

FORM 10-Q

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 September 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 October 31, 2000 - 442,404,000

HALLIBURTON COMPANY

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- Exhibits:
- Employment agreement
 - Retirement Plan for the Directors as amended and restated effective May 16, 2000
 - Form of Nonstatutory Stock Option Agreement for Non-Employee Directors
 - First Amendment to the Elective Deferral Plan
 - Financial data schedules for the nine months ended September 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 September 30		Nine Months Ended September 30	
	2000	1999	2000	1999
Revenues:				
Services	\$ 2,589	\$ 2,621	\$ 7,526	\$ 8,186
Sales	413	338	1,169	1,027
Equity in earnings of unconsolidated affiliates	22	14	56	74
Total revenues	\$ 3,024	\$ 2,973	\$ 8,751	\$ 9,287
Operating costs and expenses:				
Cost of services	\$ 2,410	\$ 2,494	\$ 7,094	\$ 7,843
Cost of sales	362	309	1,038	913
General and administrative	92	89	252	256
Gain on sale of marine vessels	(88)	-	(88)	-
Special charges and credits	-	-	-	(47)
Total operating costs and expenses	\$ 2,776	\$ 2,892	\$ 8,296	\$ 8,965
Operating income	248	81	455	322
Interest expense	(38)	(38)	(104)	(106)
Interest income	6	31	16	68
Foreign currency gains (losses), net	4	(4)	(3)	(2)
Other, net	(1)	(1)	(1)	(25)
Income from continuing operations before taxes, minority interest, and change in accounting method	219	69	363	257
Provision for income taxes	(84)	(27)	(140)	(98)
Minority interest in net income of subsidiaries	(5)	(4)	(14)	(13)
Income from continuing operations before change in accounting method	130	38	209	146
Discontinued operations:				
Income from discontinued operations, net of tax of \$16, \$13, \$44, and \$55	27	20	72	76
Gain on disposal of discontinued operations, net of tax of \$141	-	-	215	-
Income from discontinued operations	27	20	287	76
Cumulative effect of change in accounting method, net of tax benefit of \$11	-	-	-	(19)
Net income	\$ 157	\$ 58	\$ 496	\$ 203
Basic income per share:				
Income from continuing operations before change in accounting method	\$ 0.29	\$ 0.09	\$ 0.47	\$ 0.33
Income from discontinued operations	0.06	0.04	0.16	0.17
Gain on disposal of discontinued operations	-	-	0.49	-
Change in accounting method	-	-	-	(0.04)
Net income	\$ 0.35	\$ 0.13	\$ 1.12	\$ 0.46
Diluted income per share:				
Income from continuing operations before change in accounting method	\$ 0.29	\$ 0.09	\$ 0.47	\$ 0.33
Income from discontinued operations	0.06	0.04	0.16	0.17
Gain on disposal of discontinued operations	-	-	0.48	-
Change in accounting method	-	-	-	(0.04)
Net income	\$ 0.35	\$ 0.13	\$ 1.11	\$ 0.46
Cash dividends per share	\$ 0.125	\$ 0.125	\$ 0.375	\$ 0.375
Basic average common shares outstanding	445	441	444	440
Diluted average common shares outstanding	451	445	448	443

See notes to quarterly financial statements.

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

	September 30	December 31
	2000	1999
Assets		
Current assets:		
Cash and equivalents	\$ 310	\$ 466
Receivables:		
Notes and accounts receivable, net	2,775	2,349
Unbilled work on uncompleted contracts	819	625
Total receivables		
Inventories	774	723
Current deferred income taxes	177	171
Net current assets of discontinued operations	279	793
Other current assets	243	235
Total current assets		
Property, plant and equipment after accumulated depreciation of \$3,155 and \$3,122	2,327	2,390
Equity in and advances to related companies	364	384
Net goodwill	610	505
Noncurrent deferred income taxes	427	398
Net noncurrent assets of discontinued operations	388	310
Other assets	404	290
Total assets		
	\$ 9,897	\$ 9,639
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term notes payable	\$ 769	\$ 939
Current maturities of long-term debt	8	308
Accounts payable	655	665
Accrued employee compensation and benefits	255	137
Advanced billings on uncompleted contracts	283	286
Income taxes payable	236	120
Accrued special charges	6	69
Other current liabilities	591	509
Total current liabilities		
Long-term debt	1,049	1,056
Employee compensation and benefits	656	672
Other liabilities	669	547
Minority interest in consolidated subsidiaries	45	44
Total liabilities		
	5,222	5,352
Shareholders' equity:		
Common shares, par value \$2.50 per share - authorized 600 shares, issued 453 and 448 shares	1,132	1,120
Paid-in capital in excess of par value	249	68
Deferred compensation	(57)	(51)
Accumulated other comprehensive income	(324)	(204)
Retained earnings	3,782	3,453
Total shareholders' equity		
	4,782	4,386
Less 6 shares of treasury stock, at cost in both periods	107	99
Total shareholders' equity		
	4,675	4,287
Total liabilities and shareholders' equity		
	\$ 9,897	\$ 9,639

See notes to quarterly financial statements.

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

Nine Months
Ended September 30

	2000	1999
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Cash flows from operating activities:		
Net income	\$ 496	\$ 203
Adjustments to reconcile net income to net cash from operations:		
Net income from discontinued operations	(287)	(76)
Depreciation, depletion and amortization	388	379
(Benefit) provision for deferred income taxes	(35)	104
Change in accounting method, net	-	19
Distributions from (advances to) related companies, net of equity in (earnings) losses	(28)	5
Accrued special charges	(63)	(266)
Other non-cash items	(66)	36
Other changes, net of non-cash items:		
Receivables and unbilled work	(643)	(13)
Inventories	(47)	10
Accounts payable	41	(91)
Other working capital, net	151	(504)
Other, net	(96)	(109)
<hr/>		
Total cash flows from operating activities	(189)	(303)
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Cash flows from investing activities:		
Capital expenditures	(367)	(386)
Sales of property, plant and equipment	181	89
Dispositions (acquisitions) of businesses, net	6	284
Other investing activities	(27)	4
<hr/>		
Total cash flows from investing activities	(207)	(9)
<hr/>		
Cash flows from financing activities:		
Payments on long-term borrowings	(309)	(68)
Net borrowings (repayments) of short-term debt	(169)	434
Payments of dividends to shareholders	(167)	(166)
Proceeds from exercises of stock options	102	44
Payments to re-acquire common stock	(24)	(4)
Other financing activities	(5)	(7)
<hr/>		
Total cash flows from financing activities	(572)	233
<hr/>		
Effect of exchange rate changes on cash	(14)	9
Net cash flows from discontinued operations *	826	162
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Increase (decrease) in cash and equivalents	(156)	92
Cash and cash equivalents at beginning of period	466	203
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Cash and equivalents at end of period	\$ 310	\$ 295
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Supplemental disclosure of cash flow information:		
Cash payments during the period for:		
Interest	\$ 114	\$ 114
Income taxes	\$ 185	\$ 185
Non-cash investing and financing activities:		
Liabilities assumed in acquisitions of businesses	\$ 90	\$ 90
Liabilities disposed of in dispositions of businesses	\$ 499	\$ 16

* 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 together 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 September 30, 2000, the results of our operations for the three and nine months ended September 30, 2000 and 1999, and our cash flows for the nine months then ended. The results of operations for the three and nine months ended September 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. Both 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. These business units provide products and services designed to help major, national and independent oil and gas companies discover, develop and produce oil and gas. The long-term performance of these business units is linked to the long-term demand for oil and gas.

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 that 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.

Operating income for the Energy Services Group in the third quarter and nine months ended September 30, 2000 benefited from the sale of three marine vessels. Brown & Root Energy Services recognized an \$88 million gain on sale of these vessels.

The table below presents revenues and operating income by segment.

Millions of dollars	Three Months Ended September 30		Nine Months Ended September 30	
	2000	1999	2000	1999
Revenues:				
Energy Services Group	\$ 2,021	\$ 1,700	\$ 5,641	\$ 5,134
Engineering and Construction Group	1,003	1,273	3,110	4,153
Total	\$ 3,024	\$ 2,973	\$ 8,751	\$ 9,287
Operating income:				
Energy Services Group	\$ 233	\$ 56	\$ 402	\$ 162
Engineering and Construction Group	41	41	113	163
General corporate	(26)	(16)	(60)	(50)
Special credits	-	-	-	47
Total	\$ 248	\$ 81	\$ 455	\$ 322

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. 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 to Ingersoll-Rand of our 49% interest in the Ingersoll-Dresser Pump joint venture and our 51% interest in the Dresser-Rand joint venture. 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 to complete the sales of these businesses by the end of the first quarter of 2001.

The Dresser DMD and Roots Divisions were consolidated into one operating division during 2000. 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 September 30		Nine Months Ended September 30	
	2000	1999	2000	1999
Revenues	\$ 346	\$ 560	\$ 1,037	\$ 1,840
Operating income	\$ 42	\$ 33	\$ 115	\$ 140
Other income and expense	1	1	1	1
Taxes	(16)	(13)	(44)	(55)
Minority interest	-	(1)	-	(10)
Net income	\$ 27	\$ 20	\$ 72	\$ 76

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	Nine Months Ended September 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	September 30	December 31
	2000	1999
Receivables	\$ 272	\$ 904
Inventories	250	515
Other current assets	19	34
Accounts payable	(131)	(267)
Other current liabilities	(131)	(393)
Net current assets of discontinued operations	\$ 279	\$ 793
Net property, plant and equipment	\$ 216	\$ 401
Net goodwill	258	263
Other assets	38	74
Employee compensation and benefits	(120)	(313)
Other liabilities	(4)	(5)
Minority interest in consolidated subsidiaries	-	(110)
Net noncurrent assets of discontinued operations	\$ 388	\$ 310

Revenues, assets, and liabilities declined primarily due to the sales of Dresser-Rand and Ingersoll-Dresser Pump joint ventures. See Note 3. Improved operating margins in the remaining businesses more than offset the loss of earnings from these joint ventures in the third quarter of 2000 when compared to the prior year. On a year-to-date basis, the improved margins partially offset the loss of earnings from these two joint ventures.

Note 5. Receivables

Our receivables are generally not collateralized. Unbilled work on uncompleted contracts generally represents work currently billable, and this work is usually billed during normal billing processes in the next month. Unbilled work on uncompleted contracts also includes claims and change orders that are in the process of being negotiated with customers. These claims and change orders amounted to \$126 million at September 30, 2000 and \$98 million at December 31, 1999 and 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 \$73 million at September 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 September 30, 2000 and \$35 million higher than reported at December 31, 1999.

Millions of dollars	September 30	December 31
	2000	1999
Finished products and parts	\$ 523	\$ 619
Raw materials and supplies	183	79
Work in process	68	25
Total	\$ 774	\$ 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. 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	September 30		December 31	
	2000		1999	
Current assets	\$	5,133	\$	5,011
Noncurrent assets		7,364		5,106
Total	\$	12,497	\$	10,117
Current liabilities	\$	2,007	\$	2,133
Noncurrent liabilities		1,692		1,633
Minority interest		51		45
Shareholders' equity		8,747		6,306
Total	\$	12,497	\$	10,117

Dresser Industries, Inc. Operating Results Millions of dollars	Three Months Ended September 30		Nine Months Ended September 30	
	2000	1999	2000	1999
Revenues	\$ 3,024	\$ 2,974	\$ 8,751	\$ 9,287
Operating income	\$ 266	\$ 87	\$ 489	\$ 291
Income from continuing operations before taxes, minority interest, and change in accounting method	\$ 237	\$ 49	\$ 387	\$ 156
Income taxes	(90)	(20)	(145)	(64)
Minority interest	(5)	(4)	(14)	(13)
Discontinued operations, net	27	20	287	76
Change in accounting method, net	-	-	-	(19)
Net income	\$ 169	\$ 45	\$ 515	\$ 136

Note 8. Commitments and Contingencies

Asbestos litigation. Since 1976, our subsidiary, Dresser Industries, Inc. and its former divisions or subsidiaries have been involved in litigation alleging some products they manufactured contained asbestos that injured persons that inhaled the fibers.

Dresser has entered into agreements with insurance carriers, that cover, in whole or in part, indemnity payments, legal fees and expenses for specific categories of claims. Dresser is negotiating 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 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 asbestos litigation. Third parties allege they sustained injuries from the inhalation of asbestos fibers contained in some of the materials used in various construction and renovation projects involving our Brown & Root subsidiary, now named Kellogg Brown & Root, Inc. The insurance coverage for Kellogg Brown & Root for the applicable periods 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 have not produced an agreement on the amount of insurance 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. On August 23, 2000 Highlands issued

a letter denying coverage under the policies based on the claims asserted in the Delaware action. We believe that Highlands is contractually obligated to provide insurance coverage for the asbestos claims filed against Kellogg Brown & Root and that Highlands' lawsuit and its denial of coverage are without merit. We intend to assert our right to the insurance coverage vigorously. On April 24, 2000, Halliburton filed suit against Highlands in Harris County, Texas, claiming that Highlands breached its contractual obligation to provide insurance coverage. We have asked the court to order Highlands to provide coverage for asbestos claims under the guaranteed cost policies issued by Highlands to Kellogg Brown & Root. This Texas action is currently set for trial on May 7, 2001.

Since 1976, approximately 269,000 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, its former divisions and subsidiaries. Approximately 160,000 of these claims have been settled or disposed of at a gross cost of approximately \$117 million with insurance carriers paying all but approximately \$30 million. Claims continue to be filed, with about 33,000 claims filed in the first nine months of 2000. We have established an accrual 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 it loses the litigation with us and is required to pay the asbestos claims against Kellogg Brown & Root, there could be a material adverse impact on Highlands' financial position. Highlands reported statutory capital surplus of \$162 million to the Texas Insurance Commission in its Annual Statement for the year 1999. We believe that Highlands has the ability to pay substantially all of these asbestos claims and that the pending litigation will be resolved in our favor.

At September 30, 2000, there were about 109,000 open claims, including about 21,000 associated with recoveries we expect from Highlands. Open claims at September 30, 2000 also include 9,100 for which settlements are pending. This compares with approximately 107,700 open claims at the end of the prior year. The accrued liabilities for these claims and corresponding billed and estimated recoveries from carriers are as follows:

Millions of dollars	September 30	December 31
	2000	1999
Accrued liability	\$ 82	\$ 71
Estimated insurance recoveries:		
Highlands Insurance Company	42	28
Other insurance carriers	14	18
Net asbestos liability	\$ 26	\$ 25

As of September 30, 2000, we have accounts receivables from Highlands Insurance Company of \$2 million for payments we have made on asbestos claims. Accounts receivables for billings to other insurance carriers for payments made on claims were \$12 million at September 30, 2000 and \$9 million at December 31, 1999.

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.

Resolution of dispute with Global Industrial Technologies, Inc. We previously reported that 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's insurance carriers that cover expense and indemnity payments. However, the insurance coverage is incomplete and Global has to-date paid the uncovered portion of asbestos claims with its own funds.

We also reported that a dispute arose with Global concerning those agreements, which led to arbitration and litigation proceedings. We have now resolved the dispute and agreed with Global that:

- the arbitration, and all related litigation, is dismissed;
- Global acknowledges its obligation to assume responsibility for new asbestos claims filed after the date of the spin-off;
- Global agrees to continue to cooperate with Dresser on Dresser's remaining refractory claims; and,
- Dresser continues to make available its direct insurance program for the Global assumed asbestos liabilities.

Fort Ord litigation. One of our business units, Brown & Root Services, is a defendant in civil litigation pending in federal court in Sacramento, California. The lawsuit alleges that Brown & Root Services violated provisions of the False Claims Act while performing work for the U.S. Army at Fort Ord in California. This lawsuit was filed by a former employee in 1997. Brown & Root Services has denied the allegations and is preparing to defend itself at trial, which is expected to occur in late 2001. We believe that the outcome of this civil litigation will not have a material adverse impact on us.

Although in 1998, the U.S. Department of Justice declined to join this litigation, it has advised Brown & Root Services that Brown & Root Services is the target of a federal grand jury investigation regarding the contract issues raised in the litigation. In addition, Brown & Root Services has been served with grand jury subpoenas, which require the production of documents relating to the Fort Ord contract. Brown & Root Services is cooperating in the investigation and believes that it has acted in accordance with the law and the Fort Ord contract. The U.S. Department of Justice has not made any specific allegations against Brown & Root Services.

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

Some of our subsidiaries and former operating entities are involved as a potentially responsible party or PRP in remedial activities to clean-up several "Superfund" sites under United States federal law and comparable state laws. Kellogg Brown & Root, Inc. is one of nine PRPs named at the Tri-State Mining District Superfund Site, 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 southwestern 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 both September 30, 2000 and December 31, 1999.

Other. We are a party to various other legal proceedings. 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 2 million shares in 1999 that were outstanding during the nine months ended September 30, 2000 and September 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 2.1 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 September 30		Nine Months Ended September 30	
	2000	1999	2000	1999
Income from continuing operations before change in accounting method	\$ 130	\$ 38	\$ 209	\$ 146
Basic weighted average shares	445	441	444	440
Effect of common stock equivalents	6	4	4	3
Diluted weighted average shares	451	445	448	443
Income per common share from continuing operations before change in accounting method:				
Basic	\$ 0.29	\$ 0.09	\$ 0.47	\$ 0.33
Diluted	\$ 0.29	\$ 0.09	\$ 0.47	\$ 0.33
Income from discontinued operations:				
Basic	\$ 0.06	\$ 0.04	\$ 0.16	\$ 0.17
Diluted	\$ 0.06	\$ 0.04	\$ 0.16	\$ 0.17

Note 10. Comprehensive Income

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

Millions of dollars	Three Months Ended September 30		Nine Months Ended September 30	
	2000	1999	2000	1999
Net income	\$ 157	\$ 58	\$ 496	\$ 203
Cumulative translation adjustment, net of tax	(79)	13	(140)	(26)
Adjustment to minimum pension liability	-	-	-	(7)
Unrealized gain on investments	2	-	2	-
Total comprehensive income	\$ 80	\$ 71	\$ 358	\$ 170

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

Millions of dollars	September 30	December 31
	2000	1999
Cumulative translation adjustment	\$ (314)	\$ (185)
Minimum pension liability	(12)	(19)
Unrealized gain on investments	2	-
Total accumulated other comprehensive income	\$ (324)	\$ (204)

The increase for the first nine 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 an assessment at that time of total costs to be incurred to complete the actions covered in our special charges. Special 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
Total	\$ 980

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

Millions of dollars	Asset Related Charges	Personnel Charges	Facility Consolidation Charges	Merger Transaction Charges	Other Charges	Total
1998 Charges to Expense by Business Segment:						
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
Total	509	235	126	64	46	980
Utilized and adjusted	(509)	(226)	(93)	(64)	(19)	(911)
Balance December 31, 1999	-	9	33	-	27	69
Utilized in 2000	-	(9)	(28)	-	(26)	(63)
Balance September 30, 2000	\$ -	\$ -	\$ 5	\$ -	\$ 1	\$ 6

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. By March 31, 2000, terminations of employees, consultants and contract personnel related to the 1998 special charge were substantially completed.

Through September 30, 2000, we have vacated 97%, and sold or returned to the owner 90%, 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 \$5 million balance will be utilized in connection with ongoing facility disposals.

Other charges include the estimated contract exit costs associated with the elimination of duplicate agents and suppliers in various countries throughout the world. Through September 30, 2000, we have utilized \$45 million other special charge costs.

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

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

- factors and risks that impact our business;
- why our earnings and expenses for the third quarter of 2000 differ from the third quarter of 1999;
- why our earnings and expenses for the first nine months of 2000 differ from the first nine months of 1999;
- capital expenditures we made;
- factors that 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 information. Forward-looking information is based on projections and estimates, not historical information. Some statements in this Form 10-Q are forward-looking. We may also provide oral or written forward-looking information in other materials we release to the public. Forward-looking information involves risks and uncertainties. Forward-looking information we provide reflects our best judgement based on current information. Our results of operations can be affected by inaccurate assumptions we make or by known or unknown risks and uncertainties. In addition, other factors may affect the accuracy of our forward-looking information. As a result, no forward-looking information can be guaranteed. Actual events and the results of operations may vary materially.

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

Geopolitical and legal.

- trade restrictions and economic embargoes imposed by the United States and other countries;
- unsettled political conditions, war, civil unrest, currency controls and governmental actions in the numerous countries in which we operate;
- operations in countries with significant amounts of political risk, including, for example, 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, asbestos litigation and environmental litigation; and
- environmental laws, including, for example, those that require emission performance standards for facilities;

Weather related.

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

Customers 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;
- 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;

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/reorganizations/dispositions.

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

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 can find information on how to access those calls at our web site www.halliburton.com.

BUSINESS ENVIRONMENT

With the announcement that we intend to sell the Dresser Equipment Group, our business is organized around two business segments:

- Energy Services Group and
- Engineering and Construction Group.

The majority of our revenues come from the sale of services and products, including construction activities, to the oil and gas industry. We conduct business in over 120 countries providing a variety of services, equipment, maintenance, and engineering and construction to energy, industrial and governmental customers. We offer a comprehensive range of integrated and discrete services and products as well as project management for oil and natural gas activities throughout the world. 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 devaluation 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 to reduce the risk that loss of business in any one country would be material to our consolidated results of operations.

Energy Services Group.

As oil and gas prices rebounded during 1999 and continued to increase throughout 2000, increased capital spending in the energy industry has been focused on upstream exploration and production. Geographically, our North American oilfield services product service lines have been first to benefit from this increased spending. Increased oil and gas prices have provided the economic incentives to produce new reserves and refurbish existing fields. Combined with higher prices for natural gas, increased demand for gas-powered electricity for industrial and commercial use has increased the level of natural gas exploration and production within the United States and Canada. Average oil and gas rig counts for the United States and Canada have increased by 400 rigs compared to a year ago, with gas rigs comprising the majority of the increase. We expect activity in North America to continue to increase, but at a slower pace than we have experienced year-to-date. Internationally, major and national oil companies have taken a more cautious approach to increased capital spending. Many significant new international discoveries of oil have been located in complex deepwater environments that require larger capital investments. We believe oil prices will remain at levels that will encourage our customers to further increase capital spending, especially in deepwater areas.

Engineering and Construction Group.

Delays in capital spending that adversely affected the Energy Services Group during 1999 and into 2000 affected the Engineering and Construction Group to a greater extent. Additional investments in downstream capital projects, including refineries and petrochemical plants, have been slower to materialize than previously expected and awards of major projects continue to be delayed. In addition, many customers continue to rationalize their requirements following mergers within the industry. The comparative declines in the group's revenues reflect the delays in customers awarding new projects while we complete projects already in backlog, particularly within the Kellogg Brown & Root business unit. The lack of new projects will result in reduced margins in this business, which will negatively impact operating results into 2001. We believe that continued strengthening of the general global economy, growth in worldwide demand for oil and gas, and refining capacity constraints will provide long-term growth opportunities for the Engineering and Construction Group. The group also sees improving opportunities to provide support services to the United States military, other United States agencies, and government agencies of other countries, including the United Kingdom. The demand for these services is expected to grow as governments at all levels seek to control costs and improve services by outsourcing various functions.

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. 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 and 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. Continuing mergers and consolidations by our customers and declines in capital spending contributed to a reduction 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 we took steps to reduce manufacturing and overhead costs to improve operating performance and remain a low-cost provider. The benefits of these efforts began to materialize during the fourth quarter of 1999 and throughout 2000, as the group was able to improve operating margins on lower revenues, particularly within the Valve division. Although its business environment is highly competitive, strong demand exists for Dresser Equipment Group's products and services. We expect demand growth into 2001 to be driven by the same factors that affect our other segments. While we believe Dresser Equipment Group's businesses have significant potential to strategic or financial buyers, the businesses do not fit with our current strategic objectives. We intend to utilize the proceeds from the sales of these businesses to invest in our core energy services business, where we feel we can have the greatest effect on our returns, and to repurchase our common stock.

Halliburton Company.

Recent announcements by our customers to increase spending in exploration and production, particularly spending by major and national oil and gas companies, provide optimism for the continued expansion of revenues and profitability within our upstream energy services product service lines. With the exception of deepwater projects, near term prospects for increased engineering and construction activity in either the upstream or downstream business are doubtful. Continued delays in such projects will negatively impact

the financial results of our engineering and construction product service lines. While we are beginning to see indications of our customers proceeding with engineering and construction projects previously placed on hold, it is unlikely that these projects would positively impact our financial results until the second half of 2001. Considering the anticipated low levels of activity within the engineering and construction businesses, we are working to reduce overhead costs, delay internal projects and evaluate how we operate our engineering and construction businesses. This includes the development of plans to combine all our engineering and construction companies during the first quarter of 2001. We remain confident in the long-term prospects for our company. 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.

RESULTS OF OPERATIONS IN 2000 COMPARED TO 1999

Third Quarter of 2000 Compared with the Third Quarter of 1999

REVENUES Millions of dollars	Third Quarter		Increase (decrease)
	2000	1999	
Energy Services Group	\$ 2,021	\$ 1,700	\$ 321
Engineering and Construction Group	1,003	1,273	(270)
Total revenues	\$ 3,024	\$ 2,973	\$ 51

Consolidated revenues in the third quarter of 2000 of \$3.0 billion increased \$51 million compared to the third quarter of 1999. Increased oilfield services activity in the United States resulting from higher rig counts more than offset lower levels of international engineering and construction activity. International revenues were 64% of total revenues for the third quarter of 2000 and 70% in the third quarter of 1999.

Energy Services Group revenues increased \$321 million, or 19% compared to the third quarter of 1999. International revenues were 63% of total revenues in the third quarter of 2000 compared to 71% in the same quarter of the prior year. Rig counts and business activity have continued to grow significantly in North America. The continued strength in North American drilling activity positively benefited our oilfield services product service lines. The pressure pumping product service line, which represents about 45% of our oilfield services business unit revenues, achieved revenue growth of 40%, while logging experienced growth of 44% and drilling fluids, drilling systems, and completion products each experienced growth in excess of 20%. Geographically, North American oilfield services revenues increased 56%, while Middle East and Latin American revenues increased 19% and 15%, respectively. Europe/Africa and Asia Pacific revenues increased 9% and 1%, respectively. Revenues declined 1% in our upstream oil and gas engineering and construction businesses. Recently awarded deepwater projects are in the start-up phase and have not yet replaced revenues from existing projects that are nearing completion. Increased revenues from projects in Mexico continue to help minimize the slow recovery in other geographic areas. Integrated exploration and production information systems revenues increased 10% compared to the prior year third quarter due to increased software sales.

Engineering and Construction Group revenues were 21% lower in the third quarter of 2000 compared to the third quarter of 1999. About 67% of the group's revenues were from international activities compared to 68% in the prior year quarter. Our downstream engineering and construction businesses have not yet benefited from higher oil and gas prices, as additional capital spending by our customers has focused primarily on upstream exploration and production and merger integration activities. Continued merger activity among the major oil companies may further delay spending on major downstream projects. All major product service lines decreased with the exception of maintenance, which had a 17% increase year-over-year, and our ship refitting business in the United Kingdom which increased 15%. Revenues from a logistical support contract in the Balkans region decreased \$60 million compared to the third quarter of 1999 due to a shift from the construction phase to the sustaining phase earlier this year.

OPERATING INCOME Millions of dollars	Third Quarter		Increase (decrease)
	2000	1999	
Energy Services Group	\$ 233	\$ 56	\$ 177
Engineering and Construction Group	41	41	-
General corporate	(26)	(16)	(10)
Total operating income	\$ 248	\$ 81	\$ 167

Consolidated operating income of \$248 million was 206% higher in the third quarter of 2000 compared to the third quarter of 1999. The quarter included several nonrecurring items, including \$88 million gain on the sale of marine vessels and \$9 million of costs related to the previous chairman's early retirement. Excluding these two items, operating income increased 109% compared to the prior year.

Energy Services Group operating income for the third quarter of 2000 increased four-fold compared to the third quarter of 1999. Operating income in our oilfield services product service lines also more than quadrupled over the same period due to a combination of increased activity and improved margins, especially in the pressure pumping and logging product service lines. Profitability growth was greatest in North America due to a combination of pricing improvements and increased equipment and resource utilization. Overall, other regions improved slightly compared to the prior year. Operating income from upstream engineering and construction projects for the quarter increased \$77 million compared to the third quarter of 1999. The increase is due to a pretax gain of approximately \$88 million on the sale of two semi-submersible vessels to a 50% owned joint venture and the sale of a multi-purpose support vessel. Excluding the gain on sale of marine vessels, operating income for the upstream engineering and construction product service lines declined \$11 million. The decline was due to the continued delay of new projects and lower utilization of manufacturing and fabrication capacity. Operating income from integrated exploration and production information systems increased 67% year-over-year due to increased software sales.

Engineering and Construction Group operating income for the third quarter of 2000 was flat compared to the third quarter of 1999 on lower revenues. Operating income in 2000 benefited from improved margins on gas projects and ship refitting activities. Changes in operating income on other major product service lines in 2000 were consistent with the corresponding changes in the levels of revenue.

General corporate expense for the quarter increased \$10 million including \$9 million expense recorded for the early retirement of the previous chairman.

NONOPERATING ITEMS

Interest expense of \$38 million for the third quarter of 2000 was unchanged compared to the third quarter of 1999. Higher interest rates on higher average short-term debt offset lower levels of long-term debt.

Interest income was \$6 million in the third quarter of 2000, a decrease from the prior year's interest income of \$31 million, which included \$20 million related to the settlement of income tax issues in the United States.

Foreign exchange gains (losses), net was \$4 million gain in the current year quarter compared to \$4 million loss in the prior year third quarter.

Provision for income taxes of \$84 million resulted in an effective tax rate of 38.4%, comparable with the third quarter of 1999 rate of 39.1%.

Income from continuing operations was \$130 million in the third quarter of 2000 compared to \$38 million in the prior year quarter.

Income from discontinued operations of \$27 million in 2000 and \$20 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 third quarter while operating income increased \$13 million. All product service lines improved from the prior year. The 2000 results reflect the impact of a recent acquisition of a joint venture partner in Japan. Excluding the effects of the acquisition, revenues decreased 5%. Operating income benefited from cost reductions initiated in 1999 by all product lines and a positive litigation settlement.

Net income for the third quarter of 2000 was \$157 million or \$0.35 per diluted share. The prior year's net income for the quarter was \$58 million or \$0.13 per diluted share.

First Nine Months of 2000 Compared with the First Nine Months of 1999

REVENUES Millions of dollars	First Nine Months		Increase (decrease)
	2000	1999	
Energy Services Group	\$ 5,641	\$ 5,134	\$ 507
Engineering and Construction Group	3,110	4,153	(1,043)
Total revenues	\$ 8,751	\$ 9,287	\$ (536)

Consolidated revenues in the first nine months of 2000 of \$8.8 billion decreased 6% compared to the first nine months of 1999. International revenues were 66% of total revenues, down from 71% in the first nine months of 1999. Growth in our domestic oilfield services business, combined with declining international revenue due to the completion of several large engineering and construction projects, contributed to the percentage decrease.

Energy Services Group revenues increased 10% compared to the first nine months of 1999. International revenues were 66% of total revenues in the first nine months of 2000 compared to 72% in the same period of the prior year. Oilfield services product service lines continued their strong growth with increases of 18%. The highest increases were noted in the pressure pumping product service line, which increased 27%, and logging services, which increased 21%. The remaining oilfield product service lines increased from 4% to 14%. Strong growth continued in North America oilfield services, where revenues increased 47% compared to the first nine months of 1999. Outside North America, oilfield services and products revenues decreased 2% compared to the first nine months of the prior year as the international rig count has been slow to recover. Increases in international rig counts and activity are expected if oil and gas prices remain strong. Revenues from our upstream oil and gas engineering and construction services decreased 5% 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 more than 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 13% compared to the first nine months of 1999 primarily due to higher software sales and professional services.

Engineering and Construction Group revenues were 25% lower in the first nine months of 2000 compared to the first nine months of 1999. International revenues were the primary cause as they decreased 29% and accounted for 65% of the group's revenues compared to 69% in the prior year period. The decrease was primarily due to the completion of several large projects in late 1999 and 2000. Activity levels continued to be lower during the first nine months of 2000 as major oil and gas companies continued 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. This increase, which occurred in the first half of 2000, was due to an expansion in scope in the contract.

OPERATING INCOME Millions of dollars	First Nine Months		Increase (decrease)
	2000	1999	
Energy Services Group	\$ 402	\$ 162	\$ 240
Engineering and Construction Group	113	163	(50)
General corporate	(60)	(50)	(10)
Special credits	-	47	(47)
Total operating income	\$ 455	\$ 322	\$ 133

Consolidated operating income of \$455 million was 41% higher in the first nine months of 2000 compared to the first nine months of 1999.

Energy Services Group operating income for the first nine months of 2000 increased 148% over the first nine months of 1999. During the first nine months of 2000, strong activity in North America contributed to increasing profitability in our pressure pumping and logging product service lines. Strong oil and gas prices throughout most of 2000 have continued to keep the industry's 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. Operating income in other oilfield services product service lines were down compared to the nine months ended September 30, 1999. This decrease is generally due to lower international profits offsetting increased profitability in the United States. Operating income from upstream oil and gas engineering and construction projects for the first nine months of 2000 increased as compared to the prior year. This increase was primarily due to the sale of three marine vessels in the third quarter of 2000, which resulted in a pretax gain of approximately \$88 million. Excluding this gain, operating income decreased due to lower utilization of manufacturing and fabrication capacity. Operating income from integrated exploration and production information systems increased more than ten-fold even after excluding the effect of the \$4 million of income from the resolution of disputed royalty issues in the second quarter of 2000.

Engineering and Construction Group operating income for the first nine months of 2000 was 31% lower than the first nine months of 1999. This decrease is 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 nine months of 2000 as compared to 1999, due to increased activity. Due to the continued consolidation of our customers in the energy industry, which has resulted in 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 most of 2001.

General corporate expense for the quarter increased \$10 million, including \$9 million of expense recorded for the retirement of the previous chairman.

NONOPERATING ITEMS

Interest expense of \$104 million for the first nine months of 2000 decreased \$2 million compared to the first nine months of 1999. Higher interest rates have offset the effects of lower levels of debt.

Interest income was \$16 million in the first nine months of 2000, a decrease from the prior year's interest income of \$68 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 \$3 million loss in the current first nine months compared to \$2 million loss in the same period in the prior year.

Provision for income taxes of \$140 million resulted in an effective tax rate of 38.6%, down slightly from the rate of 39.5% in the prior year period, excluding special charge credits.

Income from continuing operations was \$209 million in the first nine months of 2000 compared to \$146 million in the prior year period.

Income from discontinued operations of \$72 million in 2000 and \$76 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 about 1% while operating income increased \$22 million. The 2000 results reflect the impact of a recent acquisition of a joint venture partner in Japan. Excluding the effects of the acquisition, revenues decreased 4%. Operating income benefited from cost reductions initiated in 1999 by all product lines and a positive litigation settlement.

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 nine months of 2000 was \$496 million or \$1.11 per diluted share. The prior year's net income was \$203 million or \$0.46 per diluted share.

LIQUIDITY AND CAPITAL RESOURCES

We ended the third quarter of 2000 with cash and equivalents of \$310 million, a decrease of \$156 million from the end of 1999.

Operating activities. Cash flows used for operating activities of continuing operations were \$189 million in the first nine months of 2000 compared to \$303 million in the first nine months of the prior year. Special charges for personnel reductions, facility closures and integration costs used \$51 million of cash in the first nine months of 2000 and \$190 million of cash in the first nine months of the prior year. Working capital items, which include receivables, inventories, accounts payable and other working capital, net, used \$498 million of cash in the first nine months of 2000 compared to \$598 million in the same period of the prior year.

Investing activities. Cash flows used for investing activities of continuing operations were \$207 million in the first nine months of 2000 and \$9 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 nine months of 2000 were approximately \$19 million lower than in the same period of the prior year. Although reduced on a year-to-date basis, we have increased our level of capital expenditures in the second half of 2000 due to increased needs for capital equipment at Halliburton Energy Services. We expect our capital expenditures for the entire year of 2000 to be slightly higher than in 1999.

Financing activities. Cash flows used for financing activities of continuing operations were \$572 million in the first nine months of 2000. In the same period of the prior year, financing activities provided \$233 million. In 2000, we repaid \$309 million of long-term debt and had net repayments of \$169 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 \$167 million to our shareholders in the first nine months of 2000 and \$166 million in the same period in 1999.

Discontinued operations. Net cash flows from discontinued operations provided \$826 million in the first nine months of 2000 and \$162 million in the first nine months of 1999. Cash flows for the first nine 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, share repurchases and investing activities. Our combined short-term notes payable and long-term debt was 28% of total capitalization at September 30, 2000 compared to 35% at December 31, 1999.

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. As of September 30, 2000, we have substantially completed all activities relating to the 1998 special 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 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 first quarter of 2001. Proceeds from the planned sales of these businesses will be used for a combination of acquisitions supporting our oilfield services business and for internal investment opportunities. Because we cannot predict the timing of future acquisitions to replace the earnings from Dresser Equipment Group, we think our implementation of a share repurchase program is timely and is an appropriate means of using our

strong and liquid balance sheet in the interim. Share repurchases have been and will be made from time-to-time through open market purchases or privately negotiated transactions. The repurchase program gives management discretion for its implementation and has no expiration date. We began executing purchases under this program in the third quarter of 2000.

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 completing (1) our review of contracts for embedded derivatives and (2) our evaluation of the effects of the pronouncement on our current accounting for derivatives and hedging activities. Based on the initial results of our reviews we do not anticipate that our adoption of Statement No. 133 will have a significant impact 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 these exposures. We do not use derivative instruments for trading purposes. None of these hedging activities are considered material.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- * 10.1 Employment agreement.
- * 10.2 Retirement Plan for the Directors as amended and restated effective May 16, 2000.
- * 10.3 Form of Nonstatutory Stock Option Agreement for Non-Employee Directors.
- * 10.4 First Amendment to the Elective Deferral Plan.
- * 27 Financial data schedules for the nine months ended September 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

Date Filed	Date of Earliest Event	Description of Event
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During the third quarter of 2000:

July 5, 2000	July 5, 2000	Item 5. Other Events for a press release announcing the signing of contracts to proceed with the development of both the Barracuda and Caratinga offshore oil fields in Brazil between Halliburton and Petrobras. 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.
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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 effective at the close of business on August 16, 2000 and then elected Mr. David J. Lesar to the board of directors and named him 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 2000 second quarter earnings.
August 7, 2000	August 3, 2000	Item 5. Other Events for a press release announcing that Halliburton Energy Services, Inc., has signed a definitive agreement, pending final approval from Petroleum Place shareholders, to acquire a 15% equity position in Petroleum Place, Inc.
August 11, 2000	August 9, 2000	Item 5. Other Events for a press release announcing that twelve major oilfield services firms have stated their intention to work together to form a joint venture company, OFS Portal.
August 22, 2000	August 16, 2000	Item 5. Other Events for a press release announcing the terms relating to the departure of Dick Cheney, chairman of the board and chief executive officer.
August 24, 2000	August 23, 2000	Item 5. Other Events for a press release announcing Brown & Root Services has been awarded a contract by the Defense Threat Reduction Agency to provide services for a \$283 million project to eliminate Russian Inter-Continental Ballistic Missiles and their silos.

Date Filed	Date of Earliest Event	Description of Event
During the fourth quarter of 2000:		
October 24, 2000	October 23, 2000	Item 5. Other Events for a press release announcing Brown & Root Services is a defendant in litigation alleging that Brown & Root Services violated provisions of the False Claims Act while performing work for the U.S. Army at Fort Ord, California. The U.S. Department of Justice has now advised Brown & Root Services that Brown & Root Services is the target of a federal grand jury investigation regarding the contract issues raised in the litigation.
October 27, 2000	October 24, 2000	Item 5. Other Events for a press release announcing 2000 third quarter earnings.
October 27, 2000	October 26, 2000	Item 5. Other Events for a press release announcing that the board of directors has declared fourth quarter dividend of 12.5 cents a share on common stock payable December 21, 2000 to shareholders of record at the close of business on November 30, 2000.

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: November 9, 2000

By: /s/ Gary V. Morris

Gary V. Morris
Executive Vice President and
Chief Financial Officer

/s/ R. Charles Muchmore, Jr.

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

Index to exhibits filed with this quarterly report.

Exhibit Number	Description
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10.1	Employment agreement.
10.2	Retirement Plan for the Directors as amended and restated effective May 16, 2000.
10.3	Form of Nonstatutory Stock Option Agreement for Non-Employee Directors.
10.4	First Amendment to the Elective Deferral Plan.
27	Financial data schedules for the nine months ended September 30, 2000 (included only in the copy of this report filed electronically with the Commission).

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement, including Exhibits A and B hereto, ("Agreement") is entered into by and between Halliburton Company ("Employer") and Arthur D. Huffman ("Employee"), to be effective on August 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. Subject to the terms and conditions of this Agreement, Employer agrees to employ Employee, and Employee agrees to be employed by Employer, beginning as of the Effective Date and continuing through August 27, 2002 (the "Term"), unless earlier terminated pursuant to the provisions of Article 3.

1.2. Beginning as of the Effective Date, Employee shall be employed as Vice President and Chief Information 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. 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 \$360,000 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 Executive Performance Plan (the "Executive Performance 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 Executive Performance 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. On the Effective Date, Employer shall pay Employee a signing bonus in the amount of \$21,000.

2.6. During the Term, Employer shall reimburse Employee for monthly dues and business-related expenses associated with his membership in the University Club or an equivalent club. In addition, Employer shall pay or reimburse Employee during the Term for all other 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 the foregoing expenses referred to in this and the preceding sentence are incurred and accounted for in accordance with Employer's applicable policies and procedures.

2.7. As of the Effective Date, Employee shall be credited with 21 years of prior industry-related service solely for the purpose of determining the number of weeks of vacation benefits he is entitled to receive under Employer's vacation policy, and for no other purpose.

2.8. 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.

2.9. 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.

2.10. 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 PRIOR TO EXPIRATION OF THE TERM AND EFFECTS OF SUCH TERMINATION:

3.1. Employee's employment with Employer shall be terminated prior to expiration of the Term (i) upon the death of Employee, (ii) upon Employee's Permanent Disability (as defined below), or (iii) 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) 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.
- (iii) Voluntary Termination. "Voluntary Termination" shall mean a termination of employment, including early retirement in accordance with Employer's early retirement policy, 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.

- (iv) 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 Employer 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.

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

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

HALLIBURTON COMPANY

By: /s/ David J. Lesar

David J. Lesar
President and Chief Operating Officer

EMPLOYEE

/s/ Arthur D. Huffman

Arthur D. Huffman

Exhibit A to
Executive Employment Agreement
By and Between
Arthur D. Huffman and Halliburton Company

NONSTATUTORY STOCK OPTION AGREEMENT
Granted August 28, 2000

Grantee: Arthur D. Huffman ("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 AUGUST 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 August, 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 \$_____ 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
Chairman of the Board, President
and Chief Executive Officer

Exhibit B to
Executive Employment Agreement
By and Between
Arthur D. Huffman and Halliburton Company

RESTRICTED STOCK AGREEMENT

AGREEMENT made as of the 28th day of August, 2000, between HALLIBURTON COMPANY, a Delaware corporation (the "Company"), and Arthur D. Huffman ("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
Chairman of the Board, President
and Chief Executive 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.

RETIREMENT PLAN
FOR THE DIRECTORS OF
HALLIBURTON COMPANY

As Amended and Restated
Effective May 16, 2000

PREAMBLE

Effective January 1, 1990, Halliburton Company, a Delaware corporation (the "Company"), established the Retirement Plan for the Directors of Halliburton Company (the "Plan"), to help attract and continue to retain highly qualified Directors for the Company and to provide Directors with retirement income in recognition of services performed for the Company. The Plan has been amended, and the Company desires to restate the Plan to include all prior amendments. Therefore, the Plan is hereby restated to read as follows, effective as of May 16, 2000:

ARTICLE I
DEFINITIONS

Each of the following terms shall have the meaning set forth in this Article I for purposes of the Plan and any amendments thereto:

- 1.1 Accrued Retirement Benefit: The total amount of future Retirement Benefit which has been earned by a Participant under the Plan at any point in time.
- 1.2 Administrator: The person or persons appointed by the Board to administer the Plan.
- 1.3 Affiliate: Any person or entity who or which controls, is controlled by or is under common control with the Company. For purposes of this definition, the terms "control" and "controlled by" as used with respect to the Company or any person or entity shall mean possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the Company or such person or entity, whether through the ownership of an equity interest in the Company or such person or entity, by contract or otherwise.
- 1.4 Benefit Commencement Date: The date, determined under Article III, as of which a Participant begins to receive payment of benefits under the Plan.
- 1.5 Board: The Board of Directors of the Company.
- 1.6 Company: Halliburton Company.
- 1.7 Competitor: A company, corporation, enterprise, firm, limited partnership, partnership, person, sole proprietorship or any other business entity determined by the Board in its sole discretion to be competitive with the business of the Company, its Subsidiaries or its Affiliates.
- 1.8 Directors: An individual, elected to the Board by the stockholders of the Company or by the Board under applicable corporate law, who is serving on the Board on the Effective Date or is elected to the Board after the Effective Date.
- 1.9 Effective Date: January 1, 1990.

- 1.10 Eligible Director: Each Director of the Company, except current and former employees of the Company, its Subsidiaries or its Affiliates and Directors newly elected to the Board on or after May 16, 2000.
- 1.11 Last Annual Retainer: The annual retainer for Directors which is in effect on a Participant's Termination Date.
- 1.12 Participant: An Eligible Director who has commenced, but not terminated, participation in the Plan as provided in Article II.
- 1.13 Plan: Retirement Plan for Directors of Halliburton Company.
- 1.14 Plan Year: The period of time between successive annual meetings of the stockholders of the Company.
- 1.15 Subsidiary: At any given time, any other corporation of which an aggregate of 80% or more of the outstanding voting stock is owned of record or beneficially, directly or indirectly, by the Company or any other of its Subsidiaries.
- 1.16 Retirement Benefit: The annual retirement benefit specified in Article III, subject to the provisions of Article IV.
- 1.17 Retirement Benefit Payment Period: The period specified in Article III over which a Retirement Benefit is to be paid under the Plan.
- 1.18 Termination Date: The date on which occurs the end of a Director's service to the Company as a Director by reason of his or her retirement, declination to stand for re-election, resignation, disability, removal, death or other event that has the effect of terminating his or her service to the Company.
- 1.19 Trust: Any trust created pursuant to the provisions of Article VIII.
- 1.20 Trust Agreement: The agreement establishing the Trust.
- 1.21 Trustee: The person or persons or entity named from time to time as trustee in the Trust Agreement and his, their or its successors.
- 1.22 Trust Fund: The assets held under the Trust as they may exist from time to time.
- 1.23 Years of Service: An individual's service as an Eligible Director commencing on the effective date of his or her election as an Eligible Director and ending with his or her Termination Date. A Year of Service is equal to a Plan Year. A partial Year of Service is equal to a Year of Service.

ARTICLE II
PARTICIPATION

2.1 Admission as a Participant

An Eligible Director shall become a Participant on the later of the date on which he or she completes three Years of Service or the Effective Date. The preceding sentence notwithstanding, no Director newly elected to the Board on or after May 16, 2000 shall become a Participant.

2.2 Termination of Participation

A Participant shall cease to be such upon the earlier of his or her death or the completion of his or her Retirement Benefit Payment Period. In addition, a Participant in the Plan on May 16, 2000 shall be given a one-time election, at the time and in the form determined by the Administrator, to receive, in lieu of his Accrued Retirement Benefit and any future benefit under the Plan, a grant, at the time of such election, of an option to purchase 5,000 shares of the Company's common stock under the Halliburton Company 1993 Stock and Long-Term Incentive Plan at an option price equal to the fair market value of such common stock on the date of the grant, and the right to receive the same number of future annual stock option grants as a Director who is not eligible to participate in the Plan. Any Participant who makes such election shall cease to be a Participant as of the date of such election and shall be entitled to no benefits from the Plan.

ARTICLE III
RETIREMENT BENEFITS

3.1 Retirement Benefit

Following his or her Termination Date, subject to the provisions of Article IV, a Participant shall be entitled to receive an annual Retirement Benefit equal to his or her Last Annual Retainer commencing on his or her Benefit Commencement Date payable in each year of the Retirement Benefit Payment Period.

3.2 Retirement Benefit Payment Period

The Retirement Benefit Payment Period shall be a period of time equal to the greater of five years or the number of Years of Service which a Participant shall have completed at his or her Termination Date, subject to the provisions of Article V.

3.3 Form of Payment and Benefit Commencement Date

The Benefit Commencement Date shall be the first day of the calendar quarter coincident with or next succeeding the later of the Participant's Termination Date or attainment of 65 years of age, provided, however, if the Participant's Termination Date occurs as a result of the death of the Participant, the Benefit Commencement Date shall be the first day of the calendar quarter coincident with or next

succeeding the date of the Participant's death. Annual payments shall be made to a Participant beginning on his or her Benefit Commencement Date.

3.4 Rules for Crediting Years of Service for Determining Retirement Benefit Payment Period

All Years of Service, including those completed prior to the Effective Date, shall be credited for purposes of determining a Participant's Retirement Benefit Payment Period under Section 3.2.

3.5 Suspension of Payments on Resumption of Service as a Director

3.5.1 If payment of a Participant's benefits hereunder have commenced, such payments shall be suspended on the effective date of the Participant's re-election to the Board.

3.5.2 The Retirement Benefit payable upon resumption of benefit payments shall be equal to the Participant's Retirement Benefit as of the date of the Participant's subsequent Termination Date giving effect to (i) such Participant's additional Years of Service as a Director following re-election to the Board and (ii) the period for which Retirement Benefits were paid prior to such Participant's re-election to the Board. Such Retirement Benefit shall be based on all Years of Service, calculated in accordance with the preceding sentence of this Section and on the Last Annual Retainer in effect on the Participant's most recent Termination Date.

3.5.3 For purposes of Sections 2.1, 3.1 and 3.2, all Years of Service, including those prior to any Benefit Commencement Date, shall be credited to an Eligible Director or Participant, as the case may be.

ARTICLE IV
RETIREMENT BENEFIT FORFEITURES

Any portion of the Accrued Retirement Benefit of a Participant not previously paid shall be forfeited upon a determination by the Board, in its sole discretion, that a Participant has, after the Effective Date, without the consent of the Board:

(a) joined the board of directors of, managed, operated, participated in a material way in, entered employment with, performed consulting (or any other) services for, or otherwise been connected in any material manner with a Competitor;

(b) directly or indirectly acquired an equity interest of five percent or greater in a competitor; or

(c) disclosed any material trade secrets or other material confidential information, including customer lists, relating to the Company or to the business of the Company to others, including a Competitor.

ARTICLE V
DEATH BENEFITS

Upon the death of a Participant, whether before or after such Participant's Benefit Commencement Date, all theretofore unpaid benefits to which he would otherwise have been entitled hereunder shall be paid to such Participant's surviving spouse in accordance with the provisions of Article III hereof. Should a Participant die leaving no surviving spouse or upon the subsequent death of a surviving spouse, any Retirement Benefit which would otherwise be payable hereunder shall lapse and the Company shall have no obligation to pay any sums to the Participant's or the Participant's spouses' heirs at law or beneficiaries or under a will or to the estate of the Participant or the Participant's spouse.

ARTICLE VI
ADMINISTRATION OF THE PLAN

6.1 Administrator

The Board of Directors shall appoint an Administrator to administer the Plan. Such Administrator or such successor Administrator as may be duly appointed by the Board of Directors shall serve at the pleasure of the Board. The Administrator shall maintain complete and adequate records pertaining to the Plan, including but not limited to Participants' Accrued Retirement Benefits, amounts transferred to the Trust, reports from the Trustee and all other records which shall be necessary or desirable in the proper administration of the Plan.

6.2 Indemnity

The Company (the "Indemnifying Party") hereby agrees to indemnify and hold harmless the Administrator (the "Indemnified Party") against any losses, claims, damages or liabilities to which the Indemnified Party may become subject to the extent that such losses, claims, damages or liabilities or actions in respect thereof arise out of or are based upon any act or omission of the Indemnified Party in connection with the administration of this Plan (other than any act or omission of such Indemnified Party constituting gross negligence or willful misconduct), and will reimburse the Indemnified Party for any legal or other expenses reasonably incurred by him or her in connection with investigating or defending against any such loss, claim, damage, liability or action. Promptly after receipt by the Indemnified Party of notice of the commencement of any action or proceeding with respect to any loss, claim, damage or liability against which the Indemnified Party believes he or she is indemnified hereunder, the Indemnified Party shall, if a claim with respect thereto is to be made against the Indemnifying Party hereunder, notify the Indemnifying Party in writing of the commencement thereof; provided, however, that the omission so to notify the Indemnifying Party shall not relieve it from any liability which it may have to the Indemnified Party to the extent the Indemnifying Party is not prejudiced by such omission. If any such action or proceeding shall be brought against the Indemnified Party, and it shall notify the Indemnifying Party of the commencement thereof, the Indemnifying Party shall be entitled to participate therein, and, to the extent that it shall wish, to assume the defense thereof, with counsel reasonably satisfactory to the Indemnified Party, and, after

notice from the Indemnifying Party to the Indemnified Party of its election to assume the defense thereof, the Indemnifying Party shall not be liable to such Indemnified Party hereunder for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than reasonable costs of investigation or reasonable expenses of actions taken at the written request of the Indemnifying Party. The Indemnifying Party shall not be liable for any compromise or settlement of any such action or proceeding effected without its consent, which consent will not be unreasonably withheld.

ARTICLE VII
NATURE OF PLAN

The adoption of this Plan and any setting aside of amounts by the Company with which to discharge its obligations hereunder shall not be deemed to create a trust; legal and equitable title to any funds so set aside shall remain in the Company, and any recipient of benefits hereunder shall have no security or other interest in such funds. Any and all funds so set aside shall remain subject to the claims of the general creditors of the Company, present and future. This provision shall not require the Company to set aside any funds, but the Company may set aside such funds if it chooses to do so.

ARTICLE VIII
FUNDING OF OBLIGATION

8.1 Funding

Article VII above to the contrary notwithstanding, the Company may fund all or part of its obligation hereunder by transferring assets to a Trust if the provisions of the Trust Agreement creating the Trust require the use of the Trust's assets to satisfy claims of the Company's general unsecured creditors in the event of the Company's insolvency and provide that no Participant shall at any time have a prior claim to such assets. The assets of the Trust shall not be deemed to be assets of this Plan.

8.2 Source of Payment

If a Trust is created hereunder the Administrator shall determine whether any payment to be made to a Participant under the provisions of the Plan is to be made directly by the Company, from the Trust Fund or by a combination of such sources except to the extent the provisions of the Trust Agreement specify payment from the Trust Fund. The Plan shall be deemed to authorize any payment of a Participant's Accrued Retirement Benefit from the Trust Fund to the extent such payment is required by the provisions of the Trust Agreement.

ARTICLE IX
TERMINATION OF THE PLAN

The Board of Directors may terminate the Plan at any time. Upon termination of the Plan, payment of Participants' Accrued Retirement Benefits as of the date of termination shall be made in the manner and at the time prescribed in Articles III, IV and V hereof, but Participants shall accrue no additional Retirement Benefits hereunder.

ARTICLE X
AMENDMENT OF THE PLAN

The Board of Directors may, without the consent of Participants or their beneficiaries, amend the Plan at any time and from time to time, provided, however, that no amendment may deprive a Participant of his or her Accrued Retirement Benefit or be retroactive in effect to the prejudice of any Participant.

ARTICLE XI
GENERAL PROVISIONS

11.1 No Preference over Creditors

No Participant shall have any preference over the general creditors of the Company in the event of the Company's insolvency.

11.2 Incompetency of Payee

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

11.3 Direct Deposit of Payments

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

11.4 Construction of Plan

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

11.5 Benefits Not Assignable

Benefits provided under the Plan may not be assigned or alienated, either voluntarily or involuntarily, other than by will or by the applicable laws of descent and distribution.

11.6 Controlling Law

THE LAWS OF THE STATE OF TEXAS SHALL CONTROL THE INTERPRETATION AND PERFORMANCE OF THE TERMS OF THE PLAN. THE PLAN IS NOT INTENDED TO QUALIFY UNDER SECTION 401(a) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR TO COMPLY WITH THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED.

EXECUTED this 7th day of September, 2000.

HALLIBURTON COMPANY

By: /s/ David J. Lesar

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

NONSTATUTORY STOCK OPTION AGREEMENT
GRANTED [DATE]

Grantee: [NAME] ("Director")

Aggregate Number of Shares Subject to Option: -----

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 [DATE].

Director Signature Date

Please sign in the space indicated above to indicate your acceptance of this Option grant. RETURN THIS PAGE TO:

SUSAN 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)

NONSTATUTORY STOCK OPTION AGREEMENT
TERMS AND CONDITIONS

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

To carry out the purposes of the HALLIBURTON COMPANY 1993 STOCK AND LONG-TERM INCENTIVE PLAN (the "Plan"), by affording Director 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 Director hereby agree as follows:

1. Grant of Option. The Company hereby irrevocably grants to Director 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 \$ _____ 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 beginning six months after the date of grant hereof.

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

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

Except as provided above, this Option may be exercised only while Director remains a director of the Company, subject to the following exceptions:

(a) If Director dies while serving as a member of the Board of Directors of the Company, Director'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 Director, may exercise this Option in full at any time prior to the Expiration Date (as defined below) or within three years following the date of Director's death, whichever is shorter.

(b) If Director's service on the Board terminates for any reason other than death, this Option may be exercised in full by Director at any time prior to the Expiration Date or within three years following such termination of service, whichever is shorter, or by Director'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 Director) during the remainder of the foregoing period if Director dies during such period.

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

Director agrees that the shares of Stock which Director 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. Director 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.

5. 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 Director.

6. 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 Director has executed this Agreement, all as of the day and year first above written.

HALLIBURTON COMPANY

By: _____
Name: _____
Title: _____

FIRST AMENDMENT TO
HALLIBURTON ELECTIVE DEFERRAL PLAN

WHEREAS, Halliburton Company (the "Company") has heretofore adopted the Halliburton Elective Deferral Plan (the "Plan"); and

WHEREAS, the Plan was amended and restated effective January 1, 2000;

WHEREAS, the Company desires to amend the Plan;

NOW, THEREFORE, the Plan is hereby amended as follows:

I. Effective as of October 1, 2000:

1. The following new Section 1.1(11A) and 1.1(11B) shall be added to the Plan immediately following Section 1.1(11):

(11A) Eligible Employee: Any Employee who is (1) a permanent Full-Time Active Employee, (2) subject to the income tax laws of the United States, and (3) an officer or member of a select group of highly compensated employees of the Employer.

(11B) Employee: Any person employed by the Employer.

2. The following new Section 1.1(12A) shall be added to the Plan immediately following Section 1.1(12):

(12A) Full-Time Active Employee: An Employee whose employment with the Employer requires, and who regularly and actively performs, 30 or more hours of service for the Employer each week at a usual place of business of the Employer or at a location to which such Employee is required or permitted to travel on behalf of the Employer for which such Employee is paid regular compensation.

3. Article II of the Plan shall be deleted and replaced with the following:

II.

Participation

2.1 Participation. Participants in the Plan are those Eligible Employees who are selected by the Committee, in its sole discretion, as Participants. The Committee shall notify each Participant of his selection as a Participant. Subject to the provisions of Section 2.2, a Participant shall remain eligible to defer Base Salary and/or Bonus Compensation hereunder for each Plan Year following his initial year of participation in the Plan.

2.2 Cessation of Active Participation. Notwithstanding any provision herein to the contrary, an individual who has become a Participant in the Plan shall cease to be entitled to defer Base Salary and/or Bonus Compensation hereunder effective as of the date he ceases to be an Eligible Employee or any earlier date designated by the Committee. Any such Committee action shall be communicated to the affected individual prior to the effective date of such action.

II. Effective as of January 1, 2001:

1. The first sentence of Section 3.1(a) of the Plan shall be deleted and replaced with the following:

Any participant may elect to defer receipt of an integral percentage of from 5% to 75% of his Base Salary, in 5% increments, for any Plan Year.

2. The first sentence of Section 3.2 of the Plan shall be deleted and replaced with the following:

Any Participant may elect to defer receipt of an integral percentage of from 5% to 75% of his Bonus Compensation, in 5% increments, for any Plan Year.

III. As amended hereby, the Plan is specifically ratified and reaffirmed.

EXECUTED this 13th day of September, 2000.

HALLIBURTON COMPANY

By: /s/ David J. Lesar

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

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

1,000,000
U.S. Dollars

9-mos		
Dec-31-2000		310
Jan-01-2000		0
Sep-30-2000	3,594	3,594
1	0	0
	774	774
	5,377	5,377
		5,482
	3,155	3,155
	9,897	9,897
2,803		1,049
0		0
		1,132
		3,543
9,897		1,169
	8,751	8,751
		1,038
	8,132	8,132
	(88)	(88)
	0	0
	104	104
	363	363
		140
209		287
		0
		0
		496
		1.12
		1.11