC252 Well; (vii) Response Activities, including the VoO program; and (viii) any damages to any reservoir, aquifer, geological formation, or underground strata related to the foregoing.

(p) DHEPDS means the *Deepwater Horizon* Economic and Property Damages Settlement Agreement as Amended on May 2, 2012.

(q) DHEPDS Claims Administrator means the "Claims Administrator" defined in Section 38.21 of the DHEPDS.

(r) DHEPDS Class means the *Deepwater Horizon* Economic and Property Damages Settlement Class defined in the DHEPDS, preliminarily certified in May of 2012, and formally certified by the Court on December 21, 2012.

(s) DHEPDS Class Counsel means the DHEPDS Class Counsel appointed by the Court.

(t) DHEPDS Class Members means all such Natural Persons or Entities who are members of the DHEPDS Class and did not timely and properly opt out of the DHEPDS Class.

(u) DHEPDS Effective Date means the "Effective Date" of the DHEPDS as defined in Section 38.62 of the DHEPDS.

(v) DHEPDS Settlement Program means the *Deepwater Horizon* Court Supervised Settlement Program defined in Section 38.41 of the DHEPDS.

(w) Distribution Model means the distribution model developed by the Claims Administrator for the New Class and described in Section 8.

(x) Effective Date means the "Effective Date" of this SA, as described in Section 20.

(y) Entity means an organization, business, or entity, other than a Governmental Organization, operating or having operated for profit or not-for-profit, including without limitation, a partnership, corporation, limited liability company, association, joint stock company, trust, joint venture or unincorporated association of any kind or description.

(z) Final, with respect to any order of the Court, means an order for which either of the following has occurred: (1) the day following the expiration of the deadline for appealing the entry of the order, if no appeal is filed,

or (2) if an appeal of the order is filed, the date upon which all appellate courts with jurisdiction (including the United States Supreme Court by petition for writ of certiorari) affirm such order, or deny any such appeal or petition for writ of certiorari, such that no future appeal is possible.

(aa) Finfish means fish other than shellfish and octopuses.

(bb) GCCF means the Gulf Coast Claims Facility.

(cc) GCCF Release and Covenant Not to Sue means the release executed in exchange for payment of a GCCF claim.

(dd) Governmental Organization means: (i) the government of the United States of America; (ii) the state governments of Texas, Louisiana, Mississippi, Alabama, and Florida (including any agency, branch, commission, department, unit, district or board of the state); and (iii) officers or agents of the U.S., states, and/or Indian tribes appointed as "Natural Resource Damages Trustees" pursuant to the Oil Pollution Act of 1990 as a result of the *Deepwater Horizon* Incident. Governmental Organization does not include any local government such as a county, parish, municipality, city, town, or village (including any agency, branch, commission, department, unit, district or board of such local government).

(ee) Gulf Coast Areas means the States of Louisiana, Mississippi, and Alabama; the counties of Chambers, Galveston, Jefferson and Orange in the State of Texas; and the counties of Bay, Calhoun, Charlotte, Citrus, Collier, Dixie, Escambia, Franklin, Gadsden, Gulf, Hernando, Hillsborough, Holmes, Jackson, Jefferson, Lee, Leon, Levy, Liberty, Manatee, Monroe, Okaloosa, Pasco, Pinellas, Santa Rosa, Sarasota, Taylor, Wakulla, Walton and Washington in the State of Florida,

including all adjacent Gulf waters, bays, estuaries, straits, and other tidal or brackish waters within the States of Louisiana, Mississippi, Alabama or those described counties of Texas or Florida.

(ff) Halliburton Released Parties means HESI, Halliburton Company and their subsidiary companies, and any past, present and future HESI Affiliates, and each of their respective business units, divisions, product service lines (*e.g.*, Sperry Drilling Services), predecessors, and successors, and each of their respective insurers, agents, servants, representatives, officers, directors (or Natural Persons performing similar functions), employees, attorneys and administrators, all and only in their capacities as such. Future HESI Affiliates expressly does not include any Entity created by or resulting from a merger with a Transocean Entity or a BP Entity, or acquisition of an ownership interest among any of the same.

(gg) HESI Affiliate means with respect to HESI, any other Natural Person or Entity that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or has the power to control or be controlled by, or is under common control or common ownership with HESI. HESI Affiliate includes "Halliburton Parties" as defined in Exhibit 21, Section 2.7, to the DHEPDS. HESI Affiliate expressly does not include any Natural Person or Entity that is directly or indirectly controlled by or under common control or ownership by BP or Transocean or any other party that is a defendant in MDL 2179 and was not a HESI Affiliate prior to or as of the date of the SA.

(hh) Home Ported means the home port of a vessel as documented by a 2009 or 2010 government-issued vessel registration.

(ii) Identified Gulf Waters means the United States and state territorial waters of the Gulf of Mexico and all adjacent bays, estuaries, straits, and other tidal or brackish waters within the territory of the States of Louisiana, Mississippi, and Alabama and the Texas and Florida counties listed in the definition of Gulf Coast Areas, and which are shown on the map attached as Attachment D.

(jj) MC252 Well means the exploratory well named "Macondo" that was drilled by the Transocean *Marianas* and *Deepwater Horizon* rigs in Mississippi Canyon, Block 252 on the outer continental shelf in the Gulf of Mexico.

(kk) Natural Person means a human being, and shall include the estate of a human being who died on or after April 20, 2010.

(ll) New Class means the New Class defined in Section 4.

(mm) New Class Counsel means the class counsel appointed by the Court to represent the New Class.

(nn) New Class Members means all such Natural Persons or Entities who or that satisfy the requirements for membership in the New Class and do not timely and properly opt out of the New Class.

(oo) Notice Program means any and all notice to New Class Members or DHEPDS Class Members ordered by the Court in relation to this SA, including any reminder notices and termination notices.

(pp) Opt Outs means those Natural Persons and Entities included in the New Class Definition who timely and properly exercise their rights to opt out of the New Class and are therefore not members of the New Class.

(qq) Oyster Beds means oyster beds located in Identified Gulf Waters that were closed for fishing or harvesting by a federal, state, or local

government authority due to or as a result of the *Deepwater Horizon* Incident, or oyster beds located in the Identified Gulf Waters that were touched by (i) oil, other hydrocarbons, or other substances from the MC252 Well, or (ii) substances used in connection with the *Deepwater Horizon* Incident.

(rr) Personal Property means any form of tangible property that is not Real Property, including Vessels.

(ss) Property means Real Property and Personal Property.

(tt) Punitive Damages means any and all punitive, exemplary, or multiple damages and any and all costs or fees incurred or awarded in connection with asserting a claim for such damages. Punitive Damages do not include any claims for civil or criminal penalties or fines imposed by any governmental authority.

(uu) Punitive Damages Claims means any claim, counterclaim, cross-claim, demand, charge, dispute, controversy, action, cause of action, suit, proceeding, arbitration, alternative dispute resolution, inquiry, investigation or notice, whether of a civil, administrative, investigative, private or other nature, and whether pending, threatened, present or initiated in the future, and whether known or unknown, suspected or unsuspected, under any current or future local, state, federal, foreign, tribal, supranational or international law, regulation, equitable principle, contract or otherwise, for Punitive Damages whether brought directly, by subrogation, by assignment or otherwise.

(vv) Real Property means all real property adjacent to Identified Gulf Waters, including property below the surface of the water, Oyster Beds, and deeded docks.

(ww) Released Claims means the "New Class Released Claims" described in Section 10(a) and set forth in the New Class Release of HESI attached as Attachment A, and the claims released by the DHEPDS Class, described in Section 10(b), and set forth in the Assigned Claims Release of HESI attached as Attachment B. Released Claims do not include any "New Class Expressly Reserved Claims," in the New Class Release of HESI attached as Attachment A, or any claims expressly reserved in the Assigned Claims Release of HESI attached as Attachment B.

(xx) Response Activities means the clean-up, remediation efforts, and all other responsive actions (including the use and handling of dispersants) relating to the releases of oil, other hydrocarbons and other pollutants from the MC252 Well and/or the *Deepwater Horizon* and its appurtenances, and the *Deepwater Horizon* Incident.

(yy) Seafood means fish and shellfish, including shrimp, oysters, crab, menhaden, and Finfish, caught in the Specified Gulf Waters or Identified Gulf Waters.

(zz) Specified Gulf Waters means the United States and state territorial waters of the Gulf of Mexico where residents of Gulf Coast Areas are allowed to lawfully fish, under a United States or state-issued permit or otherwise, and all adjacent bays, estuaries, straits, and other tidal or brackish waters within the territory of the States of Louisiana, Mississippi, and Alabama and the Texas and Florida counties listed in the definition Gulf Coast Areas, and which are shown on the map attached as Attachment D.

([[) Taxes means all federal, state and/or local taxes of any kind on any income earned by the Grantor Trust, or any other funds associated with the settlement of this matter, including the expenses and costs of tax

attorneys and accountants retained by New Class Counsel, DHEPDS Counsel or the trustee of the Grantor Trust.

(aaa) Transocean means Transocean Ltd., Transocean, Inc., Transocean Offshore Deepwater Drilling Inc., Transocean Deepwater Inc., Transocean Holdings LLC, and Triton Asset Leasing GmbH and all and any of their Affiliates, other than any Natural Person or Entity that is also an Affiliate of any of the BP Released Parties as of April 16, 2012.

(bbb) Vessel means every description of watercraft or other artificial contrivance used, or capable of being used, as a means of transportation on water.

(ccc) VoO means Vessels of Opportunity, the program through which BP, or its contractors, contracted with vessel owners to assist in *Deepwater Horizon* Incident Response Activities.

6. Settlement Benefits.

Subject to the terms and conditions set forth herein, HESI shall provide the following "Settlement Benefits" in connection with the resolution of the New Class Action by the New Class and the resolution of the Assigned Claims against HESI by the DHEPDS Class:

(a) HESI shall make an Aggregate Payment of one billion twenty-eight million U.S. dollars ("USD") ($1,028,000,000) (the "Aggregate Payment") to resolve both the alleged liability to the New Class for Punitive Damages Claims, if any, and the alleged liability to the DHEPDS Class for the Assigned Claims against HESI under the DHEPDS. DHEPDS Class Counsel and the PSC have agreed to accept the Aggregate Payment from HESI, subject to the terms and conditions

set forth herein, including the allocation of the Aggregate Payment by the Allocation Special Master described below.

(b) All Administrative Costs shall be paid from the Aggregate Payment. Under no circumstances shall HESI be liable for any Administrative Costs. At the request of the PSC or New Class Counsel, as applicable, and/or the DHEPDS Class Counsel, HESI agrees to consult with them to explore methods to enhance the efficiency of the implementation and administration of the processes for the distribution of the Aggregate Payment amount pursuant to the provisions of the SA.

(c) Only as agreed to by the Parties in Section 23 of this SA, HESI shall pay the reasonable common benefit costs and fees of the PSC, New Class Counsel, as applicable, and DHEPDS Class Counsel and/or other common benefit attorneys who have submitted time and/or costs in accordance with Pre-Trial Order No. 9, as may be approved by the Court. In no event shall HESI be required to pay any common benefit costs or fees of the PSC, New Class Counsel, DHEPDS Class Counsel or any other common benefit attorneys, or any other person who claims a right to fees and costs, in excess of the amount agreed to by the Parties in Section 23 of this SA.

7. Allocation of Settlement Benefits by the Allocation Special Master.

(a) An Allocation Special Master shall be appointed by the Court, and such Allocation Special Master shall allocate the Aggregate Payment between the New Class and the DHEPDS Class with finality, subject to the terms of this SA and the Court's determination that the Allocation Special Master appropriately performed the assigned function. The Parties may

not cancel or terminate the SA based on the Allocation Special Master's allocation. HESI shall not have any responsibility or liability whatsoever for, the allocation of the Aggregate Payment.

(b) The Allocation Special Master shall have the ability to communicate, *ex parte* or otherwise, with and obtain information from the Parties in furtherance of his/her assigned function. All communications between and among the Allocation Special Master and the Parties shall be treated and considered by the Parties as confidential, privileged and otherwise protected by Federal Rule of Evidence 408. The Parties shall request the Court to instruct the Allocation Special Master to treat and consider all such communications as confidential, privileged and otherwise protected by Federal Rule of Evidence 408.

(c) The Allocation Special Master may also communicate *ex parte* or otherwise, with nonparties to obtain information as he/she deems appropriate. The Parties shall treat and consider all communications between and among the Allocation Special Master and any nonparty as confidential, privileged and otherwise protected by Federal Rule of Evidence 408. The Parties shall request the Court to instruct the Allocation Special Master to treat and consider all such communications as confidential, privileged and otherwise protected by Federal Rule of Evidence 408.

(d) The Allocation Special Master's appointment shall terminate on the date that an order of the Court approving the allocation of the Aggregate Payment becomes Final.

(e) The Allocation Special Master shall file his/her final recommendation as soon as practicable or in a timeframe established by the Court.

(f) Use of Allocation Materials. The New Class, New Class Members, PSC, New Class Counsel, DHEPDS Class, DHEPDS Class Counsel, and HESI, each agree, represent, and warrant that all documents and communications relating to the Allocation Special Master's development of the allocation shall (i) be kept confidential, subject to valid legal process; (ii) not be used by them for any purpose other than the allocation; and (iii) be inadmissible and not used in any litigation, arbitration, mediation, settlement discussions, or other communications or procedures. Such confidential and protected documents and communications relating to the Allocation Special Master's development of the allocation shall include, but shall not be limited to, any and all material relating to the use of the DHEPDS Settlement Program to process claims of New Class Members or DHEPDS Class Members for purposes of allocating the Aggregate Payment or distributing Settlement Benefits. No calculation or conclusions generated during the allocation process shall be binding on any party, nor shall they be used in relation to the validity or amount of any claims for damages, loss, or injury arising out of, due to, resulting from, or relating in any way to, directly or indirectly, the *Deepwater Horizon* Incident, whether asserted in litigation, arbitration, mediation, settlement discussions, or other communication or proceedings.

8. Distribution of Settlement Benefits.

(a) Establishment of a Court-Supervised Claims Program for the New Class. Subject to the terms and conditions herein, the PSC or New Class Counsel, as applicable, shall make arrangements to establish a Court-

supervised claims program for the New Class. A Claims Administrator appointed by the Court shall develop a Distribution Model for the Court-supervised Claims Program. The Distribution Model may be included in the notice of this SA to the New Class under the Notice Program, or may be developed after Court approval of this SA and/or certification of the New Class, as the Court directs. The PSC or New Class Counsel, as applicable, will consult with HESI on the Claims Program, including on issues such as periodic reporting to HESI by the Claims Administrator of summary claims data and receipt of electronic copies of executed Individual Releases. HESI shall be entitled to standard reports of claims data. If HESI requests additional information, such as paper copies of Individual Releases, HESI shall be responsible for the costs of generating such information. If any dispute with HESI arises with respect to the Claims Program, the Court will resolve the matter consistently with the terms of this SA. The PSC or New Class Counsel, as applicable, will recommend to the Court a person to serve as the Claims Administrator, subject to Court approval. In the absence of HESI's agreement, the Court shall select the Claims Administrator. The Claims Program will treat all claims on a fair and transparent basis. The Claims Program for the New Class is intended to distribute funds remaining from the portion of the Aggregate Payment allocated to the New Class after relevant Administrative Costs have been paid. The plan for distribution of payments to the New Class recommended by the Claims Administrator may, at his/her discretion, include a standard to establish a claim for Real Property damage, a standard to establish a claim for Personal Property damage, including Vessel damage, a standard to establish a claim for

commercial fishing loss, a standard to establish a claim for charter fishing loss, a standard to establish a claim for subsistence loss, and other standards as necessary to distribute the New Class Funds. Prior to distribution of any New Class Funds, the Effective Date must have occurred and the Distribution Model must be approved by a Final order of the Court. HESI shall not have any responsibility or liability whatsoever for, the distribution or method of distribution of the Aggregate Payment.

(b) Distribution of Settlement Benefits for the DHEPDS Class. The occurrence of the Effective Date is a condition precedent to distribution of any funds to the DHEPDS Class. After the Effective Date, the portion of the Aggregate Payment allocated to the DHEPDS Class, minus any relevant previously-incurred Administrative Costs will be placed in a sub-fund of the Grantor Trust created for the DHEPDS Class subject to further order of the Court as described in Section 9.

(c) Administrative Costs. The Court will order disbursements of funds from the Aggregate Payment as needed to cover Administrative Costs. Funds may be disbursed to cover Administrative Costs beginning as soon as the first payment described in Section 9(a)(ii) is made into the Grantor Trust described in Section 9.

(d) Timing of Distributions to New Class Members and DHEPDS Class. After the Effective Date, distributions of the New Class Funds shall occur as soon as practicable, or in a timeframe ordered by the Court, consistently with the terms and conditions of this SA. After the Effective Date, a Final order approving the Distribution Model for the New Class is a condition precedent to distribution of any funds to the New Class

Members, but does not affect the timing of any distribution to the DHEPDS Class. After the Effective Date, any order with respect to distribution of funds allocated to the DHEPDS Class is not a condition precedent to and does not affect the timing of any distribution to the New Class.

9. Administration and Funding of Settlement Benefits.

(a) Provision of Aggregate Payment. HESI shall provide the Aggregate Payment as follows:

i. The Aggregate Payment shall be placed in a Grantor Trust established as a qualified settlement fund ("Grantor Trust"). HESI shall make a grantor trust election, in accordance with Treas. Reg. § 1.468B-1(k), to treat the qualified settlement fund established to distribute the Settlement Benefits as a subpart E trust. Under this election, the qualified settlement fund will be treated for federal income tax purposes as a trust, all of which is treated as owned by HESI under section 671 of the Internal Revenue Code and the regulations thereunder.

ii. HESI shall pay into the Grantor Trust $ 361,333,334 (USD) of the Aggregate Payment within 30 calendar days of the filing of this SA with the Court. HESI shall pay into the Grantor Trust $333,333,333 (USD) of the Aggregate Payment within one year of the filing of this SA with the Court. HESI shall pay into the Grantor Trust $333,333,333 (USD) of the Aggregate Payment within two years of filing of this SA with the Court.

iii. The PSC or New Class Counsel, as applicable, and DHEPDS Class Counsel, in consultation with HESI, will recommend a trustee for appointment by the Court to oversee the Grantor Trust, and if any dispute with HESI arises with respect to the appointment of the trustee, the Court will resolve the matter consistently with the terms of this SA. The PSC or New Class Counsel, as applicable, and DHEPDS Class Counsel, in consultation with HESI, shall define the scope and responsibilities of the trustee of the Grantor Trust. If any dispute with HESI arises with respect to the scope and responsibilities of the trustee, the Court will resolve the matter consistently with the terms of this SA.

iv. Except for approved Administrative Costs, already disbursed from the Grantor Trust, the Aggregate Payment shall be held in the Grantor Trust (which includes sub-funds of the Grantor Trust established consistent with the terms and conditions of this SA and any applicable Court order). Upon the Effective Date, all income earned on money held in the Grantor Trust, net of Taxes, shall belong to the New Class and the DHEPDS Class, proportionally based on the allocation of the Aggregate Payment by the Allocation Special Master. The Aggregate Payment shall remain in the Grantor Trust until distribution.

v. The Grantor Trust trustee shall invest any funds in the Grantor Trust in: (1) United States Treasuries: (2) United States government money market funds having a AAA/Aaa rating awarded by at least two of the three major rating agencies (Standard & Poor’s, Moody’s or Fitch); (3) Interest bearing

deposits at federally insured depository institutions that are at all times rated A+/A1 or higher by Standard & Poor's and Moody's provided such depository institution rated A+/A1 or higher; or (4) as agreed by the Parties, and shall collect and reinvest all interest accrued thereon, except that any residual cash balances of less than $100,000.00 may be invested in money market mutual funds comprised exclusively of investments secured by the full faith and credit of the United States. In the event that the funds in the Grantor Trust are invested in United States Treasuries and the yield on the United States Treasuries is negative, in lieu of purchasing such Treasuries, all or any portion of the funds held by the Grantor Trust may be deposited in a non-interest bearing account in a federally insured depository institution, as described above. No risk related to the investment of the Aggregate Payment in the Grantor Trust shall be borne by HESI. All Taxes arising with respect to income earned by the Grantor Trust shall be paid out of the Grantor Trust, and shall be timely paid by the Grantor Trust trustee. Any tax returns prepared for the Grantor Trust (as well as the election set forth therein) shall be consistent with its status as a qualified settlement fund and in all events shall reflect that all Taxes (including any interest or penalties) on the income earned by the Grantor Trust shall be paid out of the Grantor Trust as provided herein.

vi. The Grantor Trust shall indemnify HESI for all Taxes imposed on the income earned by the Grantor Trust. Without limiting the foregoing, from the Grantor Trust, the Grantor Trust trustee shall

reimburse HESI for any such Taxes to the extent they are imposed on HESI for a period during which the Grantor Trust does not qualify as a "qualified settlement fund."

vii. HESI shall have no responsibility for or involvement in maintaining or investing the Aggregate Payment or the funds in the Grantor Trust or for the establishment or maintenance of the Grantor Trust, for the payment of Taxes, or for the distribution of the Grantor Trust or the administration of the SA.

(b) Consistent with Section 8 above, after the Effective Date and subject to further order of the Court, the trustee of the Grantor Trust will establish or cause to be established a sub-fund of the Grantor Trust to hold the funds allocated to the New Class and income earned on the funds, net of Taxes, allocated to the New Class (the "New Class Sub-Fund") and a sub-fund of the Grantor Trust to hold funds allocated to the DHEPDS Class and income earned on the funds, net of Taxes, allocated to the DHEPDS Class (the "DHEPDS Class Sub-Fund"), both of which shall form part of the Grantor Trust. All income earned on funds, net of Taxes, and held in the New Class Sub-Fund shall become part of the New Class Sub-Fund and belong to the New Class. All income earned on funds, net of Taxes, and held in the DHEPDS Class Sub-Fund shall become part of the DHEPDS Class Sub-Fund and belong to the DHEPDS Class. Subject to further order of the Court, after funds are placed in these sub-funds, any remaining Administrative Costs related to the DHEPDS Class will be paid either from the DHEPDS Class Sub-Fund or as part of the claims administration of the DHEPDS as directed by the Court, and the remaining Administrative Costs related to implementation of this SA

with respect to the New Class will be paid from the New Class Sub-Fund.

10. Release of Claims.

(a) Release of Specified New Class Punitive Damages Claims. The New Class Members defined in Section 4 shall release and forever discharge, with prejudice, New Class Released Claims as defined in the New Class Release of HESI (Attachment A to this SA) upon the Effective Date of this SA.

(b) Release of Claims against HESI by DHEPDS Class. The DHEPDS Class shall release and forever discharge, with prejudice, Assigned Claims against the Halliburton Released Parties upon the Effective Date of this SA. These Assigned Claims are further defined as part of Exhibit 21 to the DHEPDS Agreement, and are intended to be all Assigned Claims against the Halliburton Released Parties. The release of Assigned Claims against the Halliburton Released Parties by the DHEPDS Class is not intended to be, and shall not operate as, a release of any individual claim of any DHEPDS Class Member except to the extent that any DHEPDS Class Member has asserted or attempts to assert an individual right to pursue any of the Assigned Claims, and does not in any way affect the "Expressly Reserved Claims" defined in Sections 3 and 38.67 of the DHPEDS, which continue to be expressly reserved to the DHEPDS Class Members. The DHEPDS Class, upon the Effective Date of this SA, shall release any claims against the Halliburton Released Parties for acts or omissions of any Court-appointed neutral party in disbursement of Settlement Benefits under this SA, the Allocation Special Master, or the

trustee of the Grantor Trust. The release of Assigned Claims against the Halliburton Released Parties is not intended to and does not operate as a release of any Assigned Claims against Transocean.

(c) Release. The "New Class Release of HESI" and the "Assigned Claims Release of HESI" set forth and describe in greater detail the Released Claims and are attached as Attachments A and B, respectively. In the event of a conflict between the New Class Release of HESI or the Assigned Claims Release of HESI and this Section 10, the New Class Release of HESI or the Assigned Claims Release of HESI, as the case may be, shall control.

(d) Individual Release. If a New Class Member submits one or more claims and qualifies for a payment under the terms of the SA then, prior to, and as a precondition to, receiving any payment on a claim, the New Class Member shall execute an "Individual Release" in the form attached as Attachment A-1. An Individual Release may not be signed by any form of electronic signature, but must be signed by a handwritten signature. An electronic signature is insufficient.

11. Attachments.

Any attachments to this SA are incorporated by reference as if fully set forth herein.

12. Entire Agreement.

This SA, its attachments, and the confidential Opt Out thresholds filed with the Court *in camera*, contains the entire agreement between the Parties concerning the subject matter thereof and supersedes and cancels all previous agreements, negotiations, and commitments, whether oral or in writing, with

respect to the subject matter of this SA. This SA may be amended from time to time only by written agreement of the Parties, subject to Court approval.

13. Additional Documentation.

The Parties recognize additional documents will be required in order to implement the SA, and agree to be bound by the terms set forth in the introductory paragraph of this SA with respect to such additional documentation. However, the Parties agree that this SA contains all of the essential terms necessary for a full, final, binding and enforceable Settlement Agreement between the Parties.

14. No Admission of Liability.

The PSC, New Class, New Class Members, DHEPDS Class, DHEPDS Class Members, DHEPDS Class Counsel, and HESI agree that the negotiation and execution of this SA, or any payments made thereunder, are to compromise disputed claims and are not an admission of wrongdoing, non-compliance, or liability. HESI denies all allegations of any wrongdoing, fault, non-compliance, liability; denies that it acted improperly in any way; and denies that it caused any damage or loss arising out of, due to, resulting from, or relating in any way to, directly or indirectly, the *Deepwater Horizon* Incident. Regardless of whether the SA is approved in any form by the Court, not consummated for any reason, or otherwise terminated or canceled, this SA and all documents related to the SA (and all negotiations, discussions, statements, acts, or proceedings in connection therewith) shall not be:

(a) offered or received against any Party as evidence of, or construed as or deemed to be evidence of, any presumption, concession, or admission by any Party with respect to the truth of any fact alleged

or the validity of any claim that was or could have been asserted against HESI or any other Halliburton Released Party arising out of, due to, resulting from, or relating in any way to, directly or indirectly, the *Deepwater Horizon* Incident, or of any liability, negligence, recklessness, fault, or wrongdoing of HESI or any other Halliburton Released Party;

(b) offered or received against any Party as any evidence, presumption, concession, or admission with respect to any fault, misrepresentation, or omission with respect to any statement or written document approved or made by HESI or any other Halliburton Released Party;

(c) offered or received against any Party or as any evidence, presumption, concession, or admission with respect to any liability, negligence, recklessness, fault, or wrongdoing, or in any way referred to for any other reason as against HESI or any other Halliburton Released Party in any civil, criminal, or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this SA; provided, however, that if this SA is approved by the Court, HESI, the DHEPDS Class, the New Class, and any New Class Member may refer to it to effectuate the protections granted them hereunder or otherwise to enforce the terms of the SA; or

(d) construed against any Party as an admission, concession, or presumption that the consideration to be given hereunder represents the amount that could be or would have been recovered after trial.

15. Approval.

(a) The Parties agree to take all actions reasonably necessary for preliminary and final approval of the SA, and approval of the additional documents described in Section 13.

(b) The Parties agree to take all actions necessary to obtain final approval of this SA and entry of Final orders dismissing the New Class Action with prejudice and dismissing the Assigned Claims with prejudice, and the Parties also agree to take all actions necessary and appropriate to obtain dismissal of all other lawsuits that are pending and/or may be filed against HESI that assert Released Claims, but only to the extent of the Released Claims.

(c) Certification of the New Class is for settlement purposes only, and HESI, the PSC, and New Class Counsel reserve all arguments for and against certification of a litigation class.

16. Cooperation.

(a) HESI agrees to reasonably cooperate, and shall cause its respective Affiliates, personnel, employees, attorneys, agents and representatives to reasonably cooperate in seeking approval of this SA and satisfaction of all conditions precedent to the occurrence of the Effective Date of this SA, regardless of whether the Court enters an order that concludes that the facts and evidence under applicable law categorically do not give rise to any claims for Punitive Damages against HESI. Nothing in this paragraph shall be construed to waive, restrict or limit HESI's rights provided under this SA.

(b) The DHEPDS Class agrees not to settle Assigned Claims with Transocean unless, as part of the settlement, Transocean agrees to a full and final release of and covenant not to sue the Halliburton Released Parties for any claims for contribution or indemnity for any amounts paid by Transocean as part of the settlement. Further, before any such settlement is executed, the Halliburton Released Parties shall have the right to approve language memorializing the release contemplated in this paragraph, which approval shall not be unreasonably withheld.

(c) Nothing in this SA prevents or restricts in any way any person or party from fully and truthfully cooperating with any federal, state, local or foreign government entity, including any federal, state or local governmental, regulatory or self-regulatory agency, body, committee (Congressional or otherwise), commission, or authority (including any governmental department, division, agency, bureau, office, branch, court, arbitrator, commission, tribunal, *Deepwater Horizon* Task Force, or other governmental instrumentality) ("Governmental Entity"), with respect to any investigation or inquiry concerning or arising from the *Deepwater Horizon* Incident.

17. Communications with the Public.

Upon filing of this SA, the PSC or New Class Counsel, as applicable, DHEPDS Class Counsel, or HESI may jointly or separately issue press releases announcing and describing this SA. The form, content, and timing of the press releases shall be subject to mutual agreement of DHEPDS Class Counsel, the PSC or New Class Counsel, as applicable, and HESI, which shall not be unreasonably withheld by any Party; provided that HESI shall, in its sole

discretion, be entitled to include such information as required by law or regulation. Communications by or on behalf of the Parties and their respective counsel regarding this SA with the public and the media shall be made in good faith, shall be consistent with the Parties' agreement to take all actions reasonably necessary for preliminary and Final approval of this SA, and the information contained in such communications shall be consistent with the content of any notice under the Notice Program that may be approved by the Court in connection with the New Class, if the Notice Program has been established. Nothing herein is intended or shall be interpreted to inhibit or interfere with DHEPDS Class Counsel's ability to communicate with the Court, DHEPDS Class Members, or their respective counsel. Likewise, nothing herein is intended or shall be interpreted to inhibit or interfere with the PSC's or New Class Counsel's ability to communicate with the Court, Clients, New Class Members, potential New Class Members, or their respective counsel.

18. Notice of Proposed Class Action and SA.

(a) The Notice Program shall be as approved by the Court to meet all applicable Fed. R. Civ. P. 23 notice requirements; will include individual mailed notice where practicable; and will include a website and toll-free number.

(b) The PSC or New Class Counsel, as applicable, will consult with HESI regarding the design and execution of the Notice Program with respect to the New Class (including, without limitation, issues such as claim deadlines, manner of notice to the New Class, and creation of Opt Out forms sufficient for HESI to determine its rights under Section 22(a)). If any dispute arises between HESI and the PSC or New Class Counsel

with respect to the New Class Notice Program, the Court will resolve the matter consistently with the terms of this SA.

19. Final Orders Approving this SA and Dismissing the New Class Action and Assigned Claims with Prejudice.

HESI, DHEPDS Class Counsel on behalf of the DHEPDS Class, and the PSC, or New Class Counsel, as applicable, on behalf of the members of the proposed New Class, will seek the following Final orders of the Court:

(a) With respect to the New Class, a Final order or Final orders that:

i. Confirm the class representatives of the New Class and appointment of New Class Counsel;

ii. Certify the New Class for settlement purposes only;

iii. Approve the SA, including approval of the allocation of the Aggregate Payment between the DHEPDS Class for the Assigned Claims and the New Class for the Punitive Damage Claims by the Allocation Special Master, as being fair, reasonable, and adequate;

iv. Incorporate the terms of this SA and provide that the Court retains continuing and exclusive jurisdiction over HESI, the New Class Members, PSC, New Class Counsel, and this SA to interpret, implement, administer and enforce the SA in accordance with its terms;

v. Find that the New Class Notice Program satisfies the requirements set forth in Fed. R. Civ. P. 23(c)(2)(B);

vi. Permanently bar and enjoin the New Class and each New Class Member from commencing, asserting, and/or prosecuting any and all New Class Released Claims against any Halliburton Released Party;

vii. Dismiss the New Class Action with prejudice;

viii. Dismiss with prejudice all of the New Class Released Claims asserted by the New Class against the Halliburton Released Parties;

ix. Dismiss the lawsuits asserting New Class Released Claims, but only to the extent of the New Class Released Claims; and include a prohibition against commencement or prosecution of any actions alleging New Class Released Claims;

x. Adopt the interpretation of *Robins Dry Dock* in the Court's Order and Reasons [As to Motions to Dismiss the B1 Master Complaint] (Rec. Doc. #3830, 2:10-md-2179) (the "B1 Order"), and reaffirm *Robins Dry Dock*'s application to claims against HESI consistently with the terms of the Court's B1 Order;

xi. Adopt the January 31, 2012 Order and Reasons, Rec. Doc. 5493, 2:10-md-2179, enforcing HESI's indemnity rights against BP;

xii. Reaffirm that the terms of Exhibit 21 to the DHEPDS regarding protections against claims for compensatory damages against HESI remain in effect with respect to the DHEPDS Class and DHEPDS Class Members;

xiii. Find that the HESI Release of BP that is Attachment C to this SA meets any obligations the DHEPDS Class may owe to BP under paragraph 1.1.2.5 of Exhibit 21 to the DHEPDS or any other obligation that the DHEPDS Class or DHPEDS Class Counsel owes BP under the DHEPDS with respect to this SA;

xiv. Acknowledge BP's consent to the language of the HESI Release of BP that is Attachment C to this SA or find that BP's withholding

of consent under Exhibit 21 paragraph 1.1.2.5 of the DHEPDS is unreasonable and therefore BP is deemed to have consented to the language of the release that is Attachment C to this SA.

(b) With respect to the DHEPDS Class, a Final order or Final orders that:

i. Approve the SA, including approval of the allocation of the Aggregate Payment between the DHEPDS Class for the Assigned Claims and the New Class for the Punitive Damage Claims by the Allocation Special Master, as being fair, reasonable, and adequate;

ii. Dismiss with prejudice all of the Assigned Claims against the Halliburton Released Parties;

iii. Adopt the interpretation of *Robins Dry Dock* in the Court's Order and Reasons [As to Motions to Dismiss the B1 Master Complaint] (Rec. Doc. #3830, 2:10-md-2179) (the "B1 Order"), and reaffirm *Robins Dry Dock*'s application to claims against HESI consistently with the terms of the Court's B1 Order;

iv. Adopt the January 31, 2012 Order and Reasons, Rec. Doc. 5493, 2:10-md-2179 enforcing HESI's indemnity rights against BP;

v. Incorporate the terms of this SA and provide that the Court retains continuing and exclusive jurisdiction over the Parties, their respective counsel, and this SA to interpret, implement, administer and enforce the SA in accordance with its terms;

vi. Reaffirm that the terms of Exhibit 21 to the DHEPDS regarding protections against claims for compensatory damages against HESI remain in effect with respect to the DHEPDS Class and DHEPDS Class Members;

vii. Reaffirm that the Assigned Claims against HESI assigned to the DHEPDS Class were assigned to the DHEPDS Class only as a juridical entity and not to the DHEPDS Class Members individually and that no individual DHEPDS Class Member has any individual right to pursue the Assigned Claims.

viii. Permanently bar and enjoin the DHEPDS Class and DHEPDS Class Members from commencing, asserting, and/or prosecuting any and all Assigned Claims against any Halliburton Released Party;

ix. Find that the HESI Release of BP that is Attachment C to this SA meets any obligations the DHEPDS Class may owe to BP under paragraph 1.1.2.5 of Exhibit 21 of the DHEPDS, or any other obligation, if any, that the DHEPDS Class or DHEPDS Class Counsel owes BP under the DHEPDS with respect to this SA;

x. Acknowledge BP's consent to the language of the HESI release of BP that is Attachment C to this SA or find that BP's withholding of consent under Exhibit 21 paragraph 1.1.2.5 of the DHEPDS is unreasonable and therefore BP is deemed to have consented to the language of the release that is Attachment C to this SA.

(c) Upon the Effective Date of this SA, DHEPDS Class Counsel and HESI will cooperate to take any remaining actions needed to confirm that dismissal with prejudice of any and all Assigned Claims against Halliburton Released Parties in any action(s) filed by BP or the DHEPDS is reflected in the appropriate docket in which such action was filed.

20. Conditions Precedent to Finality of this SA.

HESI, DHEPDS Class Counsel on behalf of the DHEPDS Class, and the PSC, or New Class Counsel, as applicable, on behalf of the members of the proposed New Class, agree that the following are conditions precedent to the finality of this SA, and the "Effective Date" of this SA shall be the first day on which all of the following have occurred:

(a) The "DHEPDS Effective Date," as defined in Section 5;

(b) The order described in Section 19(b) with respect to resolution of the Assigned Claims against the Halliburton Released Parties under the terms and conditions of this SA has become Final or a waiver of this condition precedent, as described in Section 22(b) has been executed by DHEPDS Class Counsel and HESI; and

(c) Either of the following orders has become Final:

i. The order described in Section 19(a) with respect to resolution of the New Class Action, or

ii. An order concluding that the facts and evidence under applicable law categorically do not give rise to any claims for Punitive Damages against HESI.

21. Opt Outs.

(a) To validly exclude themselves from the New Class, New Class Members must submit a written request to opt out, which must be received by the Entity identified in the Notice Program for that purpose, properly addressed, and postmarked no later than a date to be determined by the Court. A written request to opt out may not be signed by any form of electronic signature, but must be signed by a handwritten signature. The PSC or New Class Counsel, as applicable, New Class Counsel and HESI

will be provided with identifying information on Opt Outs on a weekly basis, under a confidentiality order of the Court, to enable them to determine the validity of Opt Outs or the applicability of Opt Out held Property to the Opt Out thresholds referred to in Section 22(a), or in the case of the PSC or New Class Counsel, as applicable, to assist those who wish to revoke an Opt Out. All requests to opt out must be signed by the Natural Person or Entity seeking to exclude himself, herself or itself from the New Class. Attorneys for such Natural Persons or Entities may submit a written request to opt out, but they must still be signed by the Natural Person or Entity.

(b) All New Class Members who do not timely and properly opt out shall in all respects be bound by all terms of this SA and the Final order(s) with respect to the New Class contemplated herein, and shall be permanently and forever barred from commencing, instituting, maintaining or prosecuting any action based on any Released Claim against any of the Halliburton Released Parties in any court of law or equity, arbitration tribunal or administrative or other forum.

22. Termination of SA.

(a) At the written election of HESI, within fourteen calendar days after all Opt Out data has been made available to HESI and the PSC or New Class Counsel, as applicable, following the expiration of the Opt Out deadline to be established by the Court, HESI shall have the right to terminate this SA in the event that any of the Opt Out thresholds agreed to by the Parties has been exceeded. The agreed thresholds shall be submitted *in camera* to the Court and otherwise be kept confidential.

(b) At the written election of HESI, DHEPDS Class Counsel, or the PSC or New Class Counsel, as applicable, this SA shall become null and void and shall have no further effect between and among HESI, the New Class members, the DHEPDS Class, and their respective counsel in the event that:

i. The Effective Date of this SA cannot occur; or

ii. The Court declines to enter the order(s) described in Section 19(b) or any such order(s) described in Section 19(b) fails to become Final. However, the DHEPDS Class Counsel and HESI upon mutual written agreement may waive this provision and accept the order(s) of the Court as entered and thus waive one or more of the provisions of Section 19(b).

(c) Effect of Termination. In the event the SA is terminated in whole or in part, neither this SA nor any of the additional documentation described in Section 13 shall be offered into evidence or used in this or any other action for any purpose other than effectuating and enforcing this SA with respect to any Parties between and among whom this SA remains in effect, including, but not limited to, in support of or opposition to the existence, certification or maintenance of any purported class. If this SA terminates, all funds including income of any kind, less Administrative Costs then incurred, and then remaining in the Grantor Trust, or in any other account holding funds from the Aggregate Payment, will be returned to HESI as soon as practicable; provided, however, that the Claims Administrator and trustee of the Grantor Trust shall have authority to pay any Administrative Costs reasonably incurred in connection with winding down the implementation of the SA. Any such

costs and costs of any termination notice approved by the Court shall be deducted from the funds in the Grantor Trust prior to any funds being returned to HESI. If this SA terminates, the DHEPDS Class, the PSC or the New Class Counsel, as applicable, and HESI shall jointly move the Court to vacate any preliminary approval order entered with respect to this SA and any of the orders described in Section 19 if any such orders have been entered.

23. Attorneys' Fees and Costs.

(a) The PSC, DHEPDS Class Counsel, and HESI did not have any fee discussion prior to August 28, 2014, after the Parties reached closure on the economic terms of this SA and received permission from the Court to discuss fees. The Parties' agreement set forth herein regarding fees and costs and the fee vesting schedule is subject to approval by the Court. In no event will HESI be obligated to pay more in attorneys' fees and costs than the amount agreed to, and pursuant to the fee vesting schedule agreed to, by HESI, the PSC and DHEPDS Class Counsel.

(b) HESI agrees not to contest any request by the DHEPDS Class Counsel and the PSC, or New Class Counsel, as appropriate (collectively, the "Class Counsel") for, nor oppose an award by the Court for, a maximum award of ninety-nine million nine hundred and fifty thousand U.S. dollars (U.S. $99,950,000), as a payment of all common benefit and/or Fed R. Civ. P. 23(h) attorneys' fees and costs incurred at any time, whether before or after the date hereof, for the common benefit of members of the DHEPDS Class and the New Class, with respect to the Released Claims. If the Court awards less than the amount set out in

this Section 23(b), HESI shall be liable only for the lesser amount awarded by the Court. The common benefit and/or Rule 23(h) attorneys' fees, costs and expenses awarded by the Court, subject to the limitations in the preceding sentence, shall be collectively referred to as the "Common Benefit Fee and Costs Award."

(c) The Parties shall establish with Court approval a "Qualified Settlement Fund" under § 468(d)(2) of the Internal Revenue Code and Treasury Regulation § 1.468B.1 within the Grantor Trust to receive all payments of attorneys' fees and costs ("Attorneys' Fee Account").

(d) HESI shall make Common Benefit Fee and Costs Award payments into the Grantor Trust Attorneys' Fee Account as follows:

i. An initial payment of thirty three million three hundred and fifty thousand U.S. dollars (U.S. $33,350,000) (the "Initial Payment") within 30 days after the filing of the SA with the Court; and

ii. A payment of thirty three million three hundred thousand U.S. dollars (U.S. $33,300,000) within 30 days after the Court's order(s) approving the Allocation Special Master's allocation (the "Second Payment"); and

iii. A final payment of the amount of the Common Benefit Fee and Costs Award approved by the Court, less the Initial Payment and Second Payment, but not to exceed an additional payment of thirty three million three hundred thousand U.S. dollars (U.S. $33,300,000) within 15 days of the Effective Date.

iv. At any time after the Initial Payment, Class Counsel may petition the Court for reimbursement of common-benefit litigation costs and/or expenses, and payment of reasonable costs and expenses

incurred in the approval process and implementation of the SA. Such payments are to be funded from the Initial Payment and HESI shall have no right of reversion, recapture, or return of such Court-approved payments.

v. If the SA is terminated under Section 22, any funds remaining in the Attorneys' Fee Account held by the Grantor Trust or otherwise in the Grantor Trust shall revert to HESI, minus any Court-approved payment of costs and/or expenses under 23(c)(iv).

vi. Upon the full payment of the Common Benefit Fee and Costs Award, HESI shall be immediately and fully discharged from any and all further liability or obligation whatsoever with respect to any and all common benefit and/or Rule 23(h) attorneys' fees, costs and expenses incurred by or on behalf of the DHEPDS Class or the New Class, or any member thereof, in respect of, or relating in any way to, directly or indirectly, any and all Released Claims.

vii. HESI and Class Counsel agree to request, and will not contest or oppose, that the order approving the Common Benefit Fee and Costs Award will include the language set forth in this Section 23.

viii. Neither HESI nor any of the Halliburton Released Parties shall have any responsibility, obligation or liability of any kind whatsoever with respect to how the Common Benefit Fee and Costs Award is allocated and distributed, which allocation and distribution is the sole province of the Court.

24. Notice.

Written Notice to the PSC, for itself and on behalf of the New Class, and to the DHEPDS Class must be given to Stephen J. Herman, Herman, Herman & Katz, 820 O'Keefe Avenue, New Orleans, LA 70113, Sherman@hhklawfirm.com, and James P. Roy, Domengeaux Wright Roy & Edwards, 556 Jefferson Street, Lafayette, LA 70502, jimr@wrightroy.com. Written notice to HESI must be given to Robb L. Voyles, Executive Vice President and General Counsel, Halliburton Company, 3000 N. Sam Houston Parkway East, Houston, TX 77032, robb.voyles@halliburton.com. All notices required by the SA shall be sent by overnight delivery and electronic mail.

25. Other Provisions.

(a) The Court shall have continuing and exclusive jurisdiction to interpret, administer, implement, and enforce this SA, including through injunctive or declaratory relief.

(b) HESI and the PSC have not waived and expressly retain their rights to appeal any prior or subsequent order of the Court regarding HESI's potential exposure for claims that are not resolved by this SA, (including, for example, arguments or defenses regarding a finding of negligence, gross negligence, or other degree of fault, the availability of and/or evidentiary basis for any form of damages under the general maritime law, the potential displacement of general maritime law by the Oil Pollution Act of 1990, or damages available under the Oil Pollution Act of 1990), or BP's indemnity obligations to HESI (excluding indemnity for the Aggregate Payment, attorney fees and costs paid by HESI under this SA). Such appeals or arguments shall not alter any rights held by the DHEPDS Class (as the owner of the Assigned Claims), the New

Class or any New Class Member, but may impact any claims falling outside this SA, and only claims falling outside this SA.

(c) Notwithstanding the law applicable to the underlying claims, which the Parties dispute, this SA shall be interpreted in accord with general maritime law as well as in a manner intended to be consistent with the Oil Pollution Act of 1990.

(d) The use of environmental data (including SCAT data) as part of this SA shall not constitute an admission or judicial determination related to the admissibility or interpretation of such data for any other purpose.

(e) In the event any confidential documentation is provided by or on behalf of the Parties in the course of the settlement process, the Parties and their counsel agree that all such documentation shall be preserved until after performance of all terms of the SA is completed, and the use of such documentation shall be governed by the following pretrial orders entered in the MDL: Pretrial Order No. 13, Order Protecting Confidentiality; Pretrial Order No. 38, Order Relating to Confidentiality of Settlement Communications; and Pretrial Order No. 47, Order Regarding Designation of Documents as "Confidential" or "Highly Confidential." The Parties shall continue to treat documents in conformity with the requirements of the confidentiality requirements of the foregoing pretrial orders.

(f) The waiver by any Party of any breach of this SA by another Party shall not be deemed or construed as a waiver of any other breach of this SA, whether prior, subsequent, or contemporaneous.

(g) This SA shall be deemed to have been mutually prepared by the Parties and shall not be construed against any of them by reason of authorship.

(h) This SA may be executed in counterparts, and a facsimile signature shall be deemed an original signature for purposes of this SA.

(i) No representations, warranties or inducements have been made to any Party concerning the SA or its attachments other than the representations and warranties contained and memorialized in such documents and the SA.

(j) The headings herein are used for the purpose of convenience only and are not meant to have legal effect.

(k) This SA shall be binding upon and inure to the benefit of the successors and assigns of the Parties.

(l) DHEPDS Class Counsel on behalf of the DHEPDS Class represents and warrants that the DHEPDS Class has not assigned or otherwise conveyed all or any part of the Assigned Claims against HESI.

26. Tolling of Statute of Limitations

Upon filing of this SA with the Court, the statutes of limitation applicable to the Assigned Claims against the Halliburton Released Parties and to any and all claims or causes of action that have been or could be asserted by or on behalf of any New Class Member are hereby tolled and stayed. The limitations period shall not begin to run again for any New Class Member unless and until (a) he, she, or it opts out of the New Class, or (b) this SA is terminated pursuant to Court order or otherwise. The limitations period shall not begin to run again for the DHEPDS Class for the Assigned Claims against the Halliburton Released Parties unless and until this SA is terminated pursuant to Court order or otherwise. In the event this SA is terminated pursuant to Court order or otherwise, the limitations period for each New Class Member as to whom the

limitations period had not expired as of the date of the filing of this SA with the Court shall extend for the longer of 90 days from the last required issuance of notice of termination or the period otherwise remaining before expiration, and the limitations period for the DHEPDS Class with respect to the Assigned Claims shall extend for the longer of 90 days from the date of notice to DHEPDS Class Counsel of termination of this SA or the period otherwise remaining before expiration. Notwithstanding the temporary tolling agreement herein, the Parties recognize that any time already elapsed for any New Class Members or for the DHEPDS Class on any applicable statutes of limitations shall not be reset, and no expired claims shall be revived, by virtue of this temporary tolling agreement. New Class Members and the DHEPDS Class do not admit, by entering into this SA, that they have waived any applicable tolling protections available as a matter of law or equity. Nothing in this SA shall constitute an admission in any manner that the statute of limitations has been tolled for anyone other than the DHEPDS Class, New Class, and New Class Members, nor does anything in this SA constitute a waiver of legal positions regarding tolling.

27. Representations and Warranties Regarding Authority.

(a) Pursuant to PTO 8, the PSC has explored settlement opportunities with HESI and pursuant to such authority, with approval of the PSC, Co-Liaison Counsel have been given the authority to execute this SA on behalf of the putative New Class. This SA has been duly and validly executed and delivered by the PSC, and constitutes a legal, valid and binding obligation of the New Class.

(b) DHEPDS Class Counsel on behalf of the DHEPDS Class represents and warrants that they have authority to enter into this SA on behalf of the DHEPDS Class. This SA has been duly and validly executed and delivered by DHEPDS Class Counsel, and constitutes a legal, valid and binding obligation of the DHEPDS Class, subject to Court approval.

(c) HESI represents and warrants that it has all requisite corporate power and authority to execute, deliver and perform this SA. The execution, delivery, and performance by HESI of this SA has been duly authorized by all necessary corporate action. This SA has been duly and validly executed and delivered by HESI, and constitutes its legal, valid and binding obligation, subject to Court approval.

Halliburton Energy Services, Inc.

By:_____
Name:
Title:

Halliburton Company

By:_____
Name:
Title:

PLAINTIFFS' CO-LIAISON COUNSEL (For the PSC)

By: _____

Name: James Parkerson Roy

By: _____

Name: Stephen J. Herman

DHEPDS CO-LEAD Class Counsel

By: _____

Name: James Parkerson Roy

By: _____

Name: Stephen J. Herman

Attachment A:

New Class Release of HESI
Individual Release

Attachment B:

Assigned Claims Release of HESI

Attachment C:

HESI Release of BP

Attachment D:

Map of Gulf Coast Areas
Maps of Specified/Identified Gulf Waters

Exhibit 12.1

HALLIBURTON COMPANY
Computation of Ratio of Earnings to Fixed Charges
(Unaudited)
(Millions of dollars, except ratios)

	Nine Months Ended September 30, 2014	Year Ended December 31				
		2013	2012	2011	2010	2009
Earnings available for fixed charges:						
Income from continuing operations before income taxes	$ 3,472	$ 2,764	$ 3,822	$ 4,449	$ 2,655	$ 1,682
Add:						
Distributed earnings from equity in unconsolidated affiliates	8	19	4	13	13	17
Fixed charges	422	511	445	384	402	361
Subtotal	3,902	3,294	4,271	4,846	3,070	2,060
Less:						
Equity in earnings of unconsolidated affiliates	16	9	14	20	20	16
Total earnings available for fixed charges	$ 3,886	$ 3,285	$ 4,257	$ 4,826	$ 3,050	$ 2,044
Fixed charges:						
Interest expense	$ 293	$ 339	$ 305	$ 268	$ 308	$ 297
Rental expense representative of interest	129	172	140	116	94	64
Total fixed charges	$ 422	$ 511	$ 445	$ 384	$ 402	$ 361
Ratio of earnings to fixed charges	9.2	6.4	9.6	12.6	7.6	5.7

Exhibit 31.1

Section 302 Certification

I, David J. Lesar, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2014 of Halliburton Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 24, 2014

/s/ David J. Lesar
David J. Lesar
Chief Executive Officer
Halliburton Company

Exhibit 31.2

Section 302 Certification

I, Mark A. McCollum, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2014 of Halliburton Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 24, 2014

/s/ Mark A. McCollum
Mark A. McCollum
Chief Financial Officer
Halliburton Company

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is provided pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. § 1350, and accompanies the Quarterly Report on Form 10-Q for the period ended September 30, 2014 of Halliburton Company (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report").

I, David J. Lesar, Chief Executive Officer of the Company, certify that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David J. Lesar
David J. Lesar
Chief Executive Officer

Date: October 24, 2014

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is provided pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. § 1350, and accompanies the Quarterly Report on Form 10-Q for the period ended September 30, 2014 of Halliburton Company (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report").

I, Mark A. McCollum, Chief Financial Officer of the Company, certify that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark A. McCollum
Mark A. McCollum
Chief Financial Officer

Date: October 24, 2014

Exhibit 95

Mine Safety Disclosures

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, each operator of a mine is required to include certain mine safety results in its periodic reports filed with the SEC. The operation of our mines is subject to regulation by the federal Mine Safety and Health Administration (MSHA) under the Federal Mine Safety and Health Act of 1977 (Mine Act). Below, we present the following items regarding certain mining safety and health matters for the quarter ended September 30, 2014:

- total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard under section 104 of the Mine Act for which we have received a citation from MSHA;
- total number of orders issued under section 104(b) of the Mine Act, which covers violations that had previously been cited under section 104(a) that, upon follow-up inspection by MSHA, are found not to have been totally abated within the prescribed time period, which results in the issuance of an order requiring the mine operator to immediately withdraw all persons (except certain authorized persons) from the mine;
- total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under Section 104(d) of the Mine Act;
- total number of flagrant violations (i.e., reckless or repeated failure to make reasonable efforts to eliminate a known violation of a mandatory health or safety standard that substantially and proximately caused, or reasonably could have been expected to cause, death or serious bodily injury) under section 110(b)(2) of the Mine Act;
- total number of imminent danger orders (i.e., the existence of any condition or practice in a mine which could reasonably be expected to cause death or serious physical harm before such condition or practice can be abated) issued under section 107(a) of the Mine Act;
- total dollar value of proposed assessments from MSHA under the Mine Act;
- total number of mining-related fatalities; and
- total number of pending legal actions before the Federal Mine Safety and Health Review Commission involving such mine.

HALLIBURTON COMPANY

Mine Safety Disclosures

Three Months Ended September 30, 2014:

(Unaudited)

(Whole dollars)

Operation/ MSHA Identification Number[1]	Section 104 Citations	Section 104(b) Orders	104(d)Citations and Orders	Section 110(b)(2) Violations	Section 107(a) Orders	Proposed MSHA Assessments[2]	Fatalities	Pending Legal Actions
BPM Colony Mill/4800070	—	—	—	—	—	$ —	—	—
BPM Colony Mine/4800889	1	—	—	—	—	207	—	—
BPM Lovell Mill/4801405	—	—	—	—	—	—	—	—
BPM Lovell Mine/4801016	—	—	—	—	—	—	—	—
Corpus Christi Grinding Plant/4104010	—	—	—	—	—	—	—	—
Dunphy Mill/2600412	—	—	—	—	—	—	—	—
Lake Charles Plant/1601032	—	—	—	—	—	—	—	—
Larose Grinding Plant/1601504	—	—	—	—	—	—	—	—
Rossi Jig Plant/2602239	—	—	—	—	—	—	—	—
Total	1	—	—	—	—	$ 207	—	—

(1) The definition of a mine under section 3 of the Mine Act includes the mine, as well as other items used in, or to be used in, or resulting from, the work of extracting minerals, such as land, structures, facilities, equipment, machines, tools, and preparation facilities. Unless otherwise indicated, any of these other items associated with a single mine have been aggregated in the totals for that mine.

(2) Amounts included are the total dollar value of proposed or outstanding assessments received from MSHA on or before October 6, 2014 regardless of whether the assessment has been challenged or appealed, for citations and orders occurring during the three months ended September 30, 2014.

In addition, as required by the reporting requirements regarding mine safety included in §1503(a)(2) of the Dodd-Frank Act, the following is a list for the quarter ended September 30, 2014, of each mine of which we or a subsidiary of ours is an operator, that has received written notice from MSHA of:

(a) a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of mine health or safety hazards under §104(e) of the Mine Act:

None; or

(b) the potential to have such a pattern:

None.

Citations and orders can be contested and appealed, and as part of that process, are sometimes reduced in severity and amount, and are sometimes dismissed. The number of citations, orders, and proposed assessments vary by inspector and also vary depending on the size and type of the operation.