

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934  
For the quarterly period ended June 30, 2000

OR

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

Commission File Number 1-3492

HALLIBURTON COMPANY

(a Delaware Corporation)  
75-2677995

3600 Lincoln Plaza  
500 N. Akard  
Dallas, Texas 75201

Telephone Number - Area Code (214) 978-2600

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

Yes  No

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

Common stock, par value \$2.50 per share:  
Outstanding at July 31, 2000 - 445,531,000

HALLIBURTON COMPANY

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- Exhibits:
- Halliburton Company by-laws
  - Employment agreement
  - Employment agreement
  - Halliburton Company 1993 Stock and Long-Term Incentive Plan
  - Financial data schedules for the six months ended June 30, 2000 (included only in the copy of this report filed electronically with the Commission)

PART I. FINANCIAL INFORMATION  
Item 1. Financial Statements

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

	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
<b>Revenues:</b>				
Services	\$ 2,461	\$ 2,693	\$ 4,937	\$ 5,565
Sales	393	324	756	689
Equity in earnings of unconsolidated affiliates	14	36	34	60
<b>Total revenues</b>	<b>\$ 2,868</b>	<b>\$ 3,053</b>	<b>\$ 5,727</b>	<b>\$ 6,314</b>
<b>Operating costs and expenses:</b>				
Cost of services	\$ 2,317	\$ 2,588	\$ 4,684	\$ 5,349
Cost of sales	348	274	676	604
General and administrative	77	95	160	167
Special charges and credits	-	(47)	-	(47)
<b>Total operating costs and expenses</b>	<b>\$ 2,742</b>	<b>\$ 2,910</b>	<b>\$ 5,520</b>	<b>\$ 6,073</b>
Operating income	126	143	207	241
Interest expense	(33)	(33)	(66)	(68)
Interest income	3	6	10	37
Foreign currency gains (losses), net	(3)	3	(7)	2
Other, net	-	(26)	-	(24)
Income from continuing operations before taxes, minority interest, and change in accounting method	93	93	144	188
Provision for income taxes	(36)	(33)	(56)	(71)
Minority interest in net income of subsidiaries	(5)	(5)	(9)	(9)
Income from continuing operations before change in accounting method	52	55	79	108
<b>Discontinued operations:</b>				
Income from discontinued operations, net of tax of \$14, \$21, \$28, and \$42	23	28	45	56
Gain on disposal of discontinued operations, net of tax of \$141	-	-	215	-
Income from discontinued operations	23	28	260	56
Cumulative effect of change in accounting method, net of tax benefit of \$11	-	-	-	(19)
<b>Net income</b>	<b>\$ 75</b>	<b>\$ 83</b>	<b>\$ 339</b>	<b>\$ 145</b>
<b>Basic income per share:</b>				
Income from continuing operations before change in accounting method	\$ 0.12	\$ 0.13	\$ 0.18	\$ 0.25
Income from discontinued operations	0.05	0.06	0.10	0.12
Gain on disposal of discontinued operations	-	-	0.49	-
Change in accounting method	-	-	-	(0.04)
<b>Net income</b>	<b>\$ 0.17</b>	<b>\$ 0.19</b>	<b>\$ 0.77</b>	<b>\$ 0.33</b>
<b>Diluted income per share:</b>				
Income from continuing operations before change in accounting method	\$ 0.12	\$ 0.13	\$ 0.18	\$ 0.25
Income from discontinued operations	0.05	0.06	0.10	0.12
Gain on disposal of discontinued operations	-	-	0.48	-
Change in accounting method	-	-	-	(0.04)
<b>Net income</b>	<b>\$ 0.17</b>	<b>\$ 0.19</b>	<b>\$ 0.76</b>	<b>\$ 0.33</b>
Cash dividends per share	\$ 0.125	\$ 0.125	\$ 0.25	\$ 0.25
Basic average common shares outstanding	444	440	443	440
Diluted average common shares outstanding	449	444	447	443

See notes to quarterly financial statements.

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

	June 30	December 31
	2000	1999
Assets		
Current assets:		
Cash and equivalents	\$ 363	\$ 466
Receivables:		
Notes and accounts receivable, net	2,789	2,349
Unbilled work on uncompleted contracts	795	625
Total receivables		
	3,584	2,974
Inventories	770	723
Current deferred income taxes	174	171
Net current assets of discontinued operations	253	793
Other current assets	223	235
Total current assets		
	5,367	5,362
Property, plant and equipment after accumulated depreciation of \$3,189 and \$3,122	2,353	2,390
Equity in and advances to related companies	353	384
Net goodwill	627	505
Noncurrent deferred income taxes	368	398
Net noncurrent assets of discontinued operations	396	310
Other assets	342	290
Total assets		
	\$ 9,806	\$ 9,639
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term notes payable	\$ 873	\$ 939
Current maturities of long-term debt	9	308
Accounts payable	720	665
Accrued employee compensation and benefits	209	137
Advanced billings on uncompleted contracts	239	286
Income taxes payable	170	120
Accrued special charges	45	69
Other current liabilities	547	509
Total current liabilities		
	2,812	3,033
Long-term debt	1,052	1,056
Employee compensation and benefits	674	672
Other liabilities	628	547
Minority interest in consolidated subsidiaries	45	44
Total liabilities		
	5,211	5,352
Shareholders' equity:		
Common shares, par value \$2.50 per share - authorized 600 shares, issued 451 and 448 shares	1,128	1,120
Paid-in capital in excess of par value	188	68
Deferred compensation	(58)	(51)
Accumulated other comprehensive income	(247)	(204)
Retained earnings	3,681	3,453
Total shareholders' equity		
	4,692	4,386
Less 6 shares of treasury stock, at cost in both periods	97	99
Total shareholders' equity		
	4,595	4,287
Total liabilities and shareholders' equity		
	\$ 9,806	\$ 9,639

See notes to quarterly financial statements.

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

Six Months  
Ended June 30

	2000	1999
<hr/>		
Cash flows from operating activities:		
Net income	\$ 339	\$ 145
Adjustments to reconcile net income to net cash from operations:		
Net income from discontinued operations	(260)	(56)
Depreciation, depletion and amortization	249	244
Provision for deferred income taxes	38	83
Change in accounting method, net	-	19
Distributions from (advances to) related companies, net of equity in (earnings) losses	(1)	(7)
Accrued special charges	(24)	(217)
Other non-cash items	66	28
Other changes, net of non-cash items:		
Receivables and unbilled work	(579)	178
Inventories	(33)	(11)
Accounts payable	12	122
Other working capital, net	(30)	(512)
Other, net	(52)	(159)
<hr/>		
Total cash flows from operating activities	(275)	(143)
<hr/>		
Cash flows from investing activities:		
Capital expenditures	(190)	(239)
Sales of property, plant and equipment	36	73
Dispositions (acquisitions) of businesses	(12)	273
Other investing activities	(21)	(3)
<hr/>		
Total cash flows from investing activities	(187)	104
<hr/>		
Cash flows from financing activities:		
Payments on long-term borrowings	(305)	(8)
Net borrowings (repayments) of short-term debt	(66)	115
Payments of dividends to shareholders	(111)	(110)
Proceeds from exercises of stock options	57	33
Payments to re-acquire common stock	(6)	(3)
<hr/>		
Total cash flows from financing activities	(431)	27
<hr/>		
Effect of exchange rate changes on cash	(14)	6
Net cash flows from discontinued operations *	804	139
<hr/>		
Increase (decrease) in cash and equivalents	(103)	133
Cash and cash equivalents at beginning of period	466	203
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Cash and equivalents at end of period	\$ 363	\$ 336
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Supplemental disclosure of cash flow information:		
Cash payments during the period for:		
Interest	\$ 65	\$ 70
Income taxes	\$ 130	\$ 106
Non-cash investing and financing activities:		
Liabilities assumed in acquisitions of businesses	\$ 90	\$ 1
Liabilities disposed of in dispositions of businesses	\$ 498	\$ -

\* Net cash flows from discontinued operations in 2000 includes proceeds of approximately \$914 million from the sales of Dresser-Rand in 2000 and Ingersoll-Dresser Pump in 1999. See Note 3.

See notes to quarterly financial statements.

HALLIBURTON COMPANY  
Notes to Quarterly Financial Statements  
(Unaudited)

Note 1. Management Representations

We employ accounting policies that are in accordance with generally accepted accounting principles in the United States. In preparing financial statements in conformity with generally accepted accounting principles we must make estimates and assumptions that affect:

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

Ultimate results could differ from those estimates.

The accompanying unaudited condensed consolidated financial statements were prepared using generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and applicable rules of Regulation S-X. Accordingly, these financial statements do not include all information or footnotes required by generally accepted accounting principles for complete financial statements and should be read in conjunction with our 1999 Annual Report on Form 10-K. Prior year amounts have been reclassified to conform to the current year presentation.

In our opinion, the condensed consolidated financial statements present fairly our financial position as of June 30, 2000, and the results of our operations for the three and six months ended June 30, 2000 and 1999 and our cash flows for the six months then ended. The results of operations for the three and six months ended June 30, 2000 and 1999 may not be indicative of results for the full year.

Note 2. Business Segment Information

With the earlier announcement that we intend to sell Dresser Equipment Group, we now have two business segments. These segments are organized around the products and services provided to the customers they serve. See the table below for financial information on our business segments. Dresser Equipment Group is presented as discontinued operations and discussed in Note 4.

The Energy Services Group segment provides pressure pumping equipment and services, logging and perforating, drilling systems and services, drilling fluids systems, drill bits, specialized completion and production equipment and services, well control, integrated solutions, and reservoir description. Also included in the Energy Services Group are upstream oil and gas engineering, construction and maintenance services, specialty pipe coating, insulation, underwater engineering services, integrated exploration and production information systems, and professional services to the petroleum industry. The Energy Services Group has three business units: Halliburton Energy Services, Brown & Root Energy Services and Landmark Graphics. The long-term performance of these business units is linked to the long-term demand for oil and gas. The products and services the group provides are designed to help discover, develop and produce oil and gas. The customers for this segment are major oil companies, national oil companies and independent oil and gas companies.

The Engineering and Construction Group segment provides engineering, procurement, construction, project management, and facilities operation and maintenance for hydrocarbon processing and other industrial and governmental customers. The Engineering and Construction Group has two business units: Kellogg Brown & Root and Brown & Root Services. Both business units are engaged in the delivery of engineering and construction services.

Our equity in pretax income or losses for unconsolidated related companies which are accounted for on the equity method is included in revenues and operating income of the applicable segment. Intersegment revenues included in the revenues of the other business segments are immaterial.

The table below presents revenues and operating income by segment.

Millions of dollars	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
<b>Revenues:</b>				
Energy Services Group	\$ 1,897	\$ 1,681	\$ 3,620	\$ 3,434
Engineering and Construction Group	971	1,372	2,107	2,880
<b>Total</b>	<b>\$ 2,868</b>	<b>\$ 3,053</b>	<b>\$ 5,727</b>	<b>\$ 6,314</b>
<b>Operating income:</b>				
Energy Services Group	\$ 107	\$ 49	\$ 169	\$ 106
Engineering and Construction Group	36	64	72	122
General corporate	(17)	(17)	(34)	(34)
Special credits	-	47	-	47
<b>Total</b>	<b>\$ 126</b>	<b>\$ 143</b>	<b>\$ 207</b>	<b>\$ 241</b>

**Note 3. Acquisitions and Dispositions**

PES acquisition. In February 2000, our offer to acquire the remaining 74% of the shares of PES (International) Limited that we did not already own was accepted by PES shareholders. PES is based in Aberdeen, Scotland, and has developed technology that complements Halliburton Energy Services' real-time reservoir solutions. To acquire the remaining 74% of PES, we issued 1.2 million shares of Halliburton common stock. As further consideration we also issued rights that will result in the issuance of between 850,000 to 2.1 million additional shares of Halliburton common stock between February 2001 and February 2003. We have preliminarily recorded, subject to the final valuation of intangible assets and other costs, \$115 million of goodwill which will be amortized over 20 years. PES is part of the Energy Services Group.

Joint venture divestitures. In October 1999, we announced the sales of our 49% interest in the Ingersoll-Dresser Pump joint venture and our 51% interest in the Dresser-Rand joint venture to Ingersoll-Rand. The sales were triggered by Ingersoll-Rand's exercise of its option under the joint venture agreements to cause us to either buy their interests or sell ours. Both joint ventures were part of the Dresser Equipment Group segment. In April 2000 we announced plans to sell the remaining businesses within the Dresser Equipment Group. See Note 4. Our Ingersoll-Dresser Pump interest was sold in December 1999 for approximately \$515 million. We recorded a gain on disposition of discontinued operations of \$253 million before tax, or \$159 million after-tax, for a net gain of \$0.36 per diluted share in 1999 from the sale of Ingersoll-Dresser Pump. Proceeds from the sale, after payment of our intercompany balance, were received in the form of a \$377 million promissory note with an annual interest rate of 3.5% which was collected on January 14, 2000. On February 2, 2000 we completed the sale of our 51% interest in Dresser-Rand for a price of approximately \$579 million. Proceeds from the sale, net of intercompany amounts payable to the joint venture, were \$536 million, resulting in a gain on disposition of discontinued operations of \$356 million before tax, or \$215 million after-tax, for a net gain of \$0.48 per diluted share in the first quarter of 2000. The proceeds from these sales were used to reduce short-term borrowings and for other general corporate purposes.

**Note 4. Discontinued Operations**

The Dresser Equipment Group in 1999 was comprised of six operating divisions and two joint ventures that manufacture and market equipment used primarily in the energy, petrochemical, power and transportation industries. In late 1999 we announced our intentions to sell, and have subsequently sold, our interests in the two joint ventures within this segment. These joint ventures represented nearly half of the group's revenues and operating profit in 1999. See Note 3. The sale of our interests in the segment's joint ventures prompted a strategic review of the remaining businesses within the Dresser Equipment Group segment. As a result of this review, we determined that these businesses do not closely fit with our core businesses, long-term goals and strategic objectives. On April 25, 2000, our Board of Directors approved plans to sell all the remaining businesses within our Dresser Equipment Group segment. We expect the sales of these businesses to be completed during the fourth quarter of 2000 and the first quarter of 2001.

The Dresser DMD and Roots Divisions were recently consolidated into one operating division. The businesses which now comprise the Dresser Equipment Group, all of which were obtained in the 1998 merger with Dresser, include:

- Dresser Valve Division - manufactures valves, actuators and chemical injection pumps;
- Dresser DMD-Roots Division - manufactures rotary blowers for industrial applications as well as rotary gas meters for natural gas distribution;
- Dresser Instrument Division - manufactures pressure gauges, thermometers, transducers, transmitters, pressure and temperature switches, calibration equipment, recorders, and other instruments for applications in process, petrochemical, power generation, pulp and paper, water resources, and other industries;
- Dresser Wayne Division - manufactures retail automation and fuel dispensing systems; and
- Dresser Waukesha Division - manufactures natural gas engines and engine generator sets.

The financial results of the Dresser Equipment Group segment are presented as discontinued operations in our financial statements. Prior periods are restated to reflect this presentation.

Millions of dollars	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Revenues	\$ 354	\$ 617	\$ 691	\$ 1,280
Operating income	\$ 37	\$ 53	\$ 73	\$ 107
Other income and expense	-	1	-	-
Taxes	(14)	(21)	(28)	(42)
Minority interest	-	(5)	-	(9)
Net income	\$ 23	\$ 28	\$ 45	\$ 56

Gain on disposal of discontinued operations in the first quarter of 2000 reflects the gain on the sale of Dresser-Rand in February 2000.

Millions of dollars	Six Months Ended June 30
	2000
Proceeds from sale, less intercompany settlement	\$ 536
Net assets disposed	(180)
Gain before taxes	356
Income taxes	(141)
Gain on disposal of discontinued operations	\$ 215



Net assets of discontinued operations are comprised of the following items:

Millions of dollars	June 30	December 31
	2000	1999
Receivables	\$ 283	\$ 904
Inventories	247	515
Other current assets	24	34
Accounts payable	(135)	(267)
Other current liabilities	(166)	(393)
Net current assets of discontinued operations	\$ 253	\$ 793
Net property, plant and equipment	\$ 228	\$ 401
Net goodwill	262	263
Other assets	37	74
Employee compensation and benefits	(120)	(313)
Other liabilities	(11)	(5)
Minority interest in consolidated subsidiaries	-	(110)
Net noncurrent assets of discontinued operations	\$ 396	\$ 310

The decrease in revenues, net income, assets, and liabilities primarily relate to the sales of Dresser-Rand and Ingersoll-Dresser Pump joint ventures. See Note 3.

#### Note 5. Receivables

Our receivables are generally not collateralized. With the exception of claims and change orders which are in the process of being negotiated with customers, unbilled work on uncompleted contracts generally represents work currently billable, and this work is usually billed during normal billing processes in the next month. These claims and change orders included in unbilled receivables amounted to \$106 million at June 30, 2000 and \$98 million at December 31, 1999. These amounts are generally expected to be collected within one year.

#### Note 6. Inventories

The cost of most United States manufacturing and field service inventories is determined using the last-in, first-out (LIFO) method. Inventories on the last-in, first-out method were \$70 million at June 30, 2000 and \$66 million at December 31, 1999. If the average cost method had been used for these inventories, total inventories would have been approximately \$33 million higher than reported at June 30, 2000 and \$35 million higher than reported at December 31, 1999.

Millions of dollars	June 30	December 31
	2000	1999
Finished products and parts	\$ 581	\$ 619
Raw materials and supplies	133	79
Work in process	56	25
Total	\$ 770	\$ 723

#### Note 7. Dresser Financial Information

Since becoming a wholly-owned subsidiary, Dresser Industries, Inc. has ceased filing periodic reports with the Securities and Exchange Commission. Dresser's 8% guaranteed senior notes, which were initially issued by Baroid Corporation, remain outstanding and are fully and unconditionally guaranteed by Halliburton. As long as these notes remain outstanding, summarized financial information of Dresser will be presented in our periodic reports filed on Form 10-K and Form 10-Q. We have not presented separate financial statements and other disclosures concerning Dresser because we determined that the information is not material to the holders of these notes.

In January 1999, as part of a legal reorganization associated with the merger, Halliburton Delaware, Inc., a first tier holding company subsidiary, was merged into Dresser. The majority of our operating assets and activities are now included within Dresser and its subsidiaries.

Dresser Industries, Inc. Financial Position Millions of dollars	June 30		December 31	
	2000		1999	
Current assets	\$	5,095	\$	5,011
Noncurrent assets		5,781		5,106
<b>Total</b>	<b>\$</b>	<b>10,876</b>	<b>\$</b>	<b>10,117</b>
Current liabilities	\$	1,897	\$	2,133
Noncurrent liabilities		1,663		1,633
Minority interest		46		45
Shareholders' equity		7,270		6,306
<b>Total</b>	<b>\$</b>	<b>10,876</b>	<b>\$</b>	<b>10,117</b>

Dresser Industries, Inc. Operating Results Millions of dollars	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Revenues	\$ 2,868	\$ 3,052	\$ 5,727	\$ 6,313
Operating income	\$ 133	\$ 101	\$ 223	\$ 204
Income from continuing operations before taxes, minority interest, and change in accounting method	\$ 91	\$ 25	\$ 150	\$ 107
Income taxes	(32)	(10)	(55)	(44)
Minority interest	(5)	(5)	(9)	(9)
Discontinued operations, net	23	28	260	56
Change in accounting method, net	-	-	-	(19)
<b>Net income</b>	<b>\$ 77</b>	<b>\$ 38</b>	<b>\$ 346</b>	<b>\$ 91</b>

**Note 8. Commitments and Contingencies**

Asbestosis litigation. Since 1976, our subsidiary, Dresser Industries, Inc. and its former divisions or subsidiaries have been involved in litigation resulting from allegations that third parties sustained injuries and damage from the inhalation of asbestos fibers contained in some products manufactured by Dresser, its former divisions or subsidiaries, or by companies acquired by Dresser.

Dresser has entered into agreements with insurance carriers which cover, in whole or in part, indemnity payments, legal fees and expenses for specific categories of claims. Dresser is in negotiation with insurance carriers for coverage for the remaining categories of claims. Because these agreements are governed by exposure dates, payment type and the product involved, the covered amount varies by individual claim. In addition, lawsuits are pending against several carriers seeking to recover additional amounts related to these claims.

Our Engineering and Construction Group is also involved in litigation resulting from allegations that third parties sustained injuries and damage from the inhalation of asbestos fibers contained in some of the materials which, in the past, were used in various construction and renovation projects where it is alleged that our Brown & Root subsidiary, now named Kellogg Brown & Root, Inc., was involved. The insurance coverage for Kellogg Brown & Root for the periods in issue was written by Highlands Insurance Company. Highlands was a subsidiary of Halliburton prior to its spin-off to our shareholders in early 1996. Our negotiations with Highlands concerning insurance coverage have not produced an agreement on the amount of coverage for asbestos and defense costs. On April 5, 2000, Highlands filed suit in Delaware Chancery Court alleging that, as part of the spin-off in 1996, Halliburton assumed liability for all asbestos claims filed against Halliburton after the spin-off. Highlands also alleges that, Halliburton did not adequately disclose to Highlands the existence of Halliburton's subsidiaries' potential asbestos liability. We believe that Highland's Delaware lawsuit is without merit and that Highlands is contractually obligated to provide to us insurance coverage for the asbestos claims filed against Kellogg Brown & Root. We intend to assert our right to the insurance coverage vigorously. On April 24, 2000, Halliburton filed suit against Highlands in Harris County, Texas, alleging that Highlands has breached its contractual obligation to provide insurance coverage. We have asked the Harris County Court to order that Highlands is obligated to provide coverage for asbestos claims



pursuant to guaranteed cost policies issued by Highlands to our Kellogg Brown & Root subsidiary prior to the spin-off.

Since 1976, approximately 260,900 claims have been filed against various current and former divisions and subsidiaries. About 23,000 of these claims relate to Kellogg Brown & Root and the balance of these claims relate to Dresser and its former divisions or subsidiaries. Approximately 153,900 of these claims have been settled or disposed of. Claims continue to be filed, with about 24,700 new claims filed in the first six months of 2000. We have established a reserve estimating our liability for known asbestos claims. Our estimate is based on our historical litigation experience, settlements and expected recoveries from insurance carriers. Our expected insurance recoveries are based on agreements with carriers or, where agreements are still under negotiation or litigation, our estimate of recoveries. We believe that the insurance carriers with which we have signed agreements will be able to meet their share of future obligations under the agreements. Highlands has stated in its SEC filings that if they lose this litigation with us and are required to pay the asbestos claims against Kellogg Brown & Root, there could be a material adverse impact on their financial position. However, based on Highlands statutory capital surplus of \$162 million as reported to the Texas Insurance Commission, we believe that Highlands has the ability to pay substantially all of these asbestos claims and that Highlands will be required to do so at the conclusion of the pending litigation.

At June 30, 2000, there were about 107,000 open claims, including about 21,000 associated with recoveries we expect from Highlands. Open claims at June 30, 2000 also include 9,800 for which settlements are pending. This number of claims compares with 107,700 open claims at the end of the prior year. The accrued liabilities for these claims and corresponding billed and estimated accrued receivables from carriers were as follows:

Millions of dollars	June 30	December 31
	2000	1999
Accrued liability	\$ 75	\$ 71
Receivables from insurance companies:		
Highlands Insurance Company	40	28
Other insurance carriers	11	18
Net asbestos liability	\$ 24	\$ 25

Additional receivables billed to insurance carriers for payments made on claims were \$8 million at June 30, 2000 and \$9 million at December 31, 1999, none of which were due from Highlands Insurance Company.

We recognize the uncertainties of litigation and the possibility that a series of adverse court rulings or new legislation affecting the claims settlement process could materially impact the expected resolution of asbestos related claims. However, based upon:

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

we believe that the pending asbestos claims will be resolved without material effect on our financial position or results of operations.

Dispute with Global Industrial Technologies, Inc. Under an agreement entered into at the time of the spin-off of Global Industrial Technologies, Inc., formerly INDRESCO, Inc., from Dresser Industries, Inc., Global assumed liability for all asbestos related claims filed against Dresser after July 31, 1992 relating to refractory products manufactured or marketed by the former Harbison-Walker Refractories division of Dresser. Those business operations were transferred to Global in the spin-off. These asbestos claims are subject to agreements with Dresser insurance carriers that cover expense and indemnity payments. However, the insurance coverage is incomplete and Global has to-date paid the uncovered portion of those asbestos claims with its own funds.

Global now disputes that it assumed liability for any of these asbestos claims which were based upon Dresser's negligence, the acts of Harbison-Walker prior to its merger with Dresser in 1967, or punitive damages.

In order to resolve this dispute, Global invoked the dispute resolution provisions of the 1992 agreement, which require binding arbitration. Global has not claimed a specific amount of damages. We expect that Global's claim for reimbursement will be in excess of \$40 million. In addition, Global is seeking relief from responsibility for pending claims based upon Dresser's negligence, the pre-1967 acts of Harbison-Walker, punitive damages, and for all similar future claims. On February 25, 2000, the arbitrator ruled that Global did assume responsibility for claims based on Dresser's negligence and for punitive damages. The arbitrator did not decide whether Global also assumed responsibility for the pre-1967 acts of Harbison-Walker, but reserved his decision pending further proceedings, although no timetable was set for those proceedings.

In 1999, Dresser brought suit against Global to enjoin it from suing Dresser's insurance carrier, Continental Insurance Company, for specific asbestos claims. Although a Texas court in Dallas entered a temporary injunction, a Texas appellate court reversed that decision and the matter remains pending before the trial court. Since then, in late 1999, Global sued Continental in federal court in Pennsylvania seeking coverage under Dresser insurance policies for claims we believe are covered by the pending arbitration. Dresser was not named in the lawsuit, and Continental has responded to Global by moving to dismiss that lawsuit because Dresser was not included. We believe that the issues involving Continental should be resolved in the pending arbitration. We believe that all of Global's claims and assertions are without merit and we intend to vigorously defend against them.

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

Some of our subsidiaries and former operating entities are involved as a potentially responsible party or PRP in remedial activities to clean-up several "Superfund" sites under federal law and comparable state laws. Kellogg Brown & Root, Inc., one of our subsidiaries, is one of nine PRPs named at the Tri-State Mining District "Superfund" Site, which is also known as the Jasper County "Superfund" Site. The site contains lead and zinc mine tailings produced from mining activities that occurred from the 1800s through the mid-1950s in the southwestern portion of Missouri. The PRPs have agreed to perform a Remedial Investigation/Feasibility study at this site. Kellogg Brown & Root's share of the cost of this study is not expected to be material. In addition to the "Superfund" issues, the State of Missouri has indicated that it may pursue natural resource damage claims against the PRPs. At present, Kellogg Brown & Root cannot determine the extent of its liability, if any, for remediation costs or natural resource damages.

We take a proactive approach in evaluating and addressing the environmental impact of sites where we are operating or have maintained operations. As a result we incur costs each year assessing and remediating contaminated properties to avoid future liabilities, complying with legal and regulatory requirements, and responding to claims by third parties.

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

Our accrued liabilities for environmental matters were \$30 million as of June 30, 2000 and December 31, 1999.

Other. We are a party to various other legal proceedings. However, we believe any liabilities which may arise from these proceedings will not be material to our consolidated financial position and results of operations.

#### Note 9. Income Per Share

Basic income per share amounts are 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. Excluded from the computation of diluted income per share are options to purchase 1 million shares in 2000 and 3 million shares in 1999 which were outstanding during the three months ended June 30, 2000 and June 30, 1999, respectively. These options were excluded because the option exercise price was greater than the average market price of the common shares. Also excluded from the computation are rights we issued in connection with the PES acquisition for between 850,000 to 1.2 million shares of Halliburton common stock. These rights will result in additional shares of common stock to be issued between February 2001 and 2003. See Note 3.

Millions of dollars and shares except per share data	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Income from continuing operations before change in accounting method	\$ 52	\$ 55	\$ 79	\$ 108
Basic weighted average shares	444	440	443	440
Effect of common stock equivalents	5	4	4	3
Diluted weighted average shares	449	444	447	443
Income per common share from continuing operations before change in accounting method:				
Basic	\$ 0.12	\$ 0.13	\$ 0.18	\$ 0.25
Diluted	\$ 0.12	\$ 0.13	\$ 0.18	\$ 0.25
Income from discontinued operations:				
Basic	\$ 0.05	\$ 0.06	\$ 0.10	\$ 0.12
Diluted	\$ 0.05	\$ 0.06	\$ 0.10	\$ 0.12

#### Note 10. Comprehensive Income

The cumulative translation adjustment of some of our foreign entities and minimum pension liability adjustments are the only components of other comprehensive income adjustments to net income.

Millions of dollars	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Net income	\$ 75	\$ 83	\$ 339	\$ 145
Cumulative translation adjustment, net of tax	(40)	(15)	(61)	(39)
Adjustment to minimum pension liability	-	-	-	(7)
Total comprehensive income	\$ 35	\$ 68	\$ 278	\$ 99

Accumulated other comprehensive income at June 30, 2000 and December 31, 1999 consisted of the following:

Millions of dollars	June 30	December 31
	2000	1999
Cumulative translation adjustment	\$ (235)	\$ (185)
Minimum pension liability	(12)	(19)
Total accumulated other comprehensive income	\$ (247)	\$ (204)

The increase for the first six months of 2000 in cumulative translation adjustment is due mainly to changes in exchange rates of the British pound sterling experienced primarily by foreign entities engaged in engineering and construction activities.

#### Note 11. Special Charges

During the third and fourth quarters of 1998, we incurred special charges totaling \$980 million to provide for costs associated with the merger with Dresser and with the industry downturn resulting from declining oil and gas prices. During the second quarter of 1999, we reversed \$47 million of the 1998 charges based on the most recent assessment of total costs to be incurred to complete the actions covered in our special charges. These charges were reflected in the following captions of the condensed consolidated statements of income (special charges related to Dresser Equipment Group are presented in the captions for discontinued operations):

Twelve Months  
Ended December 31

Millions of dollars	1998
Cost of services	\$ 68
Cost of sales	16
Special charges and credits	875
Discontinued operations	21
<b>Total</b>	<b>\$ 980</b>

The table below includes the components of the pretax special charges and the amounts utilized and adjusted through June 30, 2000.

Millions of dollars	Asset Related Charges	Personnel Charges	Facility Consolidation Charges	Merger Transaction Charges	Other Charges	Total
<b>1998 Charges to Expense by Business Segment:</b>						
Energy Services Group	\$ 453	\$ 157	\$ 93	\$ -	\$ 18	\$ 721
Engineering & Construction Group	8	19	8	-	5	40
Discontinued operations	18	1	2	-	-	21
General corporate	30	58	23	64	23	198
<b>Total</b>	<b>509</b>	<b>235</b>	<b>126</b>	<b>64</b>	<b>46</b>	<b>980</b>
Utilized and adjusted	(509)	(226)	(93)	(64)	(19)	(911)
Balance December 31, 1999	-	9	33	-	27	69
Utilized in 2000	-	(9)	(11)	-	(4)	(24)
<b>Balance June 30, 2000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22</b>	<b>\$ -</b>	<b>\$ 23</b>	<b>\$ 45</b>

Personnel charges include severance and related costs incurred for announced employee reductions of 10,850 affecting all business segments, corporate and shared service functions. Personnel charges also include personnel costs related to change of control. In June 1999, management revised the planned employee reductions to 10,100, due in large part to higher than anticipated voluntary employee resignations. As of March 31, 2000, terminations of employees, consultants and contract personnel related to the 1998 special charge were substantially completed.

Through June 30, 2000, we have vacated 95%, and sold or returned to the owner 86%, of the service and administrative facilities related to the 1998 special charge. The majority of the sold, returned or vacated properties are located in North America and were in the Energy Services Group. The remaining expenditures will be made as the remaining properties are vacated and sold.

Other charges include the estimated contract exit costs associated with the elimination of duplicate agents and suppliers in various countries throughout the world. Through June 30, 2000, we have utilized \$23 million other special charge costs. The balance will be utilized during 2000, in connection with our renegotiations of agency agreements, supplier and other duplicate contracts.

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

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

- what factors and risks impact our business;
- why our earnings and expenses for the second quarter of 2000 differ from the second quarter of 1999;
- why our earnings and expenses for the first six months of 2000 differ from the first six months of 1999;
- what our capital expenditures were;
- what factors impacted our cash flows; and
- other items that materially affect our financial condition or earnings.

## FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 provides safe harbor provisions for forward-looking statements. Forward-looking statements involve risks and uncertainties that may impact our actual results of operations. Statements in this Form 10-Q and elsewhere, which are forward-looking and which provide other than historical information, involve those risks and uncertainties. Our forward-looking information reflects our best judgement based on current information. From time to time we may also provide oral or written forward-looking statements in other materials we release to the public. We draw your attention to the fact that actual future results and/or events may differ from any or all of our forward-looking statements in this report and in any other materials we release to the public. Our forward-looking statements involve a number of risks and uncertainties. In addition, our forward-looking statements can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. There can be no assurance that other factors will not affect the accuracy of our forward-looking information. As a result, no forward-looking statement can be guaranteed. Actual results may vary materially.

While it is not possible to identify all factors, we continue to face many risks and uncertainties that could cause actual results to differ from our forward-looking statements including:

### Geopolitical and legal.

- trade restrictions and economic embargoes imposed by the United States and other countries;
- unsettled political conditions, war, civil unrest, currency controls and governmental actions in the numerous countries in which we operate;
- operations in countries with significant amounts of political risk, for example, Nigeria, Angola, Russia, Libya, and Algeria;
- changes in foreign exchange rates;
- changes in governmental regulations in the numerous countries in which we operate including, for example, regulations that:
  - encourage or mandate the hiring of local contractors; and
  - require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction;
- litigation, including, for example, asbestosis litigation and environmental litigation; and
- environmental laws, including those that require emission performance standards for new and existing facilities;

### Weather related.

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

### Customers and vendors.

- the magnitude of governmental spending for military and logistical support of the type that we provide;
- changes in capital spending by customers in the oil and gas industry for exploration, development, production, processing, refining, and pipeline delivery networks;
- changes in capital spending by governments for infrastructure projects of the sort that we perform;
- changes in capital spending by customers in the wood pulp and paper industries for plants and equipment;
- consolidation of customers in the oil and gas industry;
- claim negotiations with engineering and construction customers on cost variances and change orders on major projects; and
- computer software, hardware and other equipment utilizing computer technology used by governmental entities, service providers, vendors, customers and Halliburton Company may not be compatible;

### Industry.

- technological and structural changes in the industries that we serve;
- changes in the price of oil and natural gas, including:
  - OPEC's ability to set and maintain production levels and prices for oil;
  - the level of oil production by non-OPEC countries;
  - the policies of governments regarding exploration for and production and development of their oil and natural gas reserves; and
  - the level of demand for oil and natural gas;
- changes in the price of commodity chemicals that we use;



- risks that result from entering into fixed fee engineering, procurement and construction projects of the types that we provide where failure to meet schedules, cost estimates or performance targets could result in non-reimbursable costs which cause the project not to meet our expected profit margins;
- risks that result from entering into complex business arrangements for technically demanding projects where failure by one or more parties could result in monetary penalties; and
- the risk inherent in the use of derivative instruments of the sort that we use which could cause a change in value of the derivative instruments as a result of:
  - adverse movements in foreign exchange rates, interest rates, or commodity prices, or
  - the value and time period of the derivative being different than the exposures or cash flows being hedged;

#### Personnel and mergers/dispositions.

- increased competition in the hiring and retention of employees in specific areas, for example, energy services operations, accounting and treasury;
- disposition of the remaining businesses of discontinued operations;
- replacing discontinued lines of businesses with acquisitions that add value and complement our core businesses;
- integration of acquired businesses, including Dresser Industries, Inc. and its subsidiaries, into Halliburton, including:
  - standardizing information systems or integrating data from multiple systems;
  - maintaining uniform standards, controls, procedures and policies; and
  - combining operations and personnel of acquired businesses with ours.

In addition, future trends for pricing, margins, revenues and profitability remain difficult to predict in the industries we serve. We do not assume any responsibility to publicly update any of our forward-looking statements regardless of whether factors change as a result of new information, future events or for any other reason. We do advise you to review any additional disclosures we make in our 10-Q, 8-K and 10-K reports to the Securities and Exchange Commission. We also suggest that you listen to our quarterly earnings release conference calls with financial analysts. You may find information on how to access those calls at our web site [www.halliburton.com](http://www.halliburton.com).

#### BUSINESS ENVIRONMENT

Our business is organized around two business segments:

- Energy Services Group and
- Engineering and Construction Group.

Dresser Equipment Group is in the process of being sold and is now accounted for as discontinued operations.

We conduct business in over 120 countries to provide a variety of services, equipment, maintenance, and engineering and construction to energy, industrial and governmental customers. The majority of our revenues are generated through the sale of a comprehensive range of integrated and discrete services and products, including construction and project management activities, to the oil and gas industry. These services and products are used in the earliest phases of exploration and development of oil and gas reserves and continue through the refining, processing and distribution process. The industries we serve are highly competitive and we have many substantial competitors. Unsettled political conditions, expropriation or other governmental actions, exchange controls, and currency devaluations may result in increased business risk in some countries in which we operate. Those countries include, among others, Nigeria, Angola, Russia, Libya, and Algeria. However, we believe the geographic diversification of our business activities helps mitigate the risk that loss of business in any one country would be material to our consolidated results of operations.

#### Energy Services Group.

During the first six months of 2000, our oilfield services and products business experienced continued increases in activity that started within select geographic areas and product service lines during late 1999. During the second quarter of 2000, increases in activity expanded into all geographic areas and all product service lines within our oilfield services and products business. Our customers continue to expand their exploration efforts in deepwater to replace declines in existing oil and gas reserves. Deepwater field developments, in such areas as the Gulf of Mexico, West Africa and Latin America, provide existing and future opportunities for our Energy Service Group to provide our customers integrated services and products. Many of the same integrated services and products, as well as our discrete products and services, can also be applied to onshore and other offshore drilling and production programs and well servicing needs. We expect to continue to benefit in the future from additional capital spending by customers seeking technically advanced integrated solutions in the challenging deepwater environment.

Worldwide average rig counts were 32% higher during the first six months of 2000 compared to the same period in 1999, primarily due to increases in North America. Strong demand for natural gas within the United States helped the average rig count in the United States increase over 300 rigs during the second quarter of 2000 compared to the second quarter of 1999. Onshore drilling in North America and offshore drilling in the Gulf of Mexico have contributed to sequential quarterly improvements in revenues and earnings within the Energy Services Group, particularly within the oilfield services product service lines. Continued increases in demand for natural gas within North America, combined with strong prices for natural gas and oil, are likely to contribute to continued growth in rig counts. As business continues to expand within North America, we have been able to improve our equipment utilization and pricing. These improvements should provide continued North American earnings growth into next year within this business segment.

International activity began to increase in the latter part of the second quarter after lagging the recovery noted in North America for several quarters. Activity increases within the Energy Services Group have been most notable in the Middle East and certain areas within Latin America. Many international projects are large, complex field developments with long lead times, particularly deepwater projects in areas like West Africa and Latin America. Our business units within the Energy Services Group are poised to capitalize on these large, capital-intensive projects by creating customer value through the provision of a suite of integrated products and services. Recent deepwater awards we have received on projects in Brazil and Nigeria are positive signs that our customers are gaining confidence in the current level of oil and gas prices. The continued strength of oil and gas prices provides our customers the potential for returns required to justify increased capital spending in areas where exploration and production costs are higher. As our customers continue to increase their capital budgets, we expect international activity to gain further momentum in the second half of the year and into 2001.

#### Engineering and Construction Group.

Historically the downstream segment of the oil and gas industry benefits from higher oil and gas prices much later in the cycle than does the upstream businesses. Most of the factors that adversely affected the Energy Services Group during 1999 and into the first quarter of 2000 also affected the Engineering and Construction Group. We have continued to experience delays in large downstream engineering and construction projects being planned by our oil and gas industry customers. In addition, few additional projects are being identified by our customers. Many customers also continue to rationalize their requirements following mergers within the industry. The decrease in new capital projects should increase utilization of existing facilities, providing greater needs for maintenance and service. As a result, we anticipate increased maintenance and service awards to partially offset the effects of delays in the timing of new projects. The stability of oil and gas prices should contribute to additional future spending on chemical plants and petrochemical projects throughout the world, but the timing of such projects is still uncertain. In the interim, we will continue to work on projects already in backlog and identification of new maintenance opportunities. However, we do not anticipate many major projects to be approved and awarded by our customers until the latter half of this year or possibly into the first part of 2001.

The group continues to see improving opportunities to provide support services to the United States military, to other United States agencies, and to government agencies of other countries, including the United Kingdom and Australia. The demand for these services is expected to grow as governments at all levels seek to control costs and improve services by outsourcing various functions and as governments continue to privatize infrastructure and support services.

#### Discontinued Operations.

Our financial statements now reflect Dresser Equipment Group as discontinued operations, and we have restated prior periods for this presentation. See Note 4.

While we believe Dresser Equipment Group's businesses have significant potential to strategic buyers, the businesses do not fit with our strategic objectives. Consequently we are in the process of selling these businesses, and plan to complete the sales by March 31, 2001. We intend to invest the proceeds from the sales of these businesses in:

- acquisitions and internal investments related to our core energy services and engineering and construction businesses;
- repurchases of our common stock; and/or
- other general corporate purposes.

Dresser Equipment Group's business is primarily affected by the demand from customers in the energy, power, chemical, and transportation industries for its products and services. Sales and earnings are also affected by changes in competitive prices, overall general economic conditions, fluctuations in capital spending by our customers, and the stability of oil and gas prices that ultimately produce cash flow for our customers. Mergers by our customers and declines in their capital spending contributed to a decline in revenues for the group as orders and projects were delayed during 1999 and into 2000. Because of the impact of these economic conditions, during 1999 the group took additional steps to reduce manufacturing and overhead costs and improve operating performance to remain a low cost provider. The benefits of these

efforts began to materialize during the fourth quarter of 1999 and into the first half of 2000, as the group was able to improve operating margins on lower revenues.

Although its business environment is highly competitive, strong demand exists for Dresser Equipment Group's products and services. An increase in demand in the second half of 2000 will depend on many of the same factors affecting our other businesses.

Halliburton Company.

Recent trends of increased oil and gas rig counts, sustained oil and gas prices at levels that provide incentives for increased capital investment by our customers, and generally strong global economic growth provide optimism for the energy industry. Steadily rising population and greater industrialization efforts should continue to propel worldwide economic expansion, especially in developing nations. These factors should cause increasing demand for oil and gas to produce refined products, petrochemicals, fertilizers and power. We are well positioned through our business segments to provide a broad suite of integrated and discrete products and services that provide our customers with solutions across the oil and gas life cycle.

#### RESULTS OF OPERATIONS IN 2000 COMPARED TO 1999

Second Quarter of 2000 Compared with the Second Quarter of 1999

REVENUES Millions of dollars	Second Quarter		Increase (decrease)
	2000	1999	
Energy Services Group	\$ 1,897	\$ 1,681	\$ 216
Engineering and Construction Group	971	1,372	(401)
Total revenues	\$ 2,868	\$ 3,053	\$ (185)

Consolidated revenues in the second quarter of 2000 of \$2.9 billion decreased 6% compared to the second quarter of 1999. International revenues were 67% of total revenues for the second quarter of 2000 and 71% in the second quarter of 1999.

Energy Services Group revenues increased 13% compared to the second quarter of 1999. International revenues were 67% of total revenues in the second quarter of 2000 compared to 73% in the same quarter of the prior year. Increased rig counts and business activity, primarily in North America, have followed increases in oil and gas prices that began during 1999. Strong North American drilling activity positively benefited our oilfield services product service lines. The pressure pumping product service line achieved revenue growth in excess of 30%, while drilling fluids, logging and completion products experienced growth of approximately 15%. Geographically, North American oilfield services revenues increased by 60% while Middle East and Latin American revenues increased 10% and 8%, respectively. Revenues declined 8% in our upstream oil and gas engineering and construction businesses, where the start-up of new projects recently awarded have not yet begun to supplement existing project revenues. Geographically, increased revenues from upstream projects in Mexico continue to help minimize the slow recovery in other geographic areas. Integrated exploration and production information systems revenues increased 19% compared to the prior year second quarter due to increased professional services and higher software sales.

Engineering and Construction Group revenues were 29% lower in the second quarter of 2000 compared to the second quarter of 1999. About 66% of the group's revenues were from international activities compared to 68% in the prior year quarter. Our downstream oil and gas businesses have not yet benefited from higher oil and gas prices. Decreased revenues resulted from lower overall business activity, the completion of several major projects in 1999 and the first quarter of 2000, and the timing of major gas and liquefied natural gas projects in Nigeria and Malaysia for which start-ups were delayed until late in 1999. Revenues from a logistical support contract in the Balkans region increased compared to the second quarter of 1999 due to increased scope of the contract.

OPERATING INCOME Millions of dollars	Second Quarter		Increase (decrease)
	2000	1999	
Energy Services Group	\$ 107	\$ 49	\$ 58
Engineering and Construction Group	36	64	(28)
General corporate	(17)	(17)	-
Special credits	-	47	(47)
Total operating income	\$ 126	\$ 143	\$ (17)

Consolidated operating income of \$126 million was 12% lower in the second quarter of 2000 compared to the second quarter of 1999.



Energy Services Group operating income for the second quarter of 2000 more than doubled compared to the second quarter of 1999. Operating income in our oilfield services product service lines more than tripled compared to the second quarter of 1999 due to a combination of increased activity and improved margins especially in North America. Improvements were highest in the pressure pumping and logging product service lines. While international regions improved compared to the prior year, profitability growth was strongest in North America due to a combination of increased utilization, resource constraints within the industry and pricing improvements. Operating income from upstream oil and gas engineering and construction projects for the quarter decreased by \$21 million compared to the second quarter of 1999. The decrease was due to lower utilization of manufacturing and fabrication capacity and lower business activity. The declines were partially offset by improved utilization of vessels and improved results on projects in Mexico. Excluding \$4 million from a favorable outcome on disputed royalty issues, operating income from integrated exploration and production information systems increased 200% year over year due to increased professional services and higher software sales.

Engineering and Construction Group operating income for the second quarter of 2000 was 44% lower than the second quarter of 1999, in line with lower activity levels and delayed timing of major gas, liquefied natural gas and chemical projects. The sustained delay of downstream oil and gas projects is expected to restrict expansion of earnings throughout the second half of 2000 and into the first part of 2001.

General corporate expense for the quarter was unchanged from the prior year second quarter.

#### NONOPERATING ITEMS

Interest expense of \$33 million for the second quarter of 2000 was unchanged compared to the second quarter of 1999. Higher interest rates on short-term debt offset the benefits of reduced debt.

Interest income was \$3 million in the second quarter of 2000, a decrease from the prior year's interest income of \$6 million.

Foreign exchange gains (losses), net was \$3 million loss in the current year quarter compared to \$3 million gain in the prior year second quarter. The gain in 1999 was primarily attributable to devaluation of the Euro.

Provision for income taxes of \$36 million resulted in an effective tax rate of 38.7%, consistent with the second quarter of 1999 rate of 39.1%, excluding special charge credits.

Income from continuing operations was \$52 million in the second quarter of 2000 compared to \$55 million in the prior year quarter.

Income from discontinued operations of \$23 million in 2000 and \$28 million in 1999 reflects the operations of Dresser Equipment Group. See Note 4. The 1999 results include Dresser-Rand which was sold in early February 2000 and our equity in earnings from Ingersoll-Dresser Pump which was sold in late December 1999. See Note 3. These joint ventures represented nearly half of the group's revenues and operating profit in 1999. Excluding the results of Dresser-Rand and Ingersoll-Dresser Pump, revenues from discontinued operations were flat compared to the prior year second quarter while operating income increased 22% with improvements across all divisions.

Net income for the second quarter of 2000 was \$75 million or \$0.17 per diluted share. The prior year's net income for the quarter was \$83 million or \$0.19 per diluted share.

#### First Six Months of 2000 Compared with the First Six Months of 1999

REVENUES Millions of dollars	First Six Months		Increase (decrease)
	2000	1999	
Energy Services Group	\$ 3,620	\$ 3,434	\$ 186
Engineering and Construction Group	2,107	2,880	(773)
Total revenues	\$ 5,727	\$ 6,314	\$ (587)

Consolidated revenues in the first six months of 2000 of \$5.7 billion decreased 9% compared to the first six months of 1999. International revenues were 66% of total revenues for the first six months of 2000 and 71% in the first six months of 1999 as activity in the United States continued to increase more rapidly than internationally.

Energy Services Group revenues increased 5% compared to the first six months of 1999. International revenues were 68% of total revenues in the first six months of 2000 compared to 72% in the same period of the prior year. Oilfield services product service lines revenues increased 12%. The highest increases were noted in the pressure pumping product service line, which increased 21%, and logging services, which increased 9%. The remaining upstream oilfield product service lines increased about 5% except drilling systems, which decreased slightly. Geographically, oilfield services in North America continued its strong growth where revenues increased 42% compared to the first six months of 1999. Outside North America, oilfield services and products revenues decreased 8% compared to the first six months of the prior year as increases in international rig counts and related service activity did not begin until the

second quarter of 2000. Continued increases in international rig counts and business activity are expected if oil and gas prices remain at strong levels. Revenues from our upstream oil and gas engineering and construction services decreased 7% from the same period of the prior year. The decrease in revenues reflects the continued effects of decreased capital expenditures by our customers, particularly in the United Kingdom sector of the North Sea. Activity in Latin America has doubled due to the continuing progress on several large engineering, procurement and construction projects, partially offsetting the reductions in activity elsewhere. Integrated exploration and production information systems revenues increased 15% compared to the first six months of 1999 primarily due to higher software sales and professional services.

Engineering and Construction Group revenues were 27% lower in the first six months of 2000 compared to the first six months of 1999. About 64% of the group's revenues were from international activities compared to 69% in the prior year period. The decrease was primarily due to the timing of projects. Activity levels continued to be lower during the first six months of 2000 as major oil and gas companies continue to defer capital expenditures for major gas, liquefied natural gas and chemical projects. Decreases in downstream engineering and construction projects were partially offset by higher levels of logistics support services to military peacekeeping efforts in the Balkans due to expansion in scope in the contract.

OPERATING INCOME Millions of dollars	First Six Months		Increase (decrease)
	2000	1999	
Energy Services Group	\$ 169	\$ 106	\$ 63
Engineering and Construction Group	72	122	(50)
General corporate	(34)	(34)	-
Special credits	-	47	(47)
Total operating income	\$ 207	\$ 241	\$ (34)

Consolidated operating income of \$207 million was 14% lower in the first six months of 2000 compared to the first six months of 1999.

Energy Services Group operating income for the first six months of 2000 increased 59% over the first six months of 1999. During the first six months of 2000, strong activity in North America contributed to increasing profitability in our oilfield services product service lines, particularly pressure pumping. Logging services operating income also improved as a result of the increased activity in North America. Given the strong focus on deepwater and onshore gas drilling within North America, activity increases in the Gulf of Mexico, South Texas and Rocky Mountain regions were greater than other areas. Revenues in other product service lines were down compared to the six months ended June 30, 1999, generally due to lower international activity offsetting increased activity in the United States. Operating income from upstream oil and gas engineering and construction projects for the first six months of 2000 decreased significantly as compared to prior year. The decrease is primarily attributable to the lower level of customer activity, which has caused low utilization of vessels and manufacturing capacity. Operating income from integrated exploration and production information systems more than doubled excluding the effect of the \$4 million of income from the resolution of disputed royalty issues.

Engineering and Construction Group operating income for the first six months of 2000 was 41% lower than the first six months of 1999, in line with lower activity levels and delayed timing of major gas, liquefied natural gas and chemical projects. Operating income from the logistics support contract in the Balkans, which peaked in the fourth quarter of 1999, was higher in the first six months of 2000 as compared to 1999, in line with increased activity. Due to the continued delays by our customers in starting new projects, we do not expect significant operating income growth for this segment for the remainder of the year and possibly the first part of 2001.

General corporate expenses for the first six months were unchanged from the prior year period.

#### NONOPERATING ITEMS

Interest expense of \$66 million for the first six months of 2000 decreased \$2 million compared to the first six months of 1999.

Interest income was \$10 million in the first six months of 2000, a decrease from the prior year's interest income of \$37 million. The 1999 amounts included interest income from tax refunds and imputed interest on the note receivable from the sale of M-I L.L.C.

Foreign exchange gains (losses), net were \$7 million loss in the current first six months compared to \$2 million gain in the same period in the prior year.

Provision for income taxes of \$56 million resulted in an effective tax rate of 38.9%, down slightly from the rate of 39.7% in the prior year period, excluding special charge credits.

Income from continuing operations was \$79 million in the first six months of 2000 compared to \$108 million in the prior year period.

Income from discontinued operations of \$45 million in 2000 and \$56 million in 1999 reflects the operations of Dresser Equipment Group. See Note 4. The 1999 results include Dresser-Rand, which was sold in early February 2000, and our equity in earnings from Ingersoll-Dresser Pump which was sold in late December 1999. See Note 3. These joint ventures represented nearly half of the group's revenues and operating profit in 1999. Excluding the results of Dresser-Rand and Ingersoll-Dresser Pump, revenues from discontinued operations decreased 2% while operating income increased \$9 million.

Gain on disposal of discontinued operations of \$215 million after-tax or \$0.48 per diluted share in 2000 resulted from the sale of our 51% interest in Dresser-Rand to Ingersoll-Rand. See Note 4.

Cumulative effect of change in accounting method, net of \$19 million after-tax, or \$0.04 per diluted share, in 1999 reflects our adoption of Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities." Subsequent annual expense under Statement of Position 98-5 after recording the cumulative effect of the change has not been materially different from amounts expensed under the prior accounting treatment.

Net income for the first six months of 2000 was \$339 million or \$0.76 per diluted share. The prior year's net income was \$145 million or \$0.33 per diluted share.

#### LIQUIDITY AND CAPITAL RESOURCES

We ended the second quarter of 2000 with cash and equivalents of \$363 million, a decrease of \$103 million from the end of 1999.

Operating activities. Cash flows used for operating activities of continuing operations were \$275 million in the first six months of 2000 compared to \$143 million in the first six months of the prior year. Special charges for personnel reductions, facility closures and integration costs used \$24 million of cash in the first six months of 2000 and \$154 million of cash in the first six months of the prior year. Working capital items, which include receivables, inventories, accounts payable and other working capital, net, used \$630 million of cash in the first six months of 2000 compared to \$223 million in the same period of the prior year.

Investing activities. Cash flows used for investing activities of continuing operations were \$187 million in the first six months of 2000 and provided \$104 million in 1999. Cash flows from investing activities in 1999 includes \$254 million collected on the receivable from the sale of our 36% interest in M-I L.L.C. Capital expenditures in the first six months of 2000 were approximately \$49 million lower than in the same period of the prior year. Although reduced, we feel our level of capital spending is appropriate.

Financing activities. Cash flows used for financing activities of continuing operations were \$431 million in the first six months of 2000. In the same period of the prior year, financing activities provided \$27 million. In 2000, we repaid \$305 million of long-term debt and had net repayments of \$66 million of our short-term notes primarily due to proceeds received from the sales of Dresser-Rand and Ingersoll-Dresser Pump. We paid dividends of \$111 million to our shareholders in the first six months of 2000 and \$110 million in the same period in 1999.

Discontinued operations. Net cash flows from discontinued operations provided \$804 million in the first six months of 2000 and \$139 million in the first six months of 1999. Amounts for the first six months of 2000 include proceeds from the sales of Dresser-Rand and Ingersoll-Dresser Pump of approximately \$914 million.

Capital resources. We believe we have sufficient resources from internally generated funds and access to capital markets to fund our working capital requirements and investing activities. Our combined short-term notes payable and long-term debt was 30% of total capitalization at June 30, 2000 compared to 35% at December 31, 1999.

#### MANAGEMENT SUCCESSION

Dick Cheney, chairman of the board and chief executive officer, has accepted the Republican Party nomination for its vice presidential candidate. At a special meeting held July 25, 2000, the board of directors accepted Mr. Cheney's resignation effective at the close of business on August 16, 2000. Dave Lesar, currently president and chief operating officer, was elected by the board of directors to succeed Mr. Cheney. Mr. Lesar was named chairman of the board, president and chief executive officer, also effective at the close of business August 16, 2000.

#### RESTRUCTURING ACTIVITIES

During the third and fourth quarters of 1998, we incurred special charges totaling \$980 million related to the Dresser merger and industry downturn. During the second quarter of 1999, we reversed \$47 million of our 1998 special charges based on our reassessment of total costs to be incurred to complete the actions covered in the charges.

#### ENVIRONMENTAL MATTERS

We are subject to numerous environmental, legal and regulatory requirements related to our operations worldwide. As a result, we are involved in specific environmental litigation and claims, the clean-up of properties we own or have operated, and efforts to meet or correct compliance-related matters. Except as noted in Note 8 to the condensed consolidated financial statements related to one site, none of these expenditures is expected by our management to have a material adverse effect on our results of operations.

#### DISCONTINUED OPERATIONS AND SHARE REPURCHASE PROGRAM

On April 25, 2000 our Board of Directors approved plans to sell our Dresser Equipment Group segment and implement a share repurchase program for up to 44 million shares, or about 10% of our outstanding common stock.

The sale of Dresser Equipment Group's remaining businesses are not expected to close until the fourth quarter of 2000 or first quarter of 2001. Proceeds from the planned sales of these businesses will be used for a combination of acquisitions supporting core activities and for internal investment opportunities. Because we cannot predict the timing of future acquisitions to replace the earnings from Dresser Equipment Group, we feel the implementation of a share repurchase program is timely and is an appropriate means of utilizing our strong and liquid balance sheet in the interim. The share repurchases will be effected from time-to-time through open market purchases or privately negotiated transactions. The plan gives management full discretion for its implementation and has no expiration date. We have not executed any purchases under this program through the end of July, 2000, but expect to begin repurchases in August, 2000.

#### SUBSEQUENT EVENT

On July 5, Halliburton and Petrobras signed contracts worth approximately \$2.6 billion to proceed with the development of both the Barracuda and Caratinga oilfields, located offshore Brazil in water depths varying between 600 and 1,350 meters.

The principal work to be performed by our Brown & Root Energy Services business unit will total approximately \$1.6 billion under a lump-sum engineering, procurement and construction contract with Barracuda Caratinga Leasing Company B.V. The contract includes work related to construction of 51 wells, fabrication and installation of flowlines and risers, construction and installation of two floating production, storage and offloading vessels and the commissioning, start-up and operations support for both fields.

The approximate value of the remaining work is a drilling contract for approximately \$1 billion that will be performed by a subsidiary of Petrobras. Petrobras will subcontract approximately \$150 million of the oilfield services work to our Halliburton Energy Services business unit.

We believe this award recognizes our capabilities in the technically challenging development of deepwater oil and gas resources and our unique capability to provide a broad array of oilfield and engineering and construction services.

#### ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and for Hedging Activities." This standard requires entities to recognize all derivatives on the statement of financial position as assets or liabilities and to measure the instruments at fair value. Accounting for gains and losses from changes in those fair values are specified in the standard depending on the intended use of the derivative and other criteria. Statement of Financial Accounting Standards No. 133 is effective for us beginning January 1, 2001. We are currently reviewing contracts for embedded derivatives and evaluating the effects of the pronouncement on our current accounting for derivatives and hedging activities. We have not yet determined the effect, if any, on our results of operations or financial position.



Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

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

We do not use derivative instruments for trading purposes.

We use a statistical model to estimate the potential loss related to derivative instruments used to hedge the market risk of our foreign exchange exposure. The model utilizes historical price and volatility patterns to estimate the change in value of the derivative instruments. Changes in value could occur from adverse movements in foreign exchange rates for a specified time period at a specified confidence interval. The model is a calculation based on the diversified variance-covariance statistical modeling technique and includes all foreign exchange derivative instruments outstanding at June 30, 2000. The resulting value-at-risk of \$1 million estimates, with a 95% confidence interval, the potential loss we could incur in a one-day period from foreign exchange derivative instruments due to adverse foreign exchange rate changes.

Our interest rate exposures at June 30, 2000 were not materially changed from December 31, 1999.

PART II. OTHER INFORMATION

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

At our Annual Meeting of Stockholders held on May 16, 2000, stockholders were asked to consider and act upon (1) the election of Directors for the ensuing year, (2) a proposal to ratify the appointment of Arthur Andersen LLP as independent accountants to examine the financial statements and books and records of Halliburton for 2000, and (3) a proposal to amend and restate the 1993 Stock and Long-Term Incentive Plan. The following table sets out, for each matter where applicable, the number of votes cast for, against or withheld, as well as the number of abstentions and broker non-votes.

(1) Election of Directors:

Name of Nominee	Votes For	Votes Withheld
Richard B. Cheney	372,616,747	2,800,422
Lord Clitheroe	372,518,543	2,898,626
Robert L. Crandall	372,614,898	2,802,271
Charles J. DiBona	372,575,759	2,841,410
Lawrence S. Eagleburger	343,664,347	31,752,822
William R. Howell	372,575,209	2,841,960
Ray L. Hunt	372,714,643	2,702,526
J. Landis Martin	372,636,716	2,780,453
Jay A. Precourt	372,770,384	2,646,785
C. J. Silas	372,638,827	2,778,342

(2) Proposal to ratify the appointment of Arthur Andersen LLP as independent accountants to examine the financial statements and books and records of Halliburton for 2000:

Number of Votes For	370,397,583
Number of Votes Against	3,849,512
Number of Votes Abstaining	1,170,074
Number of Broker Non-Votes	0

(3) Proposal to amend and restate the 1993 Stock and Long-Term Incentive Plan:

Number of Votes For	251,495,751
Number of Votes Against	121,149,943
Number of Votes Abstaining	2,757,475
Number of Broker Non-Votes	14,000

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- \* 3 By-laws of the company revised effective May 16, 2000.
- \*10.1 Employment agreement.
- \*10.2 Employment agreement.
- \*10.3 Halliburton Company 1993 Stock and Long-Term Incentive Plan as amended and restated effective May 16, 2000.
- \* 27 Financial data schedules for the six months ended June 30, 2000 (included only in the copy of this report filed electronically with the Commission).

\* Filed with this Form 10-Q.

(b) Reports on Form 8-K

During the second quarter of 2000:

Date Filed	Date of Earliest Event	Description of Event
April 12, 2000	April 10, 2000	Item 5. Other Events for a press release announcing the intention to form a joint venture with Science Applications International Corporation to provide web-based portals for exploration and production professionals.
April 13, 2000	April 12, 2000	Item 5. Other Events for a press release announcing the intention to form a joint venture with Shell International Exploration and Production B.V. to develop and market Halliburton's SmartWell(TM)technology and Shell's iWell(TM)technology.
April 21, 2000	April 17, 2000	Item 5. Other Events for a press release announcing that Brown & Root Energy Services has been selected by Shell Petroleum Development Company of Nigeria Limited (SPDC) to work on the development of the first major offshore oil and gas facility for SPDC in Nigeria.
May 1, 2000	April 26, 2000	Item 5. Other Events for a press release announcing 2000 first quarter earnings and approval of plans to sell Dresser Equipment Group and implement a share repurchase program.
May 5, 2000	May 2, 2000	Item 5. Other Events for a press release announcing that Halliburton Energy Services' initial trials of its new technology, the Anaconda Advanced Well Construction System, have been successfully completed.
May 19, 2000	May 16, 2000	Item 5. Other Events for a press release announcing that stockholders have elected all ten nominees to the board of directors, ratified the appointment of Arthur Andersen LLP to audit the financial statements for the year 2000, and voted in favor of a proposal to amend and restate the 1993 stock and long-term incentive plan. The board of directors has declared a second quarter dividend of 12.5 cents a share on common stock, payable June 22, 2000 to stockholders of record at the close of business on June 1, 2000.

During the third quarter of 2000:

July 5, 2000	July 5, 2000	Item 5. Other Events for a press release announcing that Halliburton Company and Petrobras have signed contracts to proceed with the development of both the Barracuda and Caratinga offshore oil fields in Brazil. The contracts are valued at more than \$2.5 billion and will be performed by Brown & Root Energy Services and Halliburton Energy Services business units, together with Petrobras' exploration and production unit. Work will commence July, 2000.
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Date Filed	Date of Earliest Event	Description of Event
July 25, 2000	July 20, 2000	Item 5. Other Events for a press release announcing that the board of directors has declared a 2000 third quarter dividend of 12.5 cents a share on common stock payable September 27, 2000 to shareholders of record at the close of business on September 6, 2000.
July 26, 2000	July 25, 2000	Item 5. Other Events for a press release announcing that Dick Cheney, chairman of the board and chief executive officer, has accepted George W. Bush's invitation to be Bush's Republican Party vice presidential running mate. At a special meeting held July 25, 2000, the board of directors accepted Mr. Cheney's resignation to become effective at the close of business on August 16, 2000 and then elected Dave Lesar to the board of directors and named him as registrant's chairman of the board, president and chief executive officer, also to become effective at the close of business on August 16, 2000.
July 28, 2000	July 26, 2000	Item 5. Other Events for a press release announcing that 2000 second quarter net income was \$75 million (\$0.17 per share diluted) compared to \$83 million (\$0.19 per share diluted) in the second quarter of 1999. Revenues from continuing operations were \$2.9 billion in the 2000 second quarter, about the same as the 2000 first quarter.
August 7, 2000	August 3, 2000	Item 5. Other Events for a press release announcing that a definitive agreement was signed, pending final approval from Petroleum Place shareholders, for Halliburton Energy Services to acquire a 15% equity position in Petroleum Place, Inc.

SIGNATURES

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

HALLIBURTON COMPANY

Date: August 10, 2000

By: /s/ Gary V. Morris

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Gary V. Morris  
Executive Vice President and  
Chief Financial Officer

/s/ R. Charles Muchmore, Jr.

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

Index to exhibits filed with this quarterly report.

Exhibit Number	Description
----- 3	----- By-laws of the company revised effective May 16, 2000.
10.1	Employment agreement.
10.2	Employment agreement.
10.3	Halliburton Company 1993 Stock and Long-Term Incentive Plan as amended and restated effective May 16, 2000.
27	Financial data schedules for the six months ended June 30, 2000 (included only in the copy of this report filed electronically with the Commission).

HALLIBURTON COMPANY  
BY-LAWS  
AS AMENDED

Offices

1. The registered office of the Corporation required by the Delaware General Corporation Law to be maintained in the State of Delaware shall be in the City of Wilmington, County of New Castle, State of Delaware, or at such other office (which need not be a place of business or principal office of the Corporation) as may be designated from time to time by the Board of Directors in the manner provided by law, and the name of the agent in charge thereof shall be The Corporation Trust Company. The Corporation shall also have offices in the Cities of Dallas and Houston, State of Texas, and at such other places as the Board of Directors may, from time to time, appoint.

Seal

2. The corporate seal shall have inscribed thereon around the margin the words "Halliburton Company" and "Delaware" and across the center thereof the words "Corporate Seal".

Stockholders' Meetings

3. All meetings of the stockholders for the election of Directors shall be held in the City of Dallas, State of Texas, at such place as may be fixed from time to time by the Board of Directors or at such other place either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place within or without the State of Delaware, as shall be stated in the notice of the meeting.

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4. Annual meetings of the stockholders shall be held on the third Tuesday in the month of May each year if not a legal holiday, and if a legal holiday, then on the next succeeding business day, at 9:00 a.m., or at such other date and time as shall be designated, from time to time, by the Board of Directors and stated in the notice of meeting, at which time they shall elect by a plurality vote a Board of Directors, in the manner provided for in the Certificate of Incorporation, and transact such other business as may be brought before the meeting.

5. At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board, (ii) otherwise properly brought before the meeting by or at the direction of the Board, or (iii) otherwise properly brought before the meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, not less than ninety (90) days prior to the first anniversary date of the immediately preceding annual meeting of stockholders of the Corporation. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting, (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, (c) the class and number of shares of the Corporation which are beneficially owned by the stockholder, (d) a representation that the stockholder or a qualified

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representative of the stockholder intends to appear in person at the meeting to bring the proposed business before the annual meeting, and (e) any material interest of the stockholder in such business.

Notwithstanding anything in the By-laws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 5; provided, however, that nothing in this Section 5 shall be deemed to preclude discussion by any stockholder of any business properly brought before the annual meeting in accordance with said procedure.

The Chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 5, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

Notwithstanding the foregoing provisions of this Section 5, a stockholder shall also comply with all applicable requirements of the Securities and Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 5.

6. Only persons who are nominated in accordance with the following procedures shall be eligible for election as Directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders (i) by or at the direction of the Board of Directors by any nominating committee or person appointed by the Board or (ii) by any stockholder of the Corporation entitled to vote for the election of Directors at the meeting and who complies with the notice procedures set forth in this Section 6. Such nominations, other than those made by or at the direction of the Board, shall be made pursuant to timely notice in writing to the Secretary. To



be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation (a) with respect to an election to be held at the annual meeting of stockholders, not less than ninety (90) days prior to the first anniversary date of the immediately preceding annual meeting of stockholders of the Corporation and (b) with respect to an election to be held at a special meeting of stockholders, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed to stockholders or public disclosure of the date of the special meeting was made, whichever first occurs. Such stockholder's notice to the Secretary shall set forth (x) as to each person whom the stockholder proposes to nominate for election or re-election as a Director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person, and (iv) all other information relating to the person that is required to be disclosed in solicitations for proxies for election of Directors, or is otherwise required, pursuant to Regulation 14A under the Securities Exchange Act of 1934 as amended (including such person's written consent to being named in the proxy statement as a nominee and to serve as a Director, if elected; and (y) as to the stockholder giving the notice (i) the name and address, as they appear on the Corporation's books, of such stockholder and (ii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as Director of the Corporation. Other than Directors chosen pursuant to the

provisions of Section 13, no person shall be eligible for election as a Director of the Corporation unless nominated in accordance with the procedures set forth herein.

The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

Notwithstanding the foregoing provisions of this Section 6, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section 6.

7. The holders of a majority of the voting stock issued and outstanding, present in person, or represented by proxy shall constitute a quorum at all meetings of the stockholders for the transaction of business.

8. At each meeting, every stockholder shall be entitled to vote in person or by proxy and shall have one (1) vote for each share of voting stock registered in his name on the stock books except as provided in Section 13 hereof.

9. Written notices of the annual meeting shall be mailed not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting directed to his address as it appears on the records of the Corporation.

10. A complete list of the stockholders entitled to vote at each meeting of the stockholders, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder shall be prepared and shall be open to the examination of any stockholder, for any purpose germane to the meeting during ordinary business

hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

11. Special meetings of the stockholders may be called by the Chairman of the Board, the Chief Executive Officer, the President (if a Director), the Board of Directors, or by stockholders owning a majority in the amount of the entire stock of the Corporation with voting privileges issued and outstanding.

12. Written notice of a special meeting of stockholders shall be mailed not less than ten (10) nor more than fifty (50) days before the date of the meeting to each stockholder entitled to vote at such meeting directed to his address as it appears on the records of the Corporation.

13. Cumulative voting shall not be allowed. Each stockholder shall be entitled, at all elections of Directors of the Corporation, to as many votes as shall equal the number of shares of stock held and owned by him and entitled to vote at such meeting under Article EIGHTH of the Certificate of Incorporation, as amended, for as many Directors as there are to be elected, unless such right to vote in such manner is limited or denied by other provisions of the Certificate of Incorporation.

Vacancies caused by the death or resignation of any Director and newly created directorships resulting from any increase in the authorized number of Directors may be filled by a vote of at least a majority of the Directors then in office, though less than a quorum, and the Directors so chosen shall hold office until the next annual meeting of the stockholders.

## Directors

14. The property and business of the Corporation shall be managed by its Board of Directors. The number of Directors which shall constitute the whole Board shall not be less than eight (8) nor more than twenty (20). Within the limits above specified, the number of Directors shall be determined by resolution of the Board of Directors or by the stockholders at the annual meeting. Each Director shall be elected to serve for the term of one (1) year and until his successor shall be elected and shall qualify.

15. The Directors shall hold their meetings in Dallas, Texas, and at such other places as they may designate, and may keep the books of the Corporation outside of Delaware, in the City of Dallas, Texas, or at such other places as they may, from time to time, determine.

16. In addition to the powers and authorities by these By-laws expressly conferred upon them, the Board may exercise all such powers of the Corporation and do all such lawful acts and things as are permitted by the Certificate of Incorporation and not by statute required to be exercised or done by the stockholders.

17. Each member of the Board shall be paid such fee as the Board of Directors may, from time to time, by resolution determine.

## Meetings of the Board

18. Immediately after each annual stockholders' meeting, the newly elected Board shall meet and for the ensuing year elect such officers with such titles and duties as may be necessary to enable the Corporation to sign instruments and stock certificates which comply with Sections 103(a)(2) and 158 of Chapter 1, General Corporation Laws of the State of Delaware, and may elect

such other officers as may be specified in these By-laws or as may be determined by the Board and shall attend to such other business as may come before the Board.

19. Regular meetings of the Board may be held without notice at such time and place as shall be determined by the Board.

20. At all meetings of the Board, a majority of Directors shall be necessary to constitute a quorum.

21. Special meetings of the Board may be called by the Chairman of the Board, the Chief Executive Officer or the President (if a Director) upon one (1) day's notice to each Director either personally or in the manner permitted by Section 42 hereof. Special meetings shall be called by the Chairman of the Board, the Chief Executive Officer, the President or Secretary in like manner and on like notice on the written request of two (2) Directors.

#### Officers

22. The officers of the Corporation shall be a Chairman of the Board, a Chief Executive Officer, a President, one or more Vice Presidents (any one or more of whom may be designated Executive Vice President or Senior Vice President), a Secretary, a Treasurer, a Controller, one or more Assistant Secretaries, one or more Assistant Treasurers, and, if the Board of Directors so elects, one or more Vice Chairmen. Such officers shall be elected or appointed by the Board of Directors. All officers as between themselves and the Corporation, shall have such authority and perform such duties in the management of the Corporation as may be provided in these By-laws, or, to the extent not provided, as may be prescribed by the Board of Directors or by the Chief Executive Officer acting under authority delegated to him by the Board.

23. The Chairman of the Board and the Chief Executive Officer shall be members of the Board. The other officers need not be members of the Board. Any two (2) or more offices may be held by the same person.

24. The Board may elect or appoint such other officers and agents as it may deem necessary, who shall have such authority and shall perform such duties as shall be prescribed by the Board.

25. The officers of the Corporation shall hold office for one (1) year from date of their election and until their successors are chosen and qualify. Any officer elected or appointed by the Board may be removed at any time by the affirmative vote of a majority of the whole Board.

Officer Duties  
Chairman of the Board

26. The Chairman of the Board shall preside at all meetings of the Board of Directors and stockholders. The Chairman of the Board shall have authority to call meetings of the stockholders and the Board of Directors and of any standing or special committee appointed by or upon the authority of the Board of Directors and shall have such other powers and duties as may, from time to time, be prescribed by the Board of Directors.

Chief Executive Officer

27. In the absence or disability of the Chairman of the Board, the Chief Executive Officer shall preside at meetings of the stockholders and the Board of Directors. The Chief Executive Officer shall have authority to call meetings of the stockholders and the Board of Directors and of any standing or special committee appointed by or upon authority of the Board of Directors. The Chief Executive Officer shall have the general management and direction of the

business and affairs of the Corporation, subject to the control of the Board of Directors. Such officer shall have the power to appoint and discharge any and all agents and employees of the Corporation not elected or appointed directly by the Board of Directors. The Chief Executive Officer shall sign all papers and documents to which such officer's signature may be necessary or appropriate and shall have such other powers and duties as usually devolve upon the chief executive officer of a corporation, and such further powers and duties as may, from time to time, be prescribed for him by the Board of Directors.

#### Vice Chairman

28. The Vice Chairman or, if there be more than one, the Vice Chairmen, shall be subject to the direction and control of the Chief Executive Officer and, in turn, the Board of Directors. The Vice Chairman or, if there be more than one, the Vice Chairmen, shall assist the Chief Executive Officer in the general management and direction of the business and affairs of the Corporation, shall sign such papers and documents as may be necessary or appropriate in connection with the operations of the Corporation, make reports to the Board of Directors and have such further powers and duties as may, from time to time, be prescribed by the Board of Directors or the Chief Executive Officer. A Vice Chairman need not be a Director.

#### President

29. The President shall be the Chief Operating Officer of the Corporation and shall have general management of the operations of the Corporation, subject to the direction and control of the Chief Executive Officer, and, in turn, the Board of Directors. The President shall sign all papers and documents to which such officer's signature may be necessary or appropriate in connection with the operations of the Corporation, make reports to the Board of Directors and have such further powers and duties as may, from

time to time, be prescribed by the Board of Directors or the Chief Executive Officer. In the absence or disability of the Chief Executive Officer, the powers and duties of the Chief Executive Officer shall be vested in the President; provided, however, that the President shall not have authority to call meetings of the stockholders, the Board of Directors or the committees appointed by the Board, or to preside at meetings of the stockholders or the Board of Directors, unless he is also a Director.

#### The Vice Presidents

30. The Vice President or, if there be more than one, the Vice Presidents shall assist in the management of the business of the Corporation and the implementation of resolutions and orders of the Board of Directors. If there be more than one Vice President, the Board of Directors may designate one or more of them as Executive Vice President or Senior Vice President among the Vice Presidents and may also grant to such officers and other Vice Presidents such titles as shall be descriptive of their respective functions or indicative of their relative seniority. The Vice President or, if there be more than one, the Vice Presidents, shall have such other powers and duties as may, from time to time, be prescribed by the Board of Directors or the Chief Executive Officer.

#### The Secretary and Assistant Secretary

31. The Secretary shall attend all sessions of the Board of Directors and all meetings of the stockholders and record all votes and the minutes of all proceedings in a book to be kept for that purpose. The Secretary shall have custody of the corporate seal and the Secretary, or an assistant secretary, shall have authority to affix the same to any instrument requiring it and, when so affixed, it may be attested by the Secretary's signature or by the signature



of such assistant secretary. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall have such other duties as may, from time to time, be assigned by the Board of Directors or the Chief Executive Officer.

The Assistant Secretary or, if there be more than one, the Assistant Secretaries in the order of their election shall, in the absence of the Secretary or in the event of the Secretary's inability or refusal to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer may from time to time prescribe.

#### The Treasurer and Assistant Treasurer

32. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements. The Treasurer shall distribute the funds of the Corporation as may be ordered by the Board of Directors and shall render to the Chief Executive Officer and Board of Directors, whenever they may require it, an account of all such transactions and of the financial condition of the Corporation. The Treasurer shall give the Corporation a bond, if required by the Board of Directors, in a sum and with sureties satisfactory to the Board of Directors. The Treasurer shall have such other duties as may, from time to time, be assigned by the Board of Directors or the Chief Executive Officer.

The Assistant Treasurer or, if there shall be more than one, the Assistant Treasurers in the order of their election shall, in the absence of the Treasurer or in the event of the Treasurer's inability or refusal to act, perform the duties and exercise the powers of the Treasurer and shall perform such duties and have such other powers as the Board of Directors or the Chief Executive Officer may from time to time prescribe.

#### The Controller

33. The Controller shall be the chief accounting officer of the Corporation; shall keep full and accurate accounts of all assets, liabilities, commitments, receipts, disbursements and other financial transactions of the Corporation and its subsidiaries in books belonging to the Corporation; shall cause regular audits of such books and records to be made and shall furnish financial statements and reports as, from time to time, may be required by the Board of Directors or the Chief Executive Officer; and shall have such other duties as may, from time to time, be assigned by the Board of Directors or the Chief Executive Officer.

#### Vacancies

34. If any office of the Corporation is vacant for any reason, the Board of Directors may choose a successor, who shall hold office for the unexpired term, or the powers or duties of any such office may be delegated as the Board may determine.

#### Duties of Officers May Be Delegated

35. In case of the absence, inability or refusal to act of any officer, the Board may delegate the powers or duties of such officer to any other officer, for the time being.

#### Capital Stock

36.(a) Shares. The shares of the Corporation shall be represented by certificates or shall be uncertificated. Each registered holder of shares, upon request to the Corporation, shall be provided with a certificate of stock, representing the number of shares owned by such holder. Absent a specific request for such a certificate by the registered owner or transferee thereof, all shares shall be uncertificated upon the original issuance thereof by the Corporation or upon the surrender of the certificate representing such shares to the Corporation.

The Board of Directors shall have power and authority to make such rules and regulations as it may deem expedient concerning the issue, transfer and registration of uncertificated shares or certificates for shares of stock of the Corporation.

(b) Certificates For Shares of Stock. The certificates for shares of stock of the Corporation shall be in such form, not inconsistent with the Certificate of Incorporation, as shall be approved by the Board of Directors. All certificates shall be signed by the Chairman of the Board, the President or any Vice President, and by the Secretary or an Assistant Secretary of the Corporation and countersigned by an independent transfer agent and registered by an independent registrar. Any or all of the signatures may be facsimiles unless the regulations of the New York Stock Exchange then in effect shall require to the contrary.

In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall cease to be such officer, transfer agent or registrar before such certificate is issued, it may nevertheless be issued and delivered by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

All certificates for shares of stock shall be consecutively numbered as the same are issued. The name of the person owning the shares represented thereby with the number of such shares and the date of issue thereof shall be entered on the books of the Corporation.

(c) Statements Relating to Uncertificated Shares. Within two business days after uncertificated shares have been registered, the Corporation or its transfer agent shall send to the registered owner thereof a written statement containing a description of the issue of which such shares are a part, the number of shares registered, the date of registration and such other information as may be required or appropriate.

#### Transfer of Shares

37. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, the Corporation shall issue or cause to be issued uncertificated shares or, if requested by the appropriate person, a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Upon receipt of proper transfer instructions from the registered owner of uncertificated shares, such uncertificated shares shall be canceled and issuance of new equivalent uncertificated shares shall be made to the person entitled thereto and the transaction shall be recorded upon the books of the Corporation.

#### Record Dates

38. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

#### Checks and Debt Instruments

39. All checks, unless otherwise directed by the Board, shall be signed by the Treasurer or Assistant Treasurer and countersigned by the Chief Executive Officer, President, any Vice President or the Controller. The Treasurer or Assistant Treasurer, Chief Executive Officer, President, any Vice President, the Controller, or any one of them, may appoint such officers or employees of the Corporation as the one or ones so making the appointment shall deem advisable to audit and approve Corporation vouchers and checks and to sign such checks with an approved mechanical check-signer. Any officer or employee so designated to audit, approve or sign checks shall execute a bond to the Corporation in such amount as the Directors, from time to time, may designate, and with sureties satisfactory to the Directors. All notes, debentures and bonds, unless otherwise directed by the Board, or unless otherwise required by law, shall be signed by the Treasurer or Assistant Treasurer and countersigned by the Chief Executive Officer, President or any Vice President.

#### Dividends

40. Dividends upon the capital stock, when earned, may be declared by the Board at any regular or special meeting.

41. Before payment of any dividend, there shall be set aside out of the surplus or net profits of the Corporation such sum or sums as the Directors, from time to time, think proper as a reserve fund to meet contingencies, or for such other purposes as the Directors shall think conducive to the interest of the Corporation.

#### Notice

42. Whenever, under the provisions of these By-laws, notice is required to be given by the Corporation, such notice shall be in writing and shall be given (and shall be deemed to be duly received at the time so given) by personal delivery, by telecopy (with confirmation), by express courier service or by mail, postage prepaid, to the person to whom notice is required, at such address as appears on the records of the Corporation or to such person's telecopier number. Notice may also be given by electronic mail to the electronic mail address provided to the Corporation by such person, which notice shall be deemed to have been given when sent or transmitted.

43. Any stockholder, Director or officer may waive any notice required to be given under these By-laws.

#### Amendment or Repeal of By-laws

44. These By-laws may be altered or repealed at any regular meeting of the stockholders, or at any special meeting of the stockholders at which a quorum is present or represented, provided notice of the proposed alteration or repeal be contained in the notice of such special meeting, by the affirmative vote of the majority of the stockholders entitled to vote at such meeting and present or represented thereat, or by the affirmative vote of the majority of the Board of Directors at any regular meeting of the Board, or at any special meeting of the Board, if notice of the proposed alteration or repeal be contained in the notice of such special meeting; provided, however, that no change in these By-laws setting the time or place of the meeting for the election of Directors shall be made within sixty (60) days next before the day on which such meeting is to be held, and that in case of any change in such time

or place, notice thereof shall be given to each stockholder in person or by letter mailed to his last known post office address at least twenty (20) days before the meeting is held.

#### Provisions for National Emergencies

45. During periods of emergency resulting from an attack on the United States or on a locality in which the Corporation conducts its business or customarily holds meetings of its Board of Directors or its stockholders, or during any nuclear or atomic disaster, or during the existence of any catastrophe, or other similar emergency condition, the following provisions shall apply notwithstanding any different provisions elsewhere contained in these By-laws:

(a) Whenever, during such emergency and as a result thereof, a quorum of the Board of Directors or a standing committee thereof cannot readily be convened for action, a meeting of such Board or committee thereof may be called by any officer or Director by a notice of the time and place given only to such of the Directors as it may be feasible to reach at the time and by such means as may be feasible at the time, including publications or radio. The Director or Directors in attendance at the meeting shall constitute a quorum; provided, however, that the officers or other persons present who have been designated on a list approved by the Board before the emergency, all in such order of priority and subject to such conditions and for such period of time as may be provided in the resolution approving such list, or in the absence of such a resolution, the officers of the Corporation who are present, in order of rank, and within the same rank in order of seniority, shall to the extent required to provide a quorum be deemed Directors for such meeting.

(b) The Board, either before or during any such emergency, may provide, and from time to time modify, lines of succession in the event that

during such emergency any or all officers or agents of the Corporation shall for any reason be rendered incapable of discharging their duties.

(c) The Board either before or during any such emergency, may, effective in the emergency, change the head office or designate several alternative head offices or regional offices, or authorize the officers so to do.

(d) No officer, Director or employee acting in accordance with this article shall be liable except for willful misconduct.

(e) To the extent not inconsistent with this article, all other articles of these By-laws shall remain in effect during any emergency described in this article and upon its termination the provisions of this article covering the duration of such emergency shall cease to be operative.

Divisions and Divisional Officers  
Groups and Group Officers

46.(a) Divisions of the Corporation may be formed, and existing divisions dissolved, by resolution of the Board of Directors of the Corporation or through designation in writing by the Chief Executive Officer.

The Chief Executive Officer, or his delegate, shall supervise the management and operations of its divisions and shall have the authority to appoint the officers thereof and the power to remove them and to fill any vacancies.

To the extent not inconsistent with these By-laws or a resolution of the Board of Directors of the Corporation, the officers of each division shall perform such duties and have such authority with respect to the business and affairs of that division as may be granted, from time to time, by the Chief Executive Officer, or his delegate. With respect to the affairs of such



division and in the regular course of business of such division, officers of each division may sign contracts and other documents in the name of the division, where so authorized; provided, however, subject to the provisions of the next succeeding sentence of this paragraph, that an officer of one division shall not have authority to bind any other division of the Corporation, nor to bind the Corporation, except as to the normal and usual business and affairs of the division of which he is an officer. Notwithstanding the provisions of the preceding sentence, if a division of the Corporation is formed to provide shared services for the Corporation and/or its operating units, officers, to the extent that and with respect to matters to which they have been delegated such authority in writing by the Chief Executive Officer or his delegate, may execute contracts in the name of and bind the Corporation or any of its divisions; provided, however, that no officer of a division formed to perform shared services shall contract in the name of or otherwise bind a subsidiary or other legal entity in which the Corporation owns an interest with respect to shared services matters unless such officer of such division taking such action (i) is an officer of such subsidiary or such other legal entity and is duly authorized to take such action in the name of and on behalf of such subsidiary or other legal entity or (ii) takes such action on behalf of such subsidiary or other legal entity pursuant to the grant of a duly authorized power of attorney. A divisional officer, unless specifically elected to one of the designated offices of the Corporation, shall not be construed as an officer of the Corporation.

(b) To facilitate the attainment of certain goals and objectives by various divisions and subsidiaries of the Corporation engaged in common pursuits or in activities within the same or similar areas of business activity, a group or groups of such subsidiaries and divisions may be formed by

resolution of the Board of Directors of the Corporation or through designation in writing by the Chief Executive Officer, or his delegate.

The activities of any such group shall be administered and coordinated by the officers of the group and, if desired by the Chief Executive Officer, or his delegate, by an operating committee. In such event, the number of members of such operating committee shall be determined by the Chief Executive Officer, or his delegate, who shall appoint the members thereof and have the power to remove them and substitute other members. The duties of any such operating committee shall be to aid in the administration and coordination of group activities and to consult with and advise the officers of the group in achieving goals and objectives of such group.

Officers of a group established pursuant to the provisions hereof may include a chairman, a president, one or more vice presidents, a treasurer, a secretary and such other officers as may facilitate operations of the group. The Chief Executive Officer, or his delegate, shall have the authority to appoint the officers of a group and the power to remove them and to fill any vacancies. To the extent not inconsistent with these By-laws or a resolution of the Board of Directors of the Corporation, the officers of each group shall have such duties and authority with respect to the activities and affairs of the group as may be granted, from time to time, by the Chief Executive Officer, or his delegate.

Contracts may not be entered into in the name of any group, but any officer of the group, where so authorized, may execute contracts and other documents in the name of the Corporation on behalf of the members of the group or any division of the Corporation that is a member of the group; provided, however, that in no case shall an officer of the group have authority to bind the Corporation except as to the normal and usual business and affairs

of the group of which he or she is an officer; and provided further that a group officer may not execute contracts for any subsidiary who is a member of the group unless (i) he or she executes the same under a duly authorized power of attorney or (ii) he or she is also an officer of such subsidiary and executes the contract in such capacity.

#### Indemnification

47.(a) Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was or has agreed to become a director or officer of the Corporation or is or was serving or has agreed to serve at the request of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving or having agreed to serve as a director or officer shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended, (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that the Corporation shall

indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section 47 shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section or otherwise.

(b) If a claim under Paragraph (a) of this Section 47 is not paid in full by the Corporation within ninety days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the Corporation to indemnify the

claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(c) The right to indemnification and the advancement and payment of expenses conferred in this Section 47 shall not be exclusive of any other right which any person may have or hereafter acquire under any law (common or statutory), provision of the Certificate of Incorporation of the Corporation, By-law, agreement, vote of stockholders or disinterested directors or otherwise.

(d) The Corporation may maintain insurance, at its expense, to protect itself and any person who is or was serving as a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

(e) If this Section 47 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each director or officer of the Corporation as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect

to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Section 47 that shall not have been invalidated and to the full extent permitted by applicable law.

Revised effective May 16, 2000

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement ("Agreement"), is entered into by and between Dresser Industries, Inc. ("Employer"), Halliburton Company, a Delaware corporation ("Halliburton"), and John W. Kennedy, ("Employee"), to be effective as of September 29, 1998 (the "Effective Date").

W I T N E S S E T H:

WHEREAS, Employee is currently employed by Employer; and

WHEREAS, Employer is desirous of continuing the employment of Employee after the Effective Date pursuant to the terms and conditions and for the consideration set forth in this Agreement, and Employee is desirous of continuing in the employ of Employer pursuant to such terms and conditions and for such consideration.

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

ARTICLE 1: EMPLOYMENT AND DUTIES:

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

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

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

1.4. Employee shall, during the period of Employee's employment by Employer, devote Employee's full business time, energy, and best efforts to the business and affairs of Employer. Employee may not engage, directly or indirectly, in any other business, investment, or activity that interferes with Employee's performance of Employee's duties hereunder, is contrary to the

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

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

1.6. Nothing contained herein shall be construed to preclude the transfer of Employee's employment to another Halliburton Entity ("Subsequent Employer") as of, or at any time after, the Effective Date and no such transfer shall be deemed to be a termination of employment for purposes of Article 3 hereof; provided, however, that, effective with such transfer, all of Employer's obligations hereunder shall be assumed by and be binding upon, and all of

Employer's rights hereunder shall be assigned to, such Subsequent Employer and the defined term "Employer" as used herein shall thereafter be deemed amended to mean such Subsequent Employer. Except as otherwise provided above, all of the terms and conditions of this Agreement, including without limitation, Employee's rights and obligations, shall remain in full force and effect following such transfer of employment.

ARTICLE 2: COMPENSATION AND BENEFITS:

2.1. Employee's base salary during the Term shall be not less than \$300,000 per annum which shall be paid in accordance with the Employer's standard payroll practice for its executives. Employee's base salary may be increased from time to time with the approval of the Compensation Committee of Halliburton's Board of Directors (the "Compensation Committee") or its delegate,



as applicable. Such increased base salary shall become the minimum base salary under this Agreement and may not be decreased thereafter without the written consent of Employee.

2.2. Employee shall be entitled to receive the bonus earned under the Dresser Industries, Inc. ("Dresser") 1998 Executive Incentive Compensation Plan (the "Dresser EVA Plan") for its fiscal year ended October 31, 1998, based upon the actual level of attainment of Dresser's established performance targets for the period ended October 31, 1998 or, if the actual level of performance cannot be determined, a reasonable estimate thereof, provided he or she remains employed by the Employer during the entirety of such period. Such bonus shall be payable by Dresser in a single lump sum payment as soon as practicable following October 31, 1998. For the period November 1, 1998 through December 31, 1998, Employee shall be entitled to a bonus in an amount determined as follows: (i) Employee's base salary shall be multiplied by the same percentage of base salary as used in the calculation of Employee's bonus earned under the Dresser EVA Plan for the period ended October 31, 1998 and (ii) the product thereof shall be multiplied by two-twelfths (2/12). Beginning January 1, 1999 and for the remainder of the Term, Employee shall participate in the Halliburton Annual Performance Pay Plan, or any successor annual incentive plan approved by the Compensation Committee; provided, however, that all determinations relating to Employee's participation, including, without limitation, those relating to the performance goals applicable to Employee and Employee's level of participation and payout opportunity, shall be made in the sole discretion of the person or committee to whom such authority has been granted pursuant to such plan's terms.

2.3. Halliburton shall grant to Employee under the Halliburton Company 1993 Stock and Long-Term Incentive Plan (the "1993 Plan") 15,000 shares of Halliburton's common stock subject to restrictions.

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

2.5. While employed by Employer, Employee shall be allowed to participate, on the same basis generally as other executive employees of Employer, in all general employee benefit plans and programs, including improvements or modifications of the same, which on the Effective Date or thereafter are made available by Employer to all or substantially all of Employer's similarly situated executive employees. Such benefits, plans, and programs may include, without limitation, medical, health, and dental care, life insurance, disability protection, and qualified and non-qualified retirement plans. Except as specifically provided herein, nothing in this Agreement is to be construed or interpreted to increase or alter in any way the rights, participation, coverage, or benefits under such benefit plans or programs than

provided to similarly situated executive employees pursuant to the terms and conditions of such benefit plans and programs. While employed by Employer, Employee shall be eligible to receive awards under the 1993 Plan or any successor stock-related plan adopted by Halliburton's Board of Directors; provided, however, that the foregoing shall not be construed as a guarantee with respect to the type, amount or frequency of such awards, if any, such decisions being solely within the discretion of the Compensation Committee or its delegate, as applicable.

2.6. Except as otherwise provided in Section 2.2 and 2.8 hereof, neither Halliburton nor Employer shall by reason of this Article 2 be obligated to institute, maintain, or refrain from changing, amending or discontinuing, any incentive compensation, employee benefit or stock or stock option program or plan, so long as such actions are similarly applicable to covered employees generally.

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

2.8. Halliburton has assumed certain obligations with respect to certain plans and programs of Dresser pursuant to Section 7.09 of the Merger Agreement. Halliburton hereby acknowledges its obligations to assume and/or maintain such plans and programs with respect to Employee in accordance with the applicable provisions of Section 7.09 of the Merger Agreement. In connection with the foregoing, the parties hereto specifically agree that, for purposes of Employee's continuing participation in Dresser's Supplemental Executive Retirement Program during the Term, Employee, by virtue of his duties and title is and shall be deemed to be an "executive."

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

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

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

- (i) Death.
- (ii) Retirement. "Retirement" shall mean either (a) Employee's retirement at or after normal retirement age (either voluntarily or pursuant to Halliburton's retirement policy) or

(b) the voluntary termination of Employee's employment by Employee in accordance with Employer's early retirement policy for other than Good Reason (as defined below).

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

In the event Employee's employment is terminated under any of the foregoing circumstances, all future compensation to which Employee is otherwise entitled and all future benefits for which Employee is eligible shall cease and terminate as of the date of termination, except as specifically provided in this Section 3.2. Employee, or his or her estate in the case of Employee's death, shall be entitled to pro rata base salary through the date of such termination and shall be entitled to any individual bonuses or individual incentive compensation not yet paid but payable under Employer's or Halliburton's plans for years prior to the year of Employee's termination of employment, but shall not be entitled to any bonus or incentive compensation for the year in which he or she terminates employment or any other payments or benefits by or on behalf of Employer except for those which may be payable pursuant to the terms of Employer's, Dresser's or Halliburton's employee benefit plans (as defined in Section 3.4), stock, stock option or incentive plans, or the applicable agreements underlying such plans.

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

- (i) To the extent not otherwise specifically provided in any underlying restricted stock agreements, all shares of Halliburton common stock previously granted to Employee under the 1993 Plan, and any similar plan adopted by Halliburton in the future, which at the date of termination of employment are subject to restrictions (the "Restricted Shares") will be treated in a manner consistent with Halliburton's past practices for treatment of Restricted Shares held by executives whose employment was involuntarily terminated by a Halliburton Entity for reasons other than Cause, which, in most instances, have been to forfeit the Restricted Shares and pay to such executive a lump sum cash payment equal to the value of the Restricted Shares (based on the closing price of Halliburton common stock on the New York Stock Exchange on the date of termination of employment); although in some cases, Halliburton has, in lieu of, or in combination with, the foregoing and in its discretion, caused the forfeiture restrictions with respect to all or a portion of the Restricted Shares to lapse and provided for the retention of such shares by such executive.
- (ii) Subject to the provisions of Section 3.4, Employer shall pay to Employee a severance benefit consisting of a single lump sum cash payment equal to two years' of Employee's base salary as in effect at the date of Employee's termination of employment. Such severance benefit shall be paid no later than sixty (60) days following Employee's termination of employment.
- (iii) Employee shall be entitled to any individual bonuses or individual incentive compensation not yet paid but payable under Employer's or Halliburton's plans for years prior to the year of Employee's termination of employment. Such amounts shall be paid to Employee in a single lump sum cash payment no later than sixty (60) days following Employee's termination of employment.
- (iv) Employee shall be entitled to any individual bonuses or individual incentive compensation under Employer's or Halliburton's plans for the year of Employee's termination of employment determined as if Employee had remained employed by the Employer for the entire year. Such amounts shall be paid to Employee at the time that such amounts are paid to similarly situated employees except that no portion of such amounts shall be deferred to future years.

3.4. The severance benefit paid to Employee pursuant to Section 3.3 shall be in consideration of Employee's continuing obligations hereunder after

such termination, including, without limitation, Employee's obligations under Article 4. Further, as a condition to the receipt of such severance benefit, Employer, in its sole discretion, may require Employee to first execute a release, in the form established by Employer, releasing Employer and all other Halliburton Entities, and their officers, directors, employees, and agents, from any and all claims and from any and all causes of action of any kind or character, including, but not limited to, all claims and causes of action arising out of Employee's employment with Employer and any other Halliburton Entities or the termination of such employment. The performance of Employer's obligations under Section 3.3 and the receipt of the severance benefit provided thereunder by Employee shall constitute full settlement of all such claims and causes of action. Employee shall not be under any duty or obligation to seek or accept other employment following a termination of employment pursuant to which a severance benefit payment under Section 3.3 is owing and the amounts due Employee pursuant to Section 3.3 shall not be reduced or suspended if Employee accepts subsequent employment or earns any amounts as a self-employed individual. Employee's rights under Section 3.3 are Employee's sole and exclusive rights against the Employer or its affiliates and the Employer's sole and exclusive liability to Employee under this Agreement, in contract, tort or otherwise, for the termination of his or her employment relationship with Employer. Employee agrees that all disputes relating to Employee's termination of employment, including, without limitation, any dispute as to "Cause" or "Voluntary Termination" and any claims or demands against Employer or Halliburton based upon Employee's employment for any monies other than those specified in Section 3.3, shall be resolved through the Halliburton Dispute Resolution Plan as provided in Section 5.6 hereof; provided, however, that decisions as to whether "Cause" exists for termination of the employment relationship with Employee and whether and as of what date Employee has become permanently disabled are delegated to the Compensation Committee for determination and any dispute of Employee with any such decision shall be limited to whether the Compensation Committee reached such decision in good faith. Nothing contained in this Article 3 shall be construed to be a waiver by Employee of any benefits accrued for or due Employee under any employee benefit plan (as such term is defined in the Employees' Retirement Income Security Act of 1974, as amended) maintained by Employer or Halliburton or any of the benefits, plans or programs provided for in Section 2.8 hereof maintained by Dresser, except that Employee shall not be entitled to any severance benefits pursuant to any severance plan or program of the Employer or Halliburton.

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

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

4.1. All information, ideas, concepts, improvements, discoveries, and inventions, whether patentable or not, which are conceived, made, developed or acquired by Employee, individually or in conjunction with others, during

Employee's employment by Employer or any of its affiliates (whether during business hours or otherwise and whether on Employer's premises or otherwise) which relate to the business, products or services of Employer or its affiliates (including, without limitation, all such information relating to corporate opportunities, research, financial and sales data, pricing and trading terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer's organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names, and marks), and all writings or materials of any type embodying any of such items, shall be the sole and exclusive property of Employer or its affiliates, as the case may be.

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

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

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

ARTICLE 5: MISCELLANEOUS:

5.1. Except as otherwise provided in Section 4.4 hereof, for purposes of this Agreement, the terms "affiliate" or "affiliated" means an entity who directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with Employer, Halliburton or, as used in Section 5.8 hereof, Dresser or in which Employer, Halliburton or, as used in Section 5.8 hereof, Dresser has a 50% or more equity interest.

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

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

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

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

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

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

thereof to any person, association, or entity or circumstances other than those to which they have been held invalid or unenforceable, shall remain in full force and effect.

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

5.7. This Agreement shall be binding upon and inure to the benefit of Employer, to the extent herein provided, Halliburton and any other person, association, or entity which may hereafter acquire or succeed to all or substantially all of the business or assets of Employer or Halliburton by any means whether direct or indirect, by purchase, merger, consolidation, or otherwise. Employee's rights and obligations under this Agreement are personal and such rights, benefits, and obligations of Employee shall not be voluntarily or involuntarily assigned, alienated, or transferred, whether by operation of law or otherwise, without the prior written consent of Employer, other than in the case of death or incompetence of Employee.

5.8. This Agreement replaces and merges any previous agreements and discussions pertaining to the subject matter covered herein. Further, this Agreement specifically replaces and terminates that certain Employee Severance Agreement between Employee and Dresser dated February 25, 1998 and any other employment-related agreements which may be in effect between Employee and Dresser or a Dresser affiliate. This Agreement constitutes the entire agreement of the parties with regard to the terms of Employee's employment, termination of employment and severance benefits, and contains all of the covenants, promises, representations, warranties, and agreements between the parties with respect to such matters. Each party to this Agreement acknowledges that no representation, inducement, promise, or agreement, oral or written, has been made by either party with respect to the foregoing matters which is not embodied herein, and that no agreement, statement, or promise relating to the employment of Employee by Employer that is not contained in this Agreement shall be valid or binding. Any modification of this Agreement will be effective only if it is in writing and signed by each party whose rights hereunder are affected thereby, provided



that any such modification must be authorized or approved by the Compensation Committee or its delegate, as appropriate.

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

DRESSER INDUSTRIES, INC.

By: /s/ David J. Lesar

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Name: David J. Lesar  
Title: Executive Vice President

HALLIBURTON COMPANY

By: /s/ David J. Lesar

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Name: David J. Lesar  
Title: President and Chief Operating Officer

EMPLOYEE

/s/ John W. Kennedy

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John W. Kennedy

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement ("Agreement"), is entered into by and between Halliburton Company ("Employer") and Robert F. Heinemann, ("Employee"), to be effective on February 28, 2000 (the "Effective Date").

W I T N E S S E T H:

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

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

ARTICLE 1: EMPLOYMENT AND DUTIES:

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

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

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

1.4. Employee shall, during the period of Employee's employment by Employer, devote Employee's full business time, energy, and best efforts to the business and affairs of Employer. Employee may not engage, directly or indirectly, in any other business, investment, or activity that interferes with Employee's performance of Employee's duties hereunder, is contrary to the interest of Employer or any of its affiliated subsidiaries and divisions (collectively, the "Halliburton Entities" or, individually, a "Halliburton Entity"), or requires any significant portion of Employee's business time. The foregoing notwithstanding, the parties recognize and agree that Employee may engage in passive personal investments and other business activities which do not conflict with the business and affairs of the Halliburton Entities or

interfere with Employee's performance of his duties hereunder. Employee may not serve on the board of directors of any entity other than a Halliburton Entity during the Term without the approval thereof in accordance with Employer's policies and procedures regarding such service. Employee shall be permitted to retain any compensation received for approved service on any unaffiliated corporation's board of directors.

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

1.6. The parties understand and agree that Employee will office at a location in the Dallas, Texas area until his daughter graduates from high school. Thereafter, Employee will office in a Halliburton facility in the Houston, Texas area.

1.7. Nothing contained herein shall be construed to preclude the transfer of Employee's employment to another Halliburton Entity ("Subsequent Employer") as of, or at any time after, the Effective Date and no such transfer shall be deemed to be a termination of employment for purposes of Article 3 hereof; provided, however, that, effective with such transfer, all of Employer's obligations hereunder shall be assumed by and be binding upon, and all of

Employer's rights hereunder shall be assigned to, such Subsequent Employer and the defined term "Employer" as used herein shall thereafter be deemed amended to mean such Subsequent Employer. Except as otherwise provided above, all of the terms and conditions of this Agreement, including without limitation, Employee's rights and obligations, shall remain in full force and effect following such transfer of employment.

ARTICLE 2: COMPENSATION AND BENEFITS:

2.1. Employee's base salary during the Term shall be not less than \$275,000 per annum which shall be paid in accordance with the Employer's standard payroll practice for its executives. Employee's base salary may be increased from time to time with the approval of the Compensation Committee of Halliburton's Board of Directors (the "Compensation Committee") or its delegate, as applicable. Such increased base salary shall become the minimum base salary under this Agreement and may not be decreased thereafter without the written consent of Employee.

2.2. Beginning on the Effective Date and for the remainder of the Term, Employee shall participate in the Halliburton Annual Performance Pay Plan (the "Performance Pay Plan"), or any successor annual incentive plan approved by the Compensation Committee; provided, however, that all determinations relating to Employee's participation, including, without limitation, those relating to the performance goals applicable to Employee and Employee's level of participation and payout opportunity, shall be made in the sole discretion of the person or committee to whom such authority has been granted pursuant to such plan's terms. The foregoing notwithstanding, Employee's payout opportunity in the Performance Pay Plan for the 2000 plan year shall be 50% of base salary if Halliburton Company achieves its target goal and 100% if its challenge-level goal is attained, prorated from the Effective Date through the end of the plan year.

2.3. Employer shall grant to Employee under the Halliburton Company 1993 Stock and Long-Term Incentive Plan (the "1993 Plan") a non-qualified stock option to purchase up to 12,000 shares of Employer's common stock at an exercise price equal to the closing price of Employer's common stock on the Effective Date. The other terms and conditions of such option are set forth in Exhibit A attached hereto, and forming a part of, this Agreement.

2.4. Employer will grant to Employee under the 1993 Plan 5,000 shares of Employer's common stock subject to restrictions and other terms and conditions set forth in Exhibit B attached hereto, and forming a part of, this Agreement.

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

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

to the type, amount or frequency of such awards, if any, such decisions being solely within the discretion of the Compensation Committee or its delegate, as applicable.

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

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

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

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

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

- (i) Death.
- (ii) Retirement. "Retirement" shall mean either (a) Employee's retirement at or after normal retirement age (either voluntarily or pursuant to Halliburton's retirement policy) or (b) the voluntary termination of Employee's employment by Employer in accordance with Employer's early retirement policy for other than Good Reason (as defined below).
- (iii) Permanent Disability. "Permanent Disability" shall mean Employee's physical or mental incapacity to perform his usual duties with such condition likely to remain continuously and permanently as determined by the Compensation Committee.
- (iv) Voluntary Termination. "Voluntary Termination" shall mean a termination of employment in the sole discretion and at the election of Employee for other than Good Reason. "Good Reason" shall mean (a) a termination of employment by Employee because of a material breach by Employer of any material provision of this Agreement which remains uncorrected for thirty (30) days following notice of such breach by Employee to Employer,

provided such termination occurs within sixty (60) days after the expiration of the notice period or (b) a termination of employment by Employee within six (6) months after a material diminution in the nature or scope of Employee's job functions, duties or responsibilities.

- (v) Termination for Cause. Termination of Employee's employment by Employer for Cause. "Cause" shall mean any of the following: (a) Employee's gross negligence or willful misconduct in the performance of the duties and services required of Employee pursuant to this Agreement, (b) Employee's final conviction of a felony, (c) a material violation of the Code of Business Conduct or (d) Employee's material breach of any material provision of this Agreement which remains uncorrected for thirty (30) days following notice of such breach to Employee by Employer. Determination as to whether or not Cause exists for termination of Employee's employment will be made by the Compensation Committee.

In the event Employee's employment is terminated under any of the foregoing circumstances, all future compensation to which Employee is otherwise entitled and all future benefits for which Employee is eligible shall cease and terminate as of the date of termination, except as specifically provided in this Section 3.2. Employee, or his estate in the case of Employee's death, shall be entitled to pro rata base salary through the date of such termination and shall be entitled to any individual bonuses or individual incentive compensation not yet paid but payable under Employer's plans for years prior to the year of Employee's termination of employment, but shall not be entitled to any bonus or incentive compensation for the year in which he terminates employment or any other payments or benefits by or on behalf of Employer except for those which may be payable pursuant to the terms of Employer's employee benefit plans (as defined in Section 3.4), stock, stock option or incentive plans, or the applicable agreements underlying such plans.

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

- (i) To the extent not otherwise specifically provided in any underlying restricted stock agreements, all shares of Employer's common stock previously granted to Employee under the 1993 Plan, and any similar plan adopted by Employer in the future, which at the date of termination of employment are subject to restrictions (the "Restricted Shares") will be treated in a manner consistent with Employer's past practices for treatment of Restricted Shares held by executives whose employment was involuntarily terminated by a Halliburton Entity for reasons other than Cause, which, in most instances, have been to forfeit the Restricted Shares and pay to such executive a lump sum cash payment equal to the value of the Restricted Shares (based on the closing price of Employer's

common stock on the New York Stock Exchange on the date of termination of employment); although in some cases, Employer has, in lieu of, or in combination with, the foregoing and in its discretion, caused the forfeiture restrictions with respect to all or a portion of the Restricted Shares to lapse and provided for the retention of such shares by such executive.

- (ii) Subject to the provisions of Section 3.4, Employer shall pay to Employee a severance benefit consisting of a single lump sum cash payment equal to two years' of Employee's base salary as in effect at the date of Employee's termination of employment. Such severance benefit shall be paid no later than sixty (60) days following Employee's termination of employment.
- (iii) Employee shall be entitled to any individual bonuses or individual incentive compensation not yet paid but payable under Employer's plans for years prior to the year of Employee's termination of employment. Such amounts shall be paid to Employee in a single lump sum cash payment no later than sixty (60) days following Employee's termination of employment.
- (iv) Employee shall be entitled to any individual bonuses or individual incentive compensation under Employer's plans for the year of Employee's termination of employment determined as if Employee had remained employed by the Employer for the entire year. Such amounts shall be paid to Employee at the time that such amounts are paid to similarly situated employees except that no portion of such amounts shall be deferred to future years.

3.4. The severance benefit paid to Employee pursuant to Section 3.3 shall be in consideration of Employee's continuing obligations hereunder after such termination, including, without limitation, Employee's obligations under Article 4. Further, as a condition to the receipt of such severance benefit, Employer, in its sole discretion, may require Employee to first execute a release, in the form established by Employer, releasing Employer and all other Halliburton Entities, and their officers, directors, employees, and agents, from any and all claims and from any and all causes of action of any kind or character, including, but not limited to, all claims and causes of action arising out of Employee's employment with Employer and any other Halliburton Entities or the termination of such employment. The performance of Employer's obligations under Section 3.3 and the receipt of the severance benefit provided thereunder by Employee shall constitute full settlement of all such claims and causes of action. Employee shall not be under any duty or obligation to seek or accept other employment following a termination of employment pursuant to which a severance benefit payment under Section 3.3 is owing and the amounts due Employee pursuant to Section 3.3 shall not be reduced or suspended if Employee accepts subsequent employment or earns any amounts as a self-employed individual. Employee's rights under Section 3.3 are Employee's sole and exclusive rights against the Employer or its affiliates and the Employer's sole

and exclusive liability to Employee under this Agreement, in contract, tort or otherwise, for the termination of his employment relationship with Employer. Employee agrees that all disputes relating to Employee's termination of employment, including, without limitation, any dispute as to "Cause" or "Voluntary Termination" and any claims or demands against Employer based upon Employee's employment for any monies other than those specified in Section 3.3, shall be resolved through the Halliburton Dispute Resolution Plan as provided in Section 5.6 hereof; provided, however, that decisions as to whether "Cause" exists for termination of the employment relationship with Employee and whether and as of what date Employee has become permanently disabled are delegated to the Compensation Committee for determination and any dispute of Employee with any such decision shall be limited to whether the Compensation Committee reached such decision in good faith. Nothing contained in this Article 3 shall be construed to be a waiver by Employee of any benefits accrued for or due Employee under any employee benefit plan (as such term is defined in the Employees' Retirement Income Security Act of 1974, as amended) maintained by Employer except that Employee shall not be entitled to any severance benefits pursuant to any severance plan or program of Employer.

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

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

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

4.2. Employee acknowledges that the businesses of Employer and its affiliates are highly competitive and that their strategies, methods, books, records, and documents, their technical information concerning their products, equipment, services, and processes, procurement procedures and pricing techniques, the names of and other information (such as credit and financial data) concerning their customers and business affiliates, all comprise confidential business information and trade secrets which are valuable, special,



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

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

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

4.5. Employee has entered into a letter agreement dated as of the Effective Date, a copy of which is attached to this Agreement as Exhibit C (the "Letter Agreement"). Employee acknowledges that he has received a memorandum from Lester L. Coleman, Employer's Executive Vice President and General Counsel, dated as of the Effective Date concerning protection of the trade secrets of Employee's prior employer, Exxon Mobil Corporation. A copy of such memorandum is attached to this Agreement as Exhibit D. Employee agrees that he will comply with the terms of the Letter Agreement and the provisions of such memorandum.

#### ARTICLE 5: MISCELLANEOUS:

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

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

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

If to Employee, to his last known personal residence.

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

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

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

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

5.7. This Agreement shall be binding upon and inure to the benefit of Employer, to the extent herein provided, and any other person, association, or entity which may hereafter acquire or succeed to all or substantially all of the business or assets of Employer by any means whether direct or indirect, by purchase, merger, consolidation, or otherwise. Employee's rights and obligations under this Agreement are personal and such rights, benefits, and obligations of Employee shall not be voluntarily or involuntarily assigned, alienated, or transferred, whether by operation of law or otherwise, without the prior written consent of Employer, other than in the case of death or incompetence of Employee.

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

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

HALLIBURTON COMPANY

By: /s/ David J. Lesar

-----  
David J. Lesar  
President and Chief Operating Officer

EMPLOYEE

/s/ Robert F. Heinemann

-----  
Robert F. Heinemann

Exhibit A  
To Executive Employment Agreement  
Between Halliburton Company and  
Robert F. Heinemann

NONSTATUTORY STOCK OPTION AGREEMENT  
Granted February 28, 2000

Grantee: Robert F. Heinemann ("Employee")

Aggregate Number of Shares Subject to Option: 12,000

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

I HEREBY AGREE TO THE TERMS AND CONDITIONS HEREINAFTER SET FORTH IN THIS NONSTATUTORY STOCK OPTION AGREEMENT DATED FEBRUARY 28, 2000.

-----  
Employee Signature Date

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

SUSAN S. KEITH  
VICE PRESIDENT AND SECRETARY  
HALLIBURTON COMPANY  
3600 LINCOLN PLAZA  
500 NORTH AKARD STREET  
DALLAS, TEXAS 75201-3391  
FAX: (214) 978-2783 (facsimile copies are acceptable)

PLEASE PRINT

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

-----  
Address (Street) Foreign I.D. (if applicable)

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

-----  
Address (Postal Code, Country) Name of Employer (Business Unit)

-----  
United States Citizen: Yes\_\_\_ No\_\_\_ Daytime Phone Number

NONSTATUTORY STOCK OPTION AGREEMENT  
TERMS AND CONDITIONS

AGREEMENT made as of the 28th day of February, 2000, between HALLIBURTON COMPANY, a Delaware corporation (the "Company"), and Employee.

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

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

2. Purchase Price. The purchase price of Stock purchased pursuant to the exercise of this Option shall be \$35.00 per share, which has been determined to be not less than the fair market value of the Stock at the date of grant of this Option. For all purposes of this Agreement, fair market value of Stock shall be determined in accordance with the provisions of the Plan.

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

Number of Full Years -----	Percentage of Shares That May be Purchased -----
Less than 1 year	0%
1 year	33-1/3%
2 years	67%
3 years	100%

This Option is not transferable otherwise than by will or the laws of descent and distribution or pursuant to a "qualified domestic relations order" as defined by the Code and may be exercised during Employee's lifetime only by Employee, Employee's guardian or legal representative or a transferee under a qualified domestic relations order. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this Option or of such rights contrary to the provisions hereof or in the Plan, or upon the levy of any attachment or similar process upon this Option or such rights, this Option and such rights shall immediately become null and void. This Option may be exercised only while Employee remains an employee of the Company, subject to the following exceptions:

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

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

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

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

This Option shall not be exercisable in any event prior to the expiration of six months from the date of grant hereof or after the expiration of ten years from the date of grant hereof (the "Expiration Date") notwithstanding anything hereinabove contained. The purchase price of shares as to which this Option is exercised shall be paid in full at the time of exercise (a) in cash (including check, bank draft or money order payable to the order of the Company), (b) by delivering to the Company shares of Stock having a fair market value equal to the purchase price, or (c) by a combination of cash or Stock. Payment may also be made by delivery (including by facsimile transmission) to the Company of an executed irrevocable option exercise form, coupled with irrevocable instructions to a broker-dealer designated by the Company to simultaneously sell a sufficient number of the shares as to which the

option is exercised and deliver directly to the Company that portion of the sales proceeds representing the exercise price. No fraction of a share of Stock shall be issued by the Company upon exercise of an Option or accepted by the Company in payment of the purchase price thereof; rather, Employee shall provide a cash payment for such amount as is necessary to effect the issuance and acceptance of only whole shares of Stock. Unless and until a certificate or certificates representing such shares shall have been issued by the Company to Employee, Employee (or the person permitted to exercise this Option in the event of Employee's death) shall not be or have any of the rights or privileges of a shareholder of the Company with respect to shares acquirable upon an exercise of this Option.

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

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

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

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

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

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

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

HALLIBURTON COMPANY

By:

-----  
David J. Lesar  
President and Chief Operating  
Officer

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Exhibit B  
To Executive Employment Agreement  
Between Halliburton Company and  
Robert F. Heinemann

RESTRICTED STOCK AGREEMENT

AGREEMENT made as of the 28th day of February, 2000, between HALLIBURTON COMPANY, a Delaware corporation (the "Company"), and Robert F. Heinemann ("Employee").

1. Award.

(a) Shares. Pursuant to the Halliburton Company 1993 Stock and Long-Term Incentive Plan (the "Plan") 5,000 shares (the "Restricted Shares") of the Company's common stock, par value \$2.50 per share ("Stock"), shall be issued as hereinafter provided in Employee's name subject to certain restrictions thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

HALLIBURTON COMPANY

By:

-----  
David J. Lesar  
President and Chief Operating  
Officer

-----  
Employee

Please Check Appropriate Item (One of the boxes must be checked):

----- I do not desire the alternative tax treatment provided for  
in the Internal Revenue Code Section 83(b).

----- I do desire the alternative tax treatment provided for in  
Internal Revenue Code Section 83(b) and desire that forms  
for such purpose be forwarded to me.

\* I acknowledge that the Company has suggested that before this block is  
checked that I check with a tax consultant of my choice.

Please furnish the following information for shareholder records:

----- (Given name and initial must be used for stock registry)	----- Social Security Number (if applicable)
-----	----- Birth Date Month/Day/Year
-----	----- Name of Employer
----- Address (Zip Code)	----- Day phone number

United States Citizen: Yes\_\_\_ No\_\_\_

PROMPTLY NOTIFY THIS OFFICE OF ANY CHANGE IN ADDRESS.

1993 STOCK AND LONG-TERM INCENTIVE PLAN

As Amended and Restated May 16, 2000

I. PURPOSE

The purpose of the Halliburton Company 1993 Stock and Long-Term Incentive Plan (the "Plan") is to provide a means whereby Halliburton Company, a Delaware corporation (the "Company"), and its Subsidiaries may attract, motivate and retain highly competent employees and to provide a means whereby selected employees can acquire and maintain stock ownership, thereby strengthening their concern for the long-term welfare of the Company. The Plan is also intended to provide employees with additional incentive and reward opportunities designed to enhance the profitable growth of the Company over the long term. A further purpose of the Plan is to allow awards under the Plan to Non-employee Directors in order to enhance the Company's ability to attract and retain highly qualified Directors. Accordingly, the Plan provides for granting Incentive Stock Options, Options which do not constitute Incentive Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Performance Share Awards, Stock Value Equivalent Awards, or any combination of the foregoing, as is best suited to the circumstances of the particular employee or Non-employee Director as provided herein.

II. DEFINITIONS

The following definitions shall be applicable throughout the Plan unless specifically modified by any paragraph:

(a) "Award" means, individually or collectively, any Option, Stock Appreciation Right, Restricted Stock Award, Performance Share Award or Stock Value Equivalent Award.

(b) "Board" means the Board of Directors of Halliburton Company.

(c) "Change of Control Value" means, for the purposes of Clause (B) of Paragraph (e) of Article XII and Clause (B) of Paragraph (f) of Article XII, the amount determined in Clause (i), (ii) or (iii), whichever is applicable, as follows: (i) the per share price offered to stockholders of the Company in any merger, consolidation, sale of assets or dissolution transaction, (ii) the per share price offered to stockholders of the Company in any tender offer or exchange offer whereby a Corporate Change takes place or (iii) if a Corporate Change occurs other than as described in Clause (i) or Clause (ii), the fair market value per share determined by the Committee as of the date determined by the Committee to be the date of cancellation and surrender of an Option or Stock Appreciation Right. If the consideration offered to stockholders of the Company in any transaction described in this Paragraph or Paragraphs (e) and (f) of Article XII consists of anything other than cash, the Committee shall determine the fair cash equivalent of the portion of the consideration offered which is other than cash.

(d) "Code" means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any section of the Code shall be deemed to include any amendments or successor provisions to such section and any regulations under such section.

(e) "Committee" means the committee selected by the Board to administer the Plan in accordance with Paragraph (a) of Article IV of the Plan.

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(f) "Common Stock" means the common stock par value \$2.50 per share, of Halliburton Company.

(g) "Company" means Halliburton Company.

(h) "Corporate Change" means one of the following events: (i) the merger, consolidation or other reorganization of the Company in which the outstanding Common Stock is converted into or exchanged for a different class of securities of the Company, a class of securities of any other issuer (except a direct or indirect wholly owned subsidiary of the Company), cash or other property; (ii) the sale, lease or exchange of all or substantially all of the assets of the Company to any other corporation or entity (except a direct or indirect wholly owned subsidiary of the Company); (iii) the adoption by the stockholders of the Company of a plan of liquidation and dissolution; (iv) the acquisition (other than any acquisition pursuant to any other clause of this definition) by any person or entity, including without limitation a "group" as contemplated by Section 13(d)(3) of the Exchange Act, of beneficial ownership, as contemplated by such Section, of more than twenty percent (based on voting power) of the Company's outstanding capital stock; or (v) as a result of or

in connection with a contested election of directors, the persons who were directors of the Company before such election shall cease to constitute a majority of the Board.

(i) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(j) "Fair Market Value" means, as of any specified date, the closing price of the Common Stock on the New York Stock Exchange (or, if the Common Stock is not then listed on such exchange, such other national securities exchange on which the Common Stock is then listed) on that date, or if no prices are reported on that date, on the last preceding date on which such prices of the Common Stock are so reported. If the Common Stock is not then listed on any national securities exchange but is traded over the counter at the time a determination of its Fair Market Value is required to be made hereunder, its Fair Market Value shall be deemed to be equal to the average between the reported high and low sales prices of Common Stock on the most recent date on which Common Stock was publicly traded. If the Common Stock is not publicly traded at the time a determination of its value is required to be made hereunder, the determination of its Fair Market Value shall be made by the Committee in such manner as it deems appropriate.

(k) "Holder" means an employee or Non-employee Director of the Company who has been granted an Award.

(l) "Immediate Family" means, with respect to a particular Holder, the Holder's spouse, children and grandchildren (including adopted and step children and grandchildren).

(m) "Incentive Stock Option" means an Option within the meaning of section 422 of the Code.

(n) "Non-employee Director" means a member of the Board who is not an employee or former employee of the Company or its Subsidiaries.

(o) "Option" means an Award granted under Article VII of the Plan and includes both Incentive Stock Options to purchase Common Stock and Options which do not constitute Incentive Stock Options to purchase Common Stock.

(p) "Option Agreement" means a written agreement between the Company and a Holder with respect to an Option.

(q) "Optionee" means a Holder who has been granted an Option.

(r) "Parent Corporation" shall have the meaning set forth in section 424(e) of the Code.

(s) "Performance Share Award" means an Award granted under Article X of the Plan.

(t) "Plan" means the Halliburton Company 1993 Stock and Long-Term Incentive Plan.

(u) "Restricted Stock Award" means an Award granted under Article IX of the Plan.

(v) "Rule 16b-3" means Rule 16b-3 of the general Rules and Regulation of the Securities and Exchange Commission under the Exchange Act, as such rule is currently in effect or as hereafter modified or amended.

(w) "Spread" means, in the case of a Stock Appreciation Right, an amount equal to the excess, if any, of the Fair Market Value of a share of Common Stock on the date such right is exercised over the exercise price of such Stock Appreciation Right.

(x) "Stock Appreciation Right" means an Award granted under Article VIII of the Plan.

(y) "Stock Appreciation Rights Agreement" means a written agreement between the Company and a Holder with respect to an Award of Stock Appreciation Rights.

(z) "Stock Value Equivalent Award" means an Award granted under Article XI of the Plan.

(aa) "Subsidiary" means a company (whether a corporation, partnership, joint venture or other form of entity) in which the Company or a corporation in which the Company owns a majority of the shares of capital stock, directly or indirectly, owns a greater than twenty percent equity interest, except that with respect to the issuance of Incentive Stock Options the term "Subsidiary" shall have the same meaning as the term "subsidiary corporation" as defined in section 424(f) of the Code.

### III. EFFECTIVE DATE AND DURATION OF THE PLAN

The Plan shall be effective upon the date of its adoption by the Board, provided the Plan is approved by the stockholders of the Company within twelve months thereafter and on or prior to the date of the first annual meeting of stockholders of the Company held subsequent to the acquisition of an equity security by a Holder hereunder for which exemption is claimed under Rule 16b-3. Notwithstanding any provision of the Plan or in any Option Agreement or Stock Appreciation Rights Agreement, no Option or Stock Appreciation Right shall be exercisable prior to such stockholder approval. No further Awards may be granted under the Plan after ten years from the date the Plan is adopted by the Board. Subject to the provisions of Article XIII, the Plan shall remain in effect until all Options and Stock Appreciation Rights granted under the Plan have been exercised or expired by reason of lapse of time, all restrictions imposed upon Restricted Stock Awards have lapsed and all Performance Share Awards and Stock Value Equivalent Awards have been satisfied.

### IV. ADMINISTRATION

(a) Composition of Committee. The Plan shall be administered by a committee which shall be (i) appointed by the Board and (ii) constituted so as to permit the Plan to comply with Rule 16b-3 and regulations promulgated under section 162(m) of the Code.

(b) Powers. The Committee shall have authority, in its discretion, to determine which eligible individuals shall receive an Award, the time or times when such Award shall be made, whether an Incentive Stock Option, nonqualified Option or Stock Appreciation Right shall be granted, the number of shares of Common Stock which may be issued under each Option, Stock Appreciation Right and Restricted Stock Award, and the value of each Performance Share Award and Stock Value Equivalent Award. In making such determinations the Committee may take



into account the nature of the services rendered by the respective individuals, their responsibility level, their present and potential contribution to the Company's success and such other factors as the Committee in its discretion shall deem relevant.

(c) Additional Powers. The Committee shall have such additional powers as are delegated to it by the other provisions of the Plan. Subject to the express provisions of the Plan, the Committee is authorized to construe the Plan and the respective agreements executed thereunder, to prescribe such rules and regulations relating to the Plan as it may deem advisable to carry out the Plan, and to determine the terms, restrictions and provisions of each Award, including such terms, restrictions and provisions as shall be requisite in the judgment of the Committee to cause designated Options to qualify as Incentive Stock Options, and to make all other determinations necessary or advisable for administering the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in any agreement relating to an Award in the manner and to the extent the Committee shall deem expedient to carry the Award into effect. The determinations of the Committee on the matters referred to in this Article IV shall be conclusive.

(d) Delegation of Authority. The Committee may delegate some or all of its power to the Chief Executive Officer of the Company as the Committee deems appropriate; provided, however, that (i) the Committee may not delegate its power with regard to the grant of an Award to any person who is a "covered employee" within the meaning of section 162(m) of the Code or who, in the Committee's judgment, is likely to be a covered employee at any time during the period an Award to such employee would be outstanding; and (ii) the Committee may not delegate its power with regard to the selection for participation in the Plan of an officer or other person subject to Section 16 of the Exchange Act or decisions concerning the timing, pricing or amount of an Award to such an officer or other person.

V. GRANT OF OPTIONS, STOCK APPRECIATION RIGHTS, RESTRICTED STOCK AWARDS, PERFORMANCE SHARE AWARDS AND STOCK VALUE EQUIVALENT AWARDS; SHARES SUBJECT TO THE PLAN

(a) Award Limits. The Committee may from time to time grant Awards to one or more individuals determined by it to be eligible for participation in the Plan in accordance with the provisions of Article VI. The aggregate number of shares of Common Stock that may be issued under the Plan shall not exceed 49,000,000 shares, of which no more than 16,000,000 may be issued in the form of Restricted Stock Awards or pursuant to Performance Share Awards. Notwithstanding anything contained herein to the contrary, the number of Option shares or Stock Appreciation Rights, singly or in combination, together with shares or share equivalents under Performance Share Awards granted to any Holder in any one calendar year, shall not in the aggregate exceed 500,000. Any of such shares which remain unissued and which are not subject to outstanding Options or Awards at the termination of the Plan shall cease to be subject to the Plan, but, until termination of the Plan, the Company shall at all times reserve a sufficient number of shares to meet the requirements of the Plan. Shares shall be deemed to have been issued under the Plan only to the extent actually issued and delivered pursuant to an Award. To the extent that an Award lapses or the rights of its Holder terminate or the Award is paid in cash, any shares of Common Stock subject to such Award shall again be available for the grant of an Award. The aggregate number of shares which may be issued under the Plan shall be subject to adjustment in the same manner as provided in Article XII with respect to shares of Common Stock subject to Options then outstanding. Separate stock certificates shall be issued by the Company for those shares acquired pursuant to the exercise of an Incentive Stock Option and for those shares acquired pursuant to the exercise of any Option which does not constitute an Incentive Stock Option.

(b) Stock Offered. The stock to be offered pursuant to the grant of an Award may be authorized but unissued Common Stock or Common Stock previously issued and reacquired by the Company.

## VI. ELIGIBILITY

Awards made pursuant to the Plan may be granted to individuals who, at the time of grant, are employees of the Company or any Parent Corporation or Subsidiary of the Company or are Non-employee Directors. An Award made pursuant to the Plan may be granted on more than one occasion to the same person, and such Award may include an Incentive Stock Option, an Option which is not an Incentive Stock Option, an Award of Stock Appreciation Rights, a Restricted Stock Award, a Performance Share Award, a Stock Value Equivalent Award or any combination thereof. Each Award shall be evidenced by a written instrument duly executed by or on behalf of the Company.

## VII. STOCK OPTIONS

(a) Stock Option Agreement. Each Option shall be evidenced by an Option Agreement between the Company and the Optionee which shall contain such terms and conditions as may be approved by the Committee. The terms and conditions of the respective Option Agreements need not be identical. Specifically, an Option Agreement may provide for the payment of the option price, in whole or in part, by the delivery of a number of shares of Common Stock (plus cash if necessary) having a Fair Market Value equal to such option price. Each Option Agreement shall provide that the Option may not be exercised earlier than six months from the date of grant and shall specify the effect of termination of the Holder's service on the exercisability of the Option.

(b) Option Period. The term of each Option shall be as specified by the Committee at the date of grant; provided that, in no case, shall the term of an Option exceed ten years.

(c) Limitations on Exercise of Option. An Option shall be exercisable in whole or in such installments and at such times as determined by the Committee.

(d) Special Limitations on Incentive Stock Options. To the extent that the aggregate Fair Market Value (determined at the time the respective Incentive Stock Option is granted) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an individual during any calendar year under all incentive stock option plans of the Company and its Parent Corporation and Subsidiaries exceeds \$100,000, such excess Incentive Stock Options shall be treated as Options which do not constitute Incentive Stock Options. The Committee shall determine, in accordance with applicable provisions of the Code, Treasury Regulations and other administrative pronouncements, which of an Optionee's Incentive Stock Option will not constitute Incentive Stock Options because of such limitation and shall notify the Optionee of such determination as soon as practicable after such determination. No Incentive Stock Option shall be granted to an individual if, at the time the Option is granted, such individual owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of its Parent Corporation or a Subsidiary, within the meaning of section 422(b)(6) of the Code, unless (i) at the time such Option is granted the option price is at least 110% of the Fair Market Value of the Common Stock subject to the Option and (ii) such Option by its terms is not exercisable after the expiration of five years from the date of grant.

(e) Option Price. The purchase price of Common Stock issued under each Option shall be determined by the Committee, but such purchase price shall not be less than the Fair Market Value of Common Stock subject to the Option on the date the Option is granted.

(f) Options and Rights in Substitution for Stock Options Granted by Other Corporations. Options and Stock Appreciation Rights may be granted under the Plan from time to time in substitution for stock options held by employees of corporations who become, or who became prior to the effective date of the Plan, employees of the Company or of any Subsidiary as a result of a merger or consolidation of the employing corporation with the Company or such Subsidiary, or the acquisition by the Company or a Subsidiary of all or a portion of the

assets of the employing corporation, or the acquisition by the Company or a Subsidiary of stock of the employing corporation with the result that such employing corporation becomes a Subsidiary.

(g) Repricing Prohibited. Except for adjustments pursuant to Article XII, the purchase price of Common Stock for any outstanding Option granted under the Plan may not be decreased after the date of grant nor may an outstanding Option granted under the Plan be surrendered to the Company as consideration for the grant of a new Option with a lower purchase price.

#### VIII. STOCK APPRECIATION RIGHTS

(a) Stock Appreciation Rights. A Stock Appreciation Right is the right to receive an amount equal to the Spread with respect to a share of Common Stock upon the exercise of such Stock Appreciation Right. Stock Appreciation Rights may be granted in connection with the grant of an Option, in which case the Option Agreement will provide that exercise of Stock Appreciation Rights will result in the surrender of the right to purchase the shares under the Option as to which the Stock Appreciation Rights were exercised. Alternatively, Stock Appreciation Rights may be granted independently of Options in which case each Award of Stock Appreciation Rights shall be evidenced by a Stock Appreciation Rights Agreement between the Company and the Holder which shall contain such terms and conditions as may be approved by the Committee. The terms and conditions of the respective Stock Appreciation Rights Agreements need not be identical. The Spread with respect to a Stock Appreciation Right may be payable either in cash, shares of Common Stock with a Fair Market Value equal to the Spread or in a combination of cash and shares of Common Stock. With respect to stock Appreciation Rights that are subject to Section 16 of the Exchange Act, however, the Committee shall, except as provided in Paragraphs (e) and (f) of Article XII, retain sole discretion (i) to determine the form in which payment of the Stock Appreciation Right will be made (i.e., cash, securities or any combination thereof) or (ii) to approve an election by a Holder to receive cash in full or partial settlement of Stock Appreciation Rights. Upon the exercise of any Stock Appreciation Rights granted hereunder, the number of shares reserved for issuance under the Plan shall be reduced only to the extent that shares of Common Stock are actually issued in connection with the exercise of such Right. Each Stock Appreciation Rights Agreement shall provide that the Stock Appreciation Rights may not be exercised earlier than six months from the date of grant and shall specify the effect of a Holder's termination of service on the exercisability of the Stock Appreciation Rights.

(b) Exercise Price. The exercise price of each Stock Appreciation Right shall be determined by the Committee, but such exercise price shall not be less than the Fair Market Value of a share of Common Stock on the date the Stock Appreciation Right is granted.

(c) Exercise Period. The term of each Stock Appreciation Right shall be as specified by the Committee at the date of grant; provided that, in no case, shall the term of a Stock Appreciation Right exceed ten years.

(d) Limitations on Exercise of Stock Appreciation Right. A Stock Appreciation Right shall be exercisable in whole or in such installments and at such times as determined by the Committee.

(e) Repricing Prohibited. Except for adjustments pursuant to Article XII, the exercise price of a Stock Appreciation Right may not be decreased after the date of grant nor may an outstanding Stock Appreciation Right granted under the Plan be surrendered to the Company as consideration for the grant of a new Stock Appreciation Right with a lower exercise price.

## IX. RESTRICTED STOCK AWARDS

(a) Restricted Period To Be Established by the Committee. At the time a Restricted Stock Award is made, the Committee shall establish a period of time (the "Restriction Period") applicable to such Award; provided, however, that, except as set forth below and as permitted by Paragraph (b) of this Article IX, such Restriction Period shall not be less than three (3) years from the date of grant (the "Minimum Criteria"). An award which provides for the lapse of restrictions on shares applicable to such Award in equal annual installments over a period of at least three (3) years from the date of grant shall be deemed to meet the Minimum Criteria. The foregoing notwithstanding, with respect to Restricted Stock Awards of up to an aggregate 550,000 shares (subject to adjustment as set forth in Article XII), the Minimum Criteria shall not apply and the Committee may establish such lesser Restriction Periods applicable to such Awards as it shall determine in its discretion. Subject to the foregoing, each Restricted Stock Award may have a different Restriction Period, in the discretion of the Committee. The Restriction Period applicable to a particular Restricted Stock Award shall not be changed except as permitted by Paragraph (b) of this Article or by Article XII.

(b) Other Terms and Conditions. Common Stock awarded pursuant to a Restricted Stock Award shall be represented by a stock certificate registered in the name of the Holder of such Restricted Stock Award or, at the option of the Company, in the name of a nominee of the Company. The Holder shall have the right to receive dividends during the Restriction Period, to vote the Common Stock subject thereto and to enjoy all other stockholder rights, except that (i) the Holder shall not be entitled to possession of the stock certificate until the Restriction Period shall have expired, (ii) the Company shall retain custody of the stock during the Restriction Period, (iii) the Holder may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of the stock during the Restriction Period and (iv) a breach of the terms and conditions established by the Committee pursuant to the Restricted Stock Award shall cause a forfeiture of the Restricted Stock Award. At the time of such Award, the Committee may, in its sole discretion, prescribe additional terms, conditions or restrictions relating to Restricted Stock Awards, including, but not limited to, rules pertaining to the termination of a Holder's service (by retirement, disability, death or otherwise) prior to expiration of the Restriction Period.

(c) Payment for Restricted Stock. A Holder shall not be required to make any payment for Common Stock received pursuant to a Restricted Stock Award, except to the extent otherwise required by law and except that the Committee may, in its discretion, charge the Holder an amount in cash not in excess of the par value of the shares of Common Stock issued under the Plan to the Holder.

(d) Miscellaneous. Nothing in this Article shall prohibit the exchange of shares issued under the Plan (whether or not then subject to a Restricted Stock Award) pursuant to a plan of reorganization for stock or securities in the Company or another corporation a party to the reorganization, but the stock or securities so received for shares then subject to the restrictions of a Restricted Stock Award shall become subject to the restrictions of such Restricted Stock Award. Any shares of stock received as a result of a stock split or stock dividend with respect to shares then subject to a Restricted Stock Award shall also become subject to the restrictions of the Restricted Stock Award.

## X. PERFORMANCE SHARE AWARDS

(a) Performance Period. The Committee shall establish, with respect to and at the time of each Performance Share Award, a performance period over which the performance applicable to the Performance Share Award of the Holder shall be measured; provided, however, that such performance period shall not be less than one (1) year.

(b) Performance Share Awards. Each Performance Share Award may have a maximum value established by the Committee at the time of such Award.

(c) Performance Measures. A Performance Share Award may be awarded contingent upon the achievement of one or more performance measures. The performance criteria for Performance Share Awards shall consist of objective tests based on the following: earnings, cash flow, cash value added performance, shareholder return and/or value, revenues, operating profits (including EBITDA), net profits, earnings per share, stock price, cost reduction goals, debt to capital ratio, financial return ratios, profit return and margins, market share, working capital and customer satisfaction. The Committee may select one criterion or multiple criteria for measuring performance. Performance criteria may be measured on corporate, subsidiary or business unit performance, or on a combination thereof. Further, the performance criteria may be based on comparative performance with other companies or other external measure of the selected performance criteria.

(d) Payment. Following the end of the performance period, the Holder of a Performance Share Award shall be entitled to receive payment of an amount, not exceeding the maximum value of the Performance Share Award, if any, based on the achievement of the performance measures for such performance period, as determined by the Committee in its sole discretion. Payment of a Performance Share Award (i) may be made in cash, Common Stock or a combination thereof, as determined by the Committee in its sole discretion, (ii) shall be made in a lump sum or in installments as prescribed by the Committee in its sole discretion and (iii) to the extent applicable, shall be based on the Fair Market Value of the Common Stock on the payment date. If a payment of cash or issuance of Common Stock is to be made on a deferred basis, the Committee shall establish whether interest or dividend equivalents shall be credited on the deferred amounts and any other terms and conditions applicable thereto.

(e) Termination of Service. The Committee shall determine the effect of termination of service during the performance period on a Holder's Performance Share Award.

#### XI. STOCK VALUE EQUIVALENT AWARDS

(a) Stock Value Equivalent Awards. Stock Value Equivalent Awards are rights to receive an amount equal to the Fair Market Value of shares of Common Stock or rights to receive an amount equal to any appreciation or increase in the Fair Market Value of Common Stock over a specified period of time, which vest over a period of time as established by the Committee, without payment of any amounts by the Holder thereof (except to the extent otherwise required by law) or satisfaction of any performance criteria or objectives. Each Stock Value Equivalent Award may have a maximum value established by the Committee at the time of such Award.

(b) Award Period. The Committee shall establish, with respect to and at the time of each Stock Value Equivalent Award, a period over which the Award shall vest with respect to the Holder.

(c) Payment. Following the end of the determined period for a Stock Value Equivalent Award, the Holder of a Stock Value Equivalent Award shall be entitled to receive payment of an amount, not exceeding the maximum value of the Stock Value Equivalent Award, if any, based on the then vested value of the Award. Payment of a Stock Value Equivalent Award (i) shall be made in cash, (ii) shall be made in a lump sum or in installments as prescribed by the Committee in its sole discretion and (iii) shall be based on the Fair Market Value of the Common Stock on the payment date. Cash dividend equivalents may be paid during, or may be accumulated and paid at the end of, the determined period with respect to a Stock Value Equivalent Award, as determined by the Committee. If payment of cash is to be made on a deferred basis, the Committee shall establish whether interest shall be credited, the rate thereof and any other terms and conditions applicable thereto.

(d) Termination of Service. The Committee shall determine the effect of termination of service during the applicable vesting period on a Holder's Stock Value Equivalent Award.

## XII. RECAPITALIZATION OR REORGANIZATION

(a) Except as hereinafter otherwise provided, in the event of any recapitalization, reorganization, merger, consolidation, combination, exchange, stock dividend, stock split, extraordinary dividend or divestiture (including a spin-off) or any other change in the corporate structure or shares of Common Stock occurring after the date of the grant of an Award, the Committee may, in its discretion, make such adjustment as to the number and price of shares of Common Stock or other consideration subject to such Awards as the Committee shall deem appropriate in order to prevent dilution or enlargement of rights of the Holders.

(b) The existence of the Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of debt or equity securities having any priority or preference with respect to or affecting Common Stock or the rights thereof, the dissolution or liquidation of the Company or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding.

(c) The shares with respect to which Options may be granted are shares of Common Stock as presently constituted, but if, and whenever, prior to the expiration of an Option theretofore granted, the Company shall effect a subdivision or consolidation of shares of Common Stock or the payment of a stock dividend on Common Stock without receipt of consideration by the Company, the number of shares of Common Stock with respect to which such Option may thereafter be exercised (i) in the event of an increase in the number of outstanding shares shall be proportionately increased, and the purchase price per share shall be proportionately reduced, and (ii) in the event of a reduction in the number of outstanding shares shall be proportionately reduced, and the purchase price per share shall be proportionately increased.

(d) If the Company recapitalizes or otherwise changes its capital structure, thereafter upon any exercise of an Option theretofore granted the Optionee shall be entitled to purchase under such Option, in lieu of the number of shares of Common Stock as to which such Option shall then be exercisable, the number and class of shares of stock and securities and the cash and other property to which the Optionee would have been entitled pursuant to the terms of the recapitalization if, immediately prior to such recapitalization, the Optionee had been the holder of record of the number of shares of Common Stock then covered by such Option.

(e) In the event of a Corporate Change, then no later than (i) two business days prior to any Corporate Change referenced in Clause (i), (ii), (iii) or (v) of the definition thereof or (ii) ten business days after any Corporate Change referenced in Clause (iv) of the definition thereof, the Committee, acting in its sole discretion without the consent or approval of any Optionee, shall act to effect one or more of the following alternatives with respect to outstanding Options which acts may vary among individual Optionees, may vary among Options held by individual Optionees and, with respect to acts taken pursuant to Clause (i) above, may be contingent upon effectuation of the Corporate Change: (A) accelerate the time at which Options then outstanding may be exercised so that such Options may be exercised in full for a limited period of time on or before a specified date (before or after such Corporate Change) fixed by the Committee, after which specified date all unexercised Options and all rights of Optionees thereunder shall terminate, (B) require the mandatory surrender to the Company by selected Optionees of some or all of the outstanding Options held by such Optionees (irrespective of whether such Options are then exercisable under the provisions of the Plan) as of a date (before or after such Corporate Change) specified by the Committee, in which event the Committee shall thereupon cancel such Options and pay to each Optionee an amount of cash per share equal to the excess, if any, of the Change of Control Value of the shares subject to such Option over the exercise price(s) under such Options for such shares, (C) make such adjustments to Options then outstanding as the Committee deems appropriate to reflect such Corporate Change (provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary to Options then outstanding) or (D) provide that thereafter upon any exercise of an Option theretofore granted the Optionee shall be entitled to purchase under such Option, in lieu of the number of shares of Common Stock as to which such Option shall then be exercisable, the number and class of shares of stock or other securities or property (including, without limitation, cash) to which the

Optionee would have been entitled pursuant to the terms of the agreement of merger, consolidation or sale of assets or plan of liquidation and dissolution if, immediately prior to such merger, consolidation or sale of assets or any distribution in liquidation and dissolution of the Company, the Optionee had been the holder of record of the number of shares of Common Stock then covered by such Option.

(f) In the event of a Corporate Change, then no later than (i) two business days prior to any Corporate Change referenced in Clause (i), (ii), (iii) or (v) of the definition thereof or (ii) ten business days after any Corporate Change referenced in Clause (iv) of the definition thereof, the Committee, acting in its sole discretion without the consent or approval of any Holder of a Stock Appreciation Right, shall act to effect one or more of the following alternatives with respect to outstanding Stock Appreciation Rights which acts may vary among individual Holders, may vary among Stock Appreciation Rights held by individual Holders and, with respect to acts taken pursuant to Clause (ii) above, may be contingent upon effectuation of the Corporate Change (A) accelerate the time at which Stock Appreciation Rights then outstanding may be exercised so that such Stock Appreciation Rights may be exercised in full for a limited period of time on or before a specified date (before or after such Corporate Change) fixed by the Committee, after which specified date all unexercised Stock Appreciation Rights and all rights of Holders thereunder shall terminate, (B) require the mandatory surrender to the Company by selected Holders of Stock Appreciation Rights of some or all of the outstanding Stock Appreciation Rights held by such Holders (irrespective of whether such Stock Appreciation Rights are then exercisable under the provisions of the Plan) as of a date (before or after such Corporate Change) specified by the Committee, in which event the Committee shall thereupon cancel such Stock Appreciation Rights and pay to each Holder an amount of cash equal to the Spread with respect to such Stock Appreciation Rights with the Fair Market Value of the Common Stock at such time to be deemed to be the Change of Control Value or (C) make such adjustments to Stock Appreciation Rights then outstanding as the Committee deems appropriate to reflect such Corporate Change (provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary to Stock Appreciation Rights then outstanding).

(g) Except as hereinbefore expressly provided, the issuance by the Company of shares of stock of any class or securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Common Stock subject to Options or Stock Appreciation Rights theretofore granted, the purchase price per share of Common Stock subject to Options or the calculation of the Spread with respect to Stock Appreciation Rights.

(h) The provisions of the Plan or the Award agreements to the contrary notwithstanding, with respect to any Restricted Stock Awards outstanding at the time a Corporate Change occurs, the Committee may, in its discretion, provide (i) for full vesting of all Common Stock awarded to the Holders pursuant to such Restricted Stock Awards as of the date of such Corporate Change and (ii) that all restrictions applicable to such Restricted Stock Award shall terminate as of such date.

(i) The provisions of the Plan or the Award agreements to the contrary notwithstanding, with respect to any Performance Share Awards which have been approved but which are unpaid at the time a Corporate Change occurs, the Committee may, in its discretion, provide (i) for full vesting of such Awards as of the date of such Corporate Change, (ii) for payment of the then value of such Awards as soon as administratively feasible following the Corporate Change, with the value of such Awards to be based, to the extent applicable, on the Change of Control Value of the Common Stock, (iii) that any provisions in Awards regarding forfeiture of unpaid Awards shall not be applicable from and after a Corporate Change with respect to Awards made prior to such Corporate Change and (iv) that all performance measures applicable to unpaid Awards at the time of a Corporate Change shall be deemed to have been satisfied in full during the performance period upon the occurrence of such Corporate Change.

(j) The provisions of the Plan or the Award agreements to the contrary notwithstanding, with respect to any Stock Value Equivalent Awards which have been approved but which are unpaid at the time a Corporate Change occurs, the Committee may, in its discretion, provide (i) for full vesting of such Awards as

of the date of such Corporate Change and (ii) for payment of the then value of such Awards as soon as administratively feasible following the Corporate Change with the value of such Awards to be based on the Change of Control Value of the Common Stock.

#### XIII. AMENDMENT OR TERMINATION OF THE PLAN

The Board in its discretion may terminate the Plan or alter or amend the Plan or any part thereof from time to time; provided that no change in any Award theretofore granted may be made which would impair the rights of the Holder without the consent of the Holder, and provided, further, that the Board may not, without approval of the stockholders, amend the Plan:

- (a) to increase the aggregate number of shares which may be issued pursuant to the provisions of the Plan, except as provided in Articles V and XII;
- (b) to change the class of persons eligible to receive Awards under the Plan;
- (c) to change the maximum individual award limits under the Plan;
- (d) to change the minimum exercise price of an Option or Stock Appreciation Right or the maximum Award term;
- (e) to permit the repricing or cancellation and reissuance of Options and Stock Appreciation Rights; or
- (f) to extend the duration of the Plan beyond February 18, 2003.

#### XIV. OTHER

(a) No Right To An Award. Neither the adoption of the Plan nor any action of the Board or of the Committee shall be deemed to give an employee or a non-employee Director any right to be granted an Option, a Stock Appreciation Right, a right to a Restricted Stock Award or a right to a Performance Share Award or Stock Value Equivalent Award or any other rights hereunder except as may be evidenced by an Award or by an Option or Stock Appreciation Agreement duly executed on behalf of the Company, and then only to the extent of and on the terms and conditions expressly set forth therein. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of funds or assets to assure the payment of any Award.

(b) No Employment Rights Conferred. Nothing contained in the Plan or in any Award made hereunder shall (i) confer upon any employee any right to continuation of employment with the Company or any Subsidiary or (ii) interfere in any way with the right of the Company or any Subsidiary to terminate his or her employment at any time.

(c) No Rights to Serve as a Director Conferred. Nothing contained in the Plan or in any Award made hereunder shall confer upon any Director any right to continue their position as a Director of the Company.

(d) Other Laws; Withholding. The Company shall not be obligated to Issue any Common Stock pursuant to any Award granted under the Plan at any time when the offering of the shares covered by such Award has not been registered under the Securities Act of 1933 and such other state and federal laws, rules or regulations as the Company or the Committee deems applicable and, in the opinion of legal counsel for the Company, there is no exemption from the registration requirements of such laws, rules or regulations available for the issuance and sale of such shares. No fractional shares of Common Stock shall be delivered, nor shall any cash in lieu of fractional shares be paid. The Company shall have



the right to deduct in connection with all Awards any taxes required by law to be withheld and to require any payments necessary to enable it to satisfy its withholding obligations. The Committee may permit the Holder of an Award to elect to surrender, or authorize the Company to withhold, shares of Common Stock (valued at their Fair Market Value on the date of surrender or withholding of such shares) in satisfaction of the Company's withholding obligation, subject to such restrictions as the Committee deems necessary to satisfy the requirements of Rule 16b-3.

(e) No Restriction on Corporate Action. Nothing contained in the Plan shall be construed to prevent the Company or any Subsidiary from taking any corporate action which is deemed by the Company or such Subsidiary to be appropriate or in its best interest, whether or not such action would have an adverse effect on the Plan or any Award made under the Plan. No Holder, beneficiary or other person shall have any claim against the Company or any Subsidiary as a result of any such action.

(f) Restrictions on Transfer. An Award shall not be transferable otherwise than by will or the laws of descent and distribution or pursuant to a "qualified domestic relations order" as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, and shall be exercisable during the lifetime of the Holder only by such Holder, the Holder's guardian or legal representative, a transferee under a qualified domestic relations order or a transferee as described below; provided, however, that the Committee shall have the authority, in its discretion, to grant (or to sanction by way of amendment to an existing grant) Options (other than Incentive Stock Options) which may be transferred by the Holder for no consideration to or for the benefit of the Holder's Immediate Family, to a trust solely for the benefit of the Holder and his Immediate Family, or to a partnership or limited liability company whose only partners or shareholders are the Holder and members of his Immediate Family, in which case the Option Agreement shall so state. A transfer of an Option pursuant to this paragraph (f) shall be subject to such rules and procedures as the Committee may establish. In the event an Option is transferred as contemplated in this paragraph (f), (i) such Option may not be subsequently transferred by the transferee except by will or the laws of descent and distribution, and (ii) such Option shall continue to be governed by and subject to the terms and limitations of the Plan and the relevant Option Agreement and the transferee shall be entitled to the same rights as the Holder under Articles XII and XIII hereof as if no transfer had taken place.

The Option Agreement, Stock Appreciation Rights Agreement or other written instrument evidencing an Award shall specify the effect of the death of the Holder on the Award.

(g) Rule 16b-3. It is intended that the Plan and any grant of an Award made to a person subject to Section 16 of the Exchange Act meet all of the requirements of Rule 16b-3. If any provision of the Plan or any such Award would disqualify the Plan or such Award under, or would otherwise not comply with, Rule 16b-3, such provision or Award shall be construed or deemed amended to conform to Rule 16b-3.

(h) Governing Law. This Plan shall be construed in accordance with the laws of the State of Texas, except to the extent that it implicates matters which are the subject of the General Corporation Law of the State of Delaware which matters shall be governed by the latter law.

(i) Foreign Awardees. Without amending the Plan, the Committee may grant Awards to eligible persons who are foreign nationals on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan and, in furtherance of such purposes, the Committee may make such modifications, amendments, procedures, subplans and the like as may be necessary or advisable to comply with the provisions of laws and regulations in other countries or jurisdictions in which the Company or its Subsidiaries operate.

The schedule contains summary financial information extracted from the Halliburton Company consolidated financial statements for the six months ended June 30, 2000, and is qualified in its entirety by reference to such financial statements.

1,000,000  
U.S. Dollars

6-mos		
Dec-31-2000		
Jan-01-2000		
Jun-20-2000		
1		363
		0
	3,584	
	0	
	770	
	5,367	5,542
	3,189	
	9,806	
2,812		1,052
0		0
		1,128
		3,467
9,806		756
	5,727	
		676
	5,360	
	0	
	0	
	66	
	144	
		56
	79	
	260	
	0	
		0
		339
	0.77	
	0.76	