AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 19, 2004

REGISTRATION NO. 333-112977

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2

TO

FORM S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

HALLIBURTON COMPANY
(Exact name of registrant as specified in its charter)

DELAWARE	1389	76-2677995
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

1401 MCKINNEY STREET, SUITE 2400 HOUSTON, TEXAS 77010 (713) 759-2600 (Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)	ALBERT O. CORNELISON, JR. EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL HALLIBURTON COMPANY 1401 MCKINNEY STREET, SUITE 2400 HOUSTON, TEXAS 77010 (713) 759-2600 (Name, address, including zip code, and telephone number, including area code, of agent for service)

COPY TO:

DARRELL W. TAYLOR BAKER BOTTS L.L.P. 910 LOUISIANA STREET HOUSTON, TEXAS 77002-4995 (713) 229-1234	ANDREW M. BAKER BAKER BOTTS L.L.P. 2001 ROSS AVENUE DALLAS, TEXAS 75201-2980 (214) 953-6500

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE PUBLIC: As soon as practicable following the effectiveness of this registration statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL

FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

- ---

- ---

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED JULY 19, 2004

PROSPECTUS

(HALLIBURTON LOGO)

$500,000,000

HALLIBURTON COMPANY

OFFER TO EXCHANGE
REGISTERED
SENIOR NOTES DUE JANUARY 26, 2007
FOR ALL OUTSTANDING
SENIOR NOTES DUE JANUARY 26, 2007

THE NEW NOTES:

- - will be freely tradeable;

- - are otherwise substantially identical to the outstanding notes;

- - will accrue interest at the same rates as the outstanding notes, payable quarterly on each January 26, April 26, July 26 and October 26, beginning April 26, 2004;

- - will be unsecured senior obligations of Halliburton and will rank equally with all of Halliburton's existing and future unsecured senior indebtedness;

- - will have a junior position to the claims of creditors on the assets and earnings of Halliburton's subsidiaries; and

- - will not be listed on any securities exchange or on any automated dealer quotation system, but may be sold in the over-the-counter market, in negotiated transactions or through a combination of those methods.

THE EXCHANGE OFFER:

- - expires at 5:00 p.m., New York City time, on , 2004, unless extended; and

- - is not conditioned on any minimum aggregate principal amount of outstanding notes being tendered.

IN ADDITION, YOU SHOULD NOTE THAT:

- - all outstanding notes that are validly tendered and not validly withdrawn will be exchanged for an equal principal amount of new notes that are registered under the Securities Act of 1933;

- - tenders of outstanding notes may be withdrawn any time before the expiration of the exchange offer;

- - the exchange of outstanding notes for new notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes; and

- - the exchange offer is subject to customary conditions, which we may waive in our sole discretion.

YOU SHOULD CONSIDER CAREFULLY THE RISK FACTORS BEGINNING ON PAGE 13 OF THIS PROSPECTUS BEFORE PARTICIPATING IN THE EXCHANGE OFFER.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE NEW NOTES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DATE OF THIS PROSPECTUS IS , 2004.

YOU SHOULD RELY ONLY ON THE INFORMATION WE HAVE PROVIDED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANY PERSON (INCLUDING ANY SALESMAN OR BROKER) TO PROVIDE YOU WITH ADDITIONAL OR DIFFERENT INFORMATION. WE ARE NOT MAKING AN OFFER OF THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER IS NOT PERMITTED. YOU SHOULD ASSUME THAT THE INFORMATION IN THIS PROSPECTUS IS ACCURATE ONLY AS OF THE DATE ON THE FRONT OF THIS PROSPECTUS AND THAT ANY INFORMATION WE HAVE INCORPORATED BY REFERENCE IS ACCURATE ONLY AS OF THE DATE OF THE DOCUMENT INCORPORATED BY REFERENCE.

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

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 prospectus and the documents incorporated by reference herein are forward-looking and use words like "may," "may not," "believe," "do not believe," "expect," "do not expect," "plan," "does not plan," "anticipate," "do not anticipate," and other expressions. We may also provide oral or written forward-looking information in other materials we release to the public. Forward-looking information involves risks and uncertainties and reflects our best judgment based on current information. Our results of operations can be affected by inaccurate assumptions we make or by known or unknown risks and uncertainties. In addition, other factors may affect the accuracy of our forward-looking information. As a result, the accuracy of our forward-looking information cannot 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 the risks described in "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2003, as amended by Forms 10-K/A filed on March 15 and May 12, 2004, and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.

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

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), pursuant to which we file annual, quarterly and current reports, proxy statements and other information with the SEC. You can read and copy any materials we file with the SEC at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. You also can obtain additional information about the operation of the SEC's public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site that contains information we file electronically with the SEC, which you can access over the Internet at www.sec.gov, and our electronic SEC filings are also available from our web site at www.halliburton.com. Information contained on our web site or any other web site is not incorporated into this prospectus and does not constitute a part of this prospectus. You can also obtain information about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The following documents are incorporated into this prospectus by this reference. They disclose important information that each holder should consider when deciding whether to participate in the exchange offer.

- Our Annual Report on Form 10-K for the year ended December 31, 2003, as amended by Forms 10-K/A filed on March 15 and May 12, 2004;

- Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2004; and

- The Item 5 disclosure in our Current Reports on Form 8-K dated May 5, May 18, June 11, June 18 and June 29, 2004.

All documents we file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and prior to the termination of the offering are also incorporated by reference in this prospectus. Information incorporated by reference is considered to be a part of this prospectus, and later information filed with the SEC prior to the termination or closing of the exchange offer will automatically update and supersede this information.

We will provide without charge to each person to whom a copy of this prospectus has been delivered, upon the written or oral request of such person, a copy of any and all of the documents that have been or may be incorporated by reference in this prospectus, except that exhibits to such documents will not be provided unless they are specifically incorporated by reference into such documents. Requests for copies of any such document should be directed to:

Halliburton Company
1401 McKinney, Suite 2400
Houston, Texas 77010
Attention: Albert O. Cornelison, Jr.
Executive Vice President and General Counsel
Telephone: (713) 759-2600

To obtain timely delivery of any of our documents, you must make your request to us no later than , 2004. The exchange offer will expire at 5:00 p.m., New York City time, on , 2004. The exchange offer can be extended by us in our sole discretion, but we currently do not intend to extend the expiration date. See the caption "The Exchange Offer" for more detailed information.

Notwithstanding the foregoing paragraph, if at any time during the two-year period following the date of original issue of the notes we are not subject to the information requirements of Section 13 or 15(d) of the Exchange Act, we will furnish to holders of the notes the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act in order to permit compliance with Rule 144A in connection with resales of such notes.

PROSPECTUS SUMMARY

The following summary should be read together with the information contained in other parts of this prospectus and the documents we incorporate by reference. You should carefully read this prospectus and the documents we incorporate by reference to fully understand the terms of the new notes as well as the tax and other considerations that are important to you in making a decision about whether to participate in the exchange offer. In this prospectus, we refer to Halliburton Company and its subsidiaries as "we," "us," "our" or "Halliburton," unless we specifically indicate otherwise or the context clearly indicates otherwise.

HALLIBURTON COMPANY

GENERAL DESCRIPTION OF BUSINESS

We are one of the world's largest oilfield services companies and a leading provider of engineering and construction services. We had total revenues for the year ended December 31, 2003 of approximately $16.3 billion and total revenues for the three months ended March 31, 2004 of approximately $5.5 billion.

Our five business segments are organized around how we manage our business: Drilling and Formation Evaluation, Fluids, Production Optimization, Landmark and Other Energy Services and the Engineering and Construction Group. We sometimes refer to the combination of Drilling and Formation Evaluation, Fluids, Production Optimization and Landmark and Other Energy Services segments as the Energy Services Group. Through our Energy Services Group, we provide a wide range of services and products, as well as integrated solutions to customers for the exploration, development and production of oil and gas. The Energy Services Group serves major, national and independent oil and gas companies throughout the world. Our Engineering and Construction Group (known as KBR) provides a wide range of services to energy and industrial customers and governmental entities worldwide.

DRILLING AND FORMATION EVALUATION

Our Drilling and Formation Evaluation segment is primarily involved in drilling and evaluating the formations related to bore-hole construction and initial oil and gas formation evaluation. The products and services in this segment incorporate integrated technologies, which offer synergies related to drilling activities and data gathering. The segment consists of drilling services, including directional drilling and measurement-while-drilling/logging-while-drilling; logging services; and drill bits. Included in this business segment are Sperry-Sun, logging and perforating and Security DBS. Also included is our Mono Pumps business, which we disposed of in the first quarter of 2003.

FLUIDS

Our Fluids segment focuses on fluid management and technologies to assist in the drilling and construction of oil and gas wells. Drilling fluids are used to provide for well control, drilling efficiency, and as a means of removing wellbore cuttings. Cementing services provide zonal isolation to prevent fluid movement between formations, ensure a bond to provide support for the casing, and provide wellbore reliability. Our Baroid and cementing product lines, along with our equity method investment in Enventure Global Technology, LLC, an expandable casing joint venture, are included in this segment.

PRODUCTION OPTIMIZATION

Our Production Optimization segment primarily tests, measures and provides means to manage and/or improve well production once a well is drilled and, in some cases, after it has been producing. This segment consists of:

- production enhancement services (including fracturing, acidizing, coiled tubing, hydraulic workover, sand control and pipeline and process services);

- completion products (including well completion equipment, slickline and safety systems);

- tools and testing services (including underbalanced applications, tubing-conveyed perforating and testing services);

- subsea operations conducted in our 50% owned company, Subsea 7, Inc.; and

- intelligent well completion services conducted by our 51% owned joint venture, WellDynamics.

LANDMARK AND OTHER ENERGY SERVICES

Our Landmark and Other Energy Services segment provides integrated exploration and production software information systems, consulting services, real-time operations and other integrated solutions. Included in this business segment are Landmark Graphics, integrated solutions and Real Time Operations. Also included are Wellstream, Bredero-Shaw and European Marine Contractors Ltd., all of which have been sold.

ENGINEERING AND CONSTRUCTION GROUP

Our Engineering and Construction Group provides engineering, procurement, construction, project management and facilities operation and maintenance for oil and gas and other industrial and governmental customers. Our Engineering and Construction Group offers:

- onshore engineering and construction activities, including engineering and construction of liquefied natural gas, ammonia and crude oil refineries and natural gas plants;

- offshore deepwater engineering and marine technology and worldwide construction capabilities;

- government operations, construction, maintenance and logistics activities for government facilities and installations;

- plant operations, maintenance and start-up services for both upstream and downstream oil, gas and petrochemical facilities as well as operations, maintenance and logistics services for the power, commercial and industrial markets; and

- civil engineering, consulting and project management services.

PROPOSED PLAN OF REORGANIZATION

DII Industries, LLC, Kellogg Brown & Root Inc. and six other subsidiaries filed Chapter 11 proceedings on December 16, 2003 in bankruptcy court in Pittsburgh, Pennsylvania. The cases have been assigned to the Honorable Judith K. Fitzgerald. On May 10, 2004, the bankruptcy court completed hearings on confirmation of the proposed plan of reorganization. On July 16, 2004, the bankruptcy court issued an order confirming the plan of reorganization. We are currently reviewing and may seek clarification of portions of the order. We expect that, by the end of the summer 2004, the district court will affirm the order issued by the bankruptcy court.

The bankruptcy court also issued an order denying standing to insurance carriers' objections to confirmation of the plan of reorganization except on limited issues. The insurers have the right to appeal this order. These appeals could be withdrawn if proposed insurance settlements, including those discussed below under "-- Other Recent Developments -- Agreements in Principle with Insurance Carriers," become effective.

The proposed plan of reorganization provides that, if and when an order confirming the proposed plan of reorganization becomes final and non-appealable:

- up to approximately $2.3 billion in cash, 59.5 million shares of Halliburton common stock (valued at approximately $1.7 billion for accrual purposes using a stock price of $29.37 per share, which is based on the average trading price for the five days immediately prior to and including March 31, 2004) and notes currently valued at approximately $52.0 million will be contributed to trusts for the benefit of current and future asbestos and silica personal injury claimants; and

- the trust for asbestos claimants will receive a payment equal to the amount of insurance recoveries received by DII Industries and Kellogg Brown & Root if and to the extent aggregate recoveries exceed $2.3 billion, subject to a cap of $700.0 million to be paid to the trust out of insurance recoveries. However, if the proposed settlements with our insurance carriers described below under "-- Other Recent Developments -- Agreements in Principle with Insurance Carriers" are completed on the terms announced or proposed, insurance recoveries will not exceed $2.3 billion.

In connection with reaching an agreement with representatives of asbestos and silica claimants to limit the cash required to settle pending claims to $2.775 billion, DII Industries paid $311.0 million to the claimants in December 2003. Halliburton also agreed to guarantee the payment of certain claims, and, in accordance with settlement agreements, Halliburton made additional payments of $119.0 million (plus $4.0 million in additions in lieu of interest) in June 2004. We expect Halliburton to pay an additional approximately $50.0 million in pending claims under these settlement agreements 30 days after the proposed plan of reorganization becomes final and non-appealable. We may not be entitled to reimbursement for these payments if the proposed plan of reorganization does not become effective in accordance with its terms.

OTHER RECENT DEVELOPMENTS

AGREEMENTS IN PRINCIPLE WITH INSURANCE CARRIERS

In May 2004, we entered into non-binding agreements in principle with representatives of the London Market insurance carriers that, if implemented, would settle insurance disputes with substantially all the solvent London Market insurance carriers for asbestos- and silica-related claims and all other claims under the applicable insurance policies. These agreements in principle are subject to board of directors' approval of all parties, agreement by all remaining London Market insurers, and an order by the bankruptcy court confirming our proposed plan of reorganization that has become final and non-appealable.

We also expect to shortly enter into a non-binding agreement in principle with our solvent domestic insurance carriers that, if implemented, would settle asbestos- and silica-related claims and all other claims under the applicable insurance policies and terminate all the applicable insurance policies. This agreement in principle would be subject to board of directors' approval of all parties, agreement by Federal-Mogul Products, Inc., approval by the Federal-Mogul bankruptcy court, and an order by the bankruptcy court confirming our proposed plan of reorganization that has become final and non-appealable.

These proposed settlements with our insurance carriers are subject to numerous conditions, including the conditions of the previously announced Equitas settlement, which includes the condition that the United States Congress does not pass national asbestos litigation reform legislation before January 5, 2005. Although we are working toward implementation of these proposed settlements, there can be no assurance that the transactions contemplated by these agreements in principle can be completed on the terms announced.

Under the terms of our announced insurance settlements and proposed insurance settlements, we expect to receive cash proceeds with a present value of approximately $1.4 billion for our asbestos- and silica-related insurance receivables. Our December 31, 2003 estimate of our asbestos- and silica-related insurance receivables already included the charge for the settlement amount under the Equitas agreement reached in January 2004, as well as certain other probable settlements with carriers for which we could reasonably estimate the amount of the settlement. In the second quarter of 2004, we reduced the amount recorded as insurance receivables for asbestos- and silica-related liabilities insured by domestic carriers, resulting in a pre-tax charge to discontinued

operations of approximately $680.0 million.

BARRACUDA-CARATINGA OPERATING LOSSES

In June 2004, we announced that we will take additional operating losses on our Barracuda-Caratinga project in the second quarter of 2004 of approximately $200.0 million after tax ($310.0 million before tax). The additional charge follows a detailed review of the project, indicating higher cost estimates, schedule delays and increased contingencies for the balance of the project until completion. See "Risk Factors -- Risks

Relating to Our Business -- The Barracuda-Caratinga project is currently behind schedule, has substantial cost overruns and will likely result in liquidated damages payable by us and our inability to recover our costs associated with the project."

NEW REVOLVING CREDIT FACILITY

In July 2004, we entered into a new secured $500.0 million 364-day revolving credit facility for general working capital purposes with terms substantially similar to our existing $700.0 million revolving credit facility. See "Description of Selected Settlement-Related Indebtedness."

ESG SECURITIZATION FACILITY

In June 2004, we sold undivided interests in specified receivables totaling $268.0 million under our Energy Services Group securitization facility. For additional information about this, please see Note 6 of the consolidated financial statements in our Annual Report on Form 10-K/A for the year ended December 31, 2003 filed on May 12, 2004.

KBR RECEIVABLES PURCHASE AGREEMENT

In May 2004, Kellogg Brown & Root Services, Inc. entered into an agreement to sell, assign and transfer its entire title and interest in specified accounts receivable to a third party. The face value of the receivables sold to the third party will be reflected as a reduction of accounts receivable in our consolidated balance sheets. The amount of receivables that can be sold under the facility varies based on the amount of eligible KBR receivables at any given time and other factors. However, each receivable sold pursuant to this agreement must have a net face value (as defined in this agreement) of at least $500,000, and the maximum amount that may be outstanding under this agreement at any given time is $650.0 million. The total amount of receivables sold under this agreement as of July 15, 2004 was approximately $450.0 million.

We are a Delaware corporation. Our principal executive offices are located at 1401 McKinney, Suite 2400, Houston, Texas 77010, and our telephone number at that address is (713) 759-2600.

SUMMARY OF THE EXCHANGE OFFER

On January 26, 2004, we completed a private offering of $500.0 million of unregistered senior notes due January 26, 2007. We are now offering to exchange registered and freely tradeable notes with substantially identical terms as your outstanding notes in exchange for properly tendered outstanding notes.

This prospectus and the accompanying documents contain detailed information about us, the new notes and the exchange offer. You should read the discussion under the heading "The Exchange Offer" for further information regarding the exchange offer and resale of the new notes. You should read the discussion under the headings "-- Summary of the Terms of the New Notes" and "Description of New Notes" for further information regarding the new notes.

The Exchange Offer.....	We are offering to issue to you new registered senior notes due January 26, 2007 without transfer restrictions, which we sometimes refer to as the "new notes," in exchange for a like amount of your outstanding unregistered senior notes due January 26, 2007, which we sometimes refer to as the "outstanding notes."
Expiration Date.....	Unless sooner terminated, the exchange offer will expire at 5:00 p.m., New York City time, on , 2004, or at a later date and time to which we extend it. We do not currently intend to extend the expiration date.
Conditions to the Exchange Offer.....	We will not be required to accept outstanding notes for exchange if the exchange offer would violate applicable law or if any legal action has been instituted or threatened that would impair our ability to proceed with the exchange offer. The exchange offer is not conditioned on any minimum aggregate principal amount of outstanding notes being tendered. The exchange offer is subject to customary conditions, which we may waive in our sole discretion. Please read the section "The Exchange Offer -- Conditions to the Exchange Offer" for more information regarding the conditions to the exchange offer.
Procedures for Tendering Outstanding Notes.....	If you wish to participate in the exchange offer, you must complete, sign and date the letter of transmittal and mail or deliver the letter of transmittal, together with your outstanding notes, to the exchange agent prior to the expiration date. If your outstanding notes are held through The Depository Trust Company, or DTC, you may deliver your outstanding notes by book-entry transfer. In the alternative, if your outstanding notes are held through DTC and you wish to participate in the exchange offer, you may do so through the automated tender offer program of DTC. If you tender under this program, you will agree to be bound by the letter of transmittal that we are providing with this prospectus as though you had signed the letter of transmittal. By signing or agreeing to be bound by the letter of transmittal, you will represent to us, among other things, that: - you are not our "affiliate," as defined in Rule 405 of the Securities Act of 1933, or a broker-dealer tendering outstanding notes acquired directly from us for your own account;

	- if you are not a broker-dealer or are a broker-dealer but will not receive new notes for your own account, you are not engaged in and do not intend to participate in a distribution of the new notes; - you have no arrangement or understanding with any person to participate in the distribution of the new notes or the outstanding notes within the meaning of the Securities Act; - you are acquiring the new notes in the ordinary course of your business; and - if you are a broker-dealer that will receive new notes in exchange for outstanding notes, you acquired the outstanding notes to be exchanged for new notes for your own account as a result of market-making activities or other trading activities, and you acknowledge that you will deliver a prospectus, as required by law, in connection with any resale of any new notes. Please see "The Exchange Offer -- Purpose and Effect of the Exchange Offer" and "The Exchange Offer -- Your Representations to Us."
Withdrawal Rights.....	You may withdraw outstanding notes that have been tendered at any time prior to the expiration date by sending a written or facsimile withdrawal notice to the exchange agent.
Procedures for Beneficial Owners.....	Only a registered holder of the outstanding notes may tender in the exchange offer. If you beneficially own outstanding notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your outstanding notes in the exchange offer, you should promptly contact the registered holder and instruct it to tender the outstanding notes on your behalf. If you wish to tender your outstanding notes on your own behalf, you must either arrange to have your outstanding notes registered in your name or obtain a properly completed bond power from the registered holder before completing and executing the letter of transmittal and delivering your outstanding notes. The transfer of registered ownership may take considerable time.
Guaranteed Delivery Procedures.....	If you wish to tender your outstanding notes and cannot comply before the expiration date with the requirement to deliver the letter of transmittal and notes or use the applicable procedures under the automated tender offer program of DTC, you must tender your outstanding notes according to the guaranteed delivery procedures described in "The Exchange Offer -- Guaranteed Delivery Procedures." If you tender using the guaranteed delivery procedures, the exchange agent must receive the properly completed and executed letter of transmittal or facsimile thereof, together with your outstanding notes or a book-entry confirmation and any other documents required by the letter of transmittal, within three New York Stock Exchange trading days after the expiration date.

Consequences of Failure to Exchange Your Notes.....	If you do not exchange your outstanding notes in the exchange offer, you will no longer be entitled to registration rights. You will not be able to offer or sell the outstanding notes unless they are later registered, sold pursuant to an exemption from registration or sold in a transaction not subject to the Securities Act or state securities laws. Other than in connection with the exchange offer or as specified in the registration rights agreement, we are not obligated to, nor do we currently anticipate that we will register the outstanding notes under the Securities Act. See "The Exchange Offer -- Consequences of Failure to Exchange."
United States Federal Income Tax Considerations.....	The exchange of new notes for outstanding notes in the exchange offer will not be a taxable event for United States federal income tax purposes. Please read "Material United States Federal Income Tax Consequences."
Use of Proceeds.....	We will not receive any cash proceeds from the issuance of new notes.
Plan of Distribution.....	All broker-dealers who receive new notes in the exchange offer have a prospectus delivery obligation. Based on SEC no-action letters, broker-dealers who acquired the outstanding notes as a result of market-making or other trading activities may use this exchange offer prospectus, as supplemented or amended, in connection with the resales of the new notes. We have agreed to make this prospectus available to any broker-dealer delivering a prospectus as required by law in connection with resales of the notes for up to 180 days. Broker-dealers who acquired the outstanding notes from us may not rely on SEC staff interpretations in no-action letters. Broker-dealers who acquired the outstanding notes from us must comply with the registration and prospectus delivery requirements of the Securities Act, including being named as selling noteholders, in order to resell the outstanding notes or the new notes.

THE EXCHANGE AGENT

We have appointed JPMorgan Chase Bank as exchange agent for the exchange offer. You should direct questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for the notice of guaranteed delivery to the exchange agent addressed as follows:

JPMorgan Chase Bank
1-800-275-2048

For Delivery by Mail, Overnight Delivery or by Hand:

JPMorgan Chase Bank
2001 Bryan Street
Floor 10
Dallas, Texas 75201
Attn: Frank Ivins

By Facsimile Transmission (for eligible institutions only):

(214) 468-6494

Attn: Frank Ivins

To Confirm Receipt:

(214) 468-6464

SUMMARY OF THE TERMS OF THE NEW NOTES

The new notes will be freely tradeable and otherwise substantially identical to the outstanding notes. The new notes will evidence the same debt as the outstanding notes. The outstanding notes and the new notes will be governed by the same indenture.

Issuer.....	Halliburton Company.
New Notes Offered.....	$500,000,000 aggregate principal amount of registered senior notes due January 26, 2007.
Maturity Date.....	The new notes will mature on January 26, 2007, unless earlier redeemed by us.
Interest and Interest Payment Dates.....	The new notes will bear interest at a floating rate equal to three-month LIBOR plus 0.75%. Interest on the new notes will be payable quarterly on the 26th day of January, April, July and October of each year, beginning April 26, 2004.
Optional Redemption.....	On January 26, 2005, or on any quarterly interest payment date thereafter, we will have the option to redeem for cash all or a portion of the notes that have not been previously repurchased upon not less than 30 nor more than 60 days' notice before the redemption date by mail to the trustee and each holder of notes, for a price equal to 100% of the aggregate principal amount of the notes to be redeemed plus any accrued and unpaid interest and additional interest amounts owed, if any, to the redemption date. See "Description of New Notes -- Optional Redemption."
Covenants.....	We will issue the new notes under an indenture that contains covenants for your benefit. Among other things, these covenants restrict our ability to incur indebtedness secured by liens under specified circumstances without equally and ratably securing the new notes.
Ranking.....	The new notes will be our general, senior unsecured indebtedness and will rank equally with all of our existing and future senior unsecured indebtedness. The new notes will effectively rank junior to any existing or future secured indebtedness, unless and to the extent the new notes are entitled to be equally and ratably secured. As of the date of this prospectus, we had no outstanding advances under our master letter of credit facility or our revolving credit facilities and no other outstanding secured indebtedness. In addition, the new notes will be effectively subordinated to the existing and future indebtedness and other liabilities of our subsidiaries. At March 31, 2004, the aggregate indebtedness of our subsidiaries was approximately $119.0 million, and other liabilities of our subsidiaries, including trade payables, accrued compensation, advanced billings, income taxes payable and other liabilities (other than asbestos and intercompany liabilities) were approximately $5.5 billion, and accrued asbestos and silica liabilities were approximately $4.3 billion. In the fourth quarter of 2003, we entered into (1) a secured master letter of credit facility intended to ensure that existing letters of credit supporting our contracts remain in place during the Chapter 11 proceedings and (2) a secured $700.0 million revolving

	credit facility for general working capital purposes. In July 2004, we entered into an additional secured $500.0 million 364-day revolving credit facility for general working capital purposes with terms substantially similar to our existing $700.0 million revolving credit facility (together with the master letter of credit facility and the $700.0 million revolving credit facility, the "credit facilities"). The terms of the new notes and the terms of the credit facilities provide that the new notes offered hereby and certain of our outstanding debt securities will share in collateral pledged to secure borrowings under the credit facilities if and when the total of all our Secured Debt (as defined in the new notes) exceeds 5% of the consolidated net tangible assets of Halliburton and its subsidiaries. The terms of the credit facilities currently limit the amount of indebtedness we can issue in the future that would be equally and ratably secured with indebtedness under the credit facilities. The credit facilities also provide that the collateral pledged to secure borrowings under the credit facilities will be released after (1) completion of the Chapter 11 plan of reorganization of DII Industries, Kellogg Brown & Root and our other affected subsidiaries and (2) satisfaction of the other conditions described in this prospectus. For additional information, see "Description of Selected Settlement-Related Indebtedness."
No Subsidiary Guarantees.....	While the new notes will not be guaranteed by any of our subsidiaries, borrowings under the credit facilities are guaranteed by some of our subsidiaries. Accordingly, the new notes will be structurally subordinated to the debt guaranteed by our subsidiaries for the duration of the guarantees. The terms of the credit facilities provide that any of these subsidiary guarantees will be released after (1) completion of the Chapter 11 plan of reorganization of DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations and (2) satisfaction of the other conditions described in this prospectus. For additional information, see "Description of Selected Settlement-Related Indebtedness."
Governing Law.....	The indenture is and the new notes will be governed by, and construed in accordance with, the laws of the State of New York.
Trustee.....	JPMorgan Chase Bank.

RISK FACTORS

You should carefully consider all of the information set forth or incorporated by reference in this prospectus and, in particular, the specific factors in the section of this prospectus entitled "Risk Factors," before participating in the exchange offer.

SUMMARY FINANCIAL DATA

The following table sets forth our summary consolidated financial data. We derived the financial data for the three months ended March 31, 2004 from our unaudited condensed consolidated financial statements included in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2004. We derived the financial data for the year ended December 31, 2003 from our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2003, as amended by Forms 10-K/A filed on March 15 and May 12, 2004. You should read this information in conjunction with our consolidated financial statements and the related notes in these reports, which are incorporated into this prospectus by reference.

	THREE MONTHS ENDED MARCH 31, 2004	YEAR ENDED DECEMBER 31, 2003
	(IN MILLIONS)	
REVENUES:		
Energy Services Group		
Drilling and Formation Evaluation	$ 444	$ 1,643
Fluids	535	2,039
Production Optimization	708	2,766
Landmark and Other Energy Services	129	547
Total Energy Services Group	1,816	6,995
Engineering and Construction Group	3,703	9,276
Total	$5,519	$16,271
OPERATING INCOME (LOSS):		
Energy Services Group:		
Drilling and Formation Evaluation	$ 43	$ 177
Fluids	60	251
Production Optimization	82	421
Landmark and Other Energy Services	29	(23)
Total Energy Services Group	214	826
Engineering and Construction Group	(15)	(36)
General corporate	(24)	(70)
Total	$ 175	$ 720
Income from continuing operations before income taxes, minority interest, and change in accounting principle	$ 131	$ 612
Provision for income taxes	(49)	(234)
Minority interest in net income of subsidiaries	(6)	(39)
Income from continuing operations before change in accounting principle	76	339
Loss from discontinued operations, net of tax	(141)	(1,151)
Net loss	(65)	(820)
OTHER FINANCIAL DATA:		
Capital expenditures	$ (130)	$ (515)
Long-term borrowings (repayments), net	490	1,896
Depreciation and amortization expense	132	518

MARCH 31, DECEMBER 31, 2004 2003 --------- ---------- -- (IN MILLIONS) FINANCIAL POSITION: Net working capital..... $ 2,340 $ 1,377 Total assets..... 16,407 15,463 Property, plant and equipment, net..... 2,537 2,526 Long-term debt (including current maturities)..... 3,957 3,437 Shareholders' equity..... 2,472 2,547 Total capitalization and short-term debt..... 6,438 6,002

RATIO OF EARNINGS TO FIXED CHARGES

We have presented in the table below our historical consolidated ratio of earnings to fixed charges for the periods shown.

THREE MONTHS ENDED MARCH 31,	YEARS ENDED DECEMBER 31,				
2004	2003	2002	2001	2000	1999
3.0	4.4	--(a)	5.2	2.3	2.4

- ---

(a) For the year ended December 31, 2002, earnings were inadequate to cover fixed charges by $283.0 million.

For purposes of computing the ratio of earnings to fixed charges: (1) fixed charges consist of interest on debt, amortization of debt discount and expenses and a portion of rental expense determined to be representative of interest and (2) earnings consist of income (loss) from continuing operations before income taxes, minority interest, cumulative effects of accounting changes plus fixed charges as described above, adjusted to exclude the excess or deficiency of dividends over income of 50% or less owned entities accounted for by the equity method.

RISK FACTORS

You should carefully consider the risks described below before participating in the exchange offer. If any of the following risks actually occurs, our business, financial condition and/or results of operations could be materially and adversely affected. In that case, the trading price of the new notes could decline, and you could lose all or part of your investment. You should also carefully consider all information we have included or incorporated by reference into this prospectus. See 'Where You Can Find More Information."

This prospectus and the documents we incorporate by reference also contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this prospectus and in the documents we incorporate by reference.

The risks described herein that apply to the new notes also apply to any outstanding notes not tendered in the exchange offer.

RISKS RELATING TO ASBESTOS AND SILICA LIABILITY

WE MAY BE UNABLE TO FULFILL THE CONDITIONS NECESSARY TO COMPLETE THE PROPOSED PLAN OF REORGANIZATION, AND THERE IS NO ASSURANCE THAT THE PLAN OF REORGANIZATION IN THE CHAPTER 11 PROCEEDINGS OF DII INDUSTRIES, KELLOGG BROWN & ROOT AND OUR OTHER AFFECTED SUBSIDIARIES WILL BE APPROVED AND BECOME EFFECTIVE.

As contemplated by our proposed plan of reorganization, DII Industries, Kellogg Brown & Root and six other subsidiaries (collectively referred to herein as the "debtors") filed Chapter 11 proceedings on December 16, 2003 in bankruptcy court in Pittsburgh, Pennsylvania. Although the bankruptcy court in July 2004 confirmed the proposed plan of reorganization, completion of the plan of reorganization remains subject to several conditions, including the requirements that the federal district court affirm the bankruptcy court's order confirming the plan of reorganization, and that the bankruptcy court and federal district court orders become final and non-appealable. Completion of the proposed plan of reorganization is also conditioned on continued availability of financing on terms acceptable to us in order to allow us to fund the cash amounts to be paid in the plan of reorganization. There can be no assurance that such conditions will be met.

The hearing on confirmation of the proposed plan of reorganization was completed on May 10, 2004 and the bankruptcy court entered an order confirming the plan of reorganization on July 16, 2004. Some of the insurance carriers of DII Industries and Kellogg Brown & Root objected to confirmation of the proposed plan of reorganization and to the extent announced or proposed settlements with these insurance carriers are not finalized or approved by the bankruptcy court, we believe that these insurance carriers may take additional steps to prevent or delay effectiveness of a plan of reorganization, including appealing the rulings of the bankruptcy court. In that event, there can be no assurance that the insurance carriers would not be successful or that such efforts would not result in delays in the reorganization process. There can be no assurance that we will obtain the required judicial approval of the proposed plan of reorganization or any amended plan of reorganization that we may propose if a final order affirming the proposed plan of reorganization is not issued.

If the currently proposed plan of reorganization is not affirmed by the district court and the Chapter 11 proceedings are not dismissed, the debtors could propose a new plan of reorganization. Chapter 11 permits a company to remain in control of its business, protected by a stay of all creditor action, while that company attempts to negotiate and confirm a plan of reorganization with its creditors. However, it is uncertain for how long a period of time the bankruptcy court would permit the debtors to retain their exclusive right to file an amended plan of reorganization. If the debtors are unsuccessful in obtaining confirmation of the currently proposed plan of reorganization or an amended plan of reorganization, the assets of the debtors could be liquidated in the Chapter 11 proceedings, a third party may obtain the right to file a plan of reorganization, the Chapter 11 proceedings could be converted to proceedings under Chapter 7 of the United States

Bankruptcy Code or the cases could be dismissed. In the event of a liquidation of the debtors, or a plan of reorganization proposed by a third party, Halliburton could lose its controlling interest in DII Industries and Kellogg Brown & Root. Moreover, if the plan of reorganization is not confirmed and the debtors have insufficient assets to pay the creditors, Halliburton's assets could be drawn into the liquidation proceedings because Halliburton guarantees certain of the debtors' obligations.

IF PROPOSED FEDERAL LEGISLATION TO PROVIDE NATIONAL ASBESTOS LITIGATION REFORM BECOMES LAW, WE MAY BE REQUIRED TO PAY MORE TO RESOLVE OUR ASBESTOS LIABILITIES THAN WE WOULD HAVE PAID IF THE CHAPTER 11 FILING HAD NOT BEEN MADE, AND OUR SETTLEMENT WITH EQUITAS AND POSSIBLE SETTLEMENTS WITH OTHER INSURANCE CARRIERS MAY NOT BE COMPLETED IF SUCH LEGISLATION IS PASSED BY THE UNITED STATES CONGRESS.

We understand that the United States Congress may consider adopting legislation that would set up a national trust fund as the exclusive means for recovery for asbestos-related disease. We are uncertain as to what contributions we would be required to make to a national trust, if any, although it is possible that they could be substantial and that they could continue for several years. Our level of participation in and contribution to a national trust could be greater or less than it otherwise would have been as a result of having subsidiaries that have filed Chapter 11 proceedings due to asbestos liabilities.

Under the terms of our announced insurance settlements and proposed insurance settlements (see "--Although we are working toward implementation of settlements with our insurance carriers, there can be no assurance that such settlements can be completed on the terms proposed" below), we expect to receive cash proceeds with a present value of approximately $1.4 billion for our asbestos- and silica-related insurance receivables. However, one of the conditions to the effectiveness of our announced and proposed insurance settlements is or, with respect to the proposed settlements, is expected to be, that no law shall be passed by the United States Congress that relates to, regulates, limits or controls the prosecution of asbestos claims in United States state or federal courts or any other forum. If national asbestos litigation legislation in the form presently being considered is passed by the United States Congress on or before January 5, 2005 and becomes law, and our plan of reorganization has become final and non-appealable before passage of the new legislation, we would not receive the $1.4 billion in cash provided by these settlements, but we would retain the rights we currently have against our insurance carriers, which includes coverage with a face amount of more than $3.0 billion.

JUDICIAL RELIEF AGAINST ASBESTOS AND SILICA EXPOSURE MAY NOT BE AS BROAD AS IS CONTEMPLATED BY THE PROPOSED PLAN OF REORGANIZATION, AND A COMPLETED PLAN OF REORGANIZATION MAY NOT ADDRESS ALL ASBESTOS AND SILICA EXPOSURE.

Our proposed plan of reorganization includes resolution of asbestos and silica personal injury claims against DII Industries, Kellogg Brown & Root and their current and former subsidiaries, as well as Halliburton and its subsidiaries and the predecessors and successors of them. While the bankruptcy court issued an order confirming the proposed plan of reorganization in July 2004, the plan of reorganization remains subject to approval by the federal district court, which we expect to occur by the end of summer 2004. No assurance can be given that the court reviewing and approving the plan of reorganization will grant relief as broad as contemplated by the proposed plan of reorganization.

In addition, a confirmed plan of reorganization and injunctions under Section 524(g) and Section 105 of the United States Bankruptcy Code may not apply to protect against all asbestos and silica claims asserted against us in jurisdictions outside the United States. For example, while we have historically not received a significant number of claims outside the United States, any such future claims would be subject to the applicable legal system of the jurisdiction where the claim was made. The enforceability of injunctions under the United States Bankruptcy Code in such jurisdictions is uncertain. In addition, the Section 524(g) injunction would not apply to some claims under workers' compensation arrangements. Although we do not believe that we have material exposure to foreign or workers' compensation claims, there can be no

assurance that material claims would not be made in the future. Further, to our knowledge, the constitutionality of an injunction under Section 524(g) of the United States Bankruptcy Code has not been tested in a court of law. We can provide no assurance that, if the constitutionality is challenged, the injunction would be upheld.

In addition, although we would have other significant affirmative defenses, the injunctions issued under the United States Bankruptcy Code may not cover all silica personal injury claims arising as a result of future silica exposure after the effective date of the proposed plan of reorganization. Moreover, the proposed plan of reorganization does not resolve claims for property damage as a result of materials containing asbestos. Accordingly, although we have historically received no such claims, claims could still be made as to damage to property or property value as a result of asbestos containing products having been used in a particular property or structure.

ALTHOUGH WE ARE WORKING TOWARD IMPLEMENTATION OF SETTLEMENTS WITH OUR INSURANCE CARRIERS, THERE CAN BE NO ASSURANCE THAT SUCH SETTLEMENTS CAN BE COMPLETED ON THE TERMS PROPOSED.

In January 2004, we reached a comprehensive agreement with Equitas to settle our insurance claims against certain underwriters at Lloyd's of London, reinsured by Equitas, for asbestos- and silica-related claims and all other claims under the applicable insurance policies. There are conditions to completion of the settlement with Equitas, and there can be no assurance that this settlement will be completed on the terms announced. We are also negotiating settlement agreements with other insurance carriers. In May 2004, we entered into non-binding agreements in principle with representatives of the London Market insurance carriers that, if implemented, would settle insurance disputes with substantially all the solvent London Market insurance carriers for asbestos- and silica-related claims and all other claims under the applicable insurance policies. The agreements in principle with the London Market insurance carriers are subject to board of directors' approval of all parties, agreement by all remaining London Market insurers, and an order by the bankruptcy court confirming our proposed plan of reorganization that has become final and non-appealable. We also expect to shortly enter into a non-binding agreement in principle with our solvent domestic insurance carriers that, if implemented, would settle asbestos- and silica- related claims and all other claims under the applicable insurance policies and terminate all the applicable insurance policies. The agreement in principle with the domestic insurance carriers would be subject to board of directors' approval of all parties, agreement by Federal-Mogul Products, Inc., approval by the Federal-Mogul bankruptcy court, and an order by the bankruptcy court confirming our proposed plan of reorganization that has become final and non-appealable. These proposed settlements with our insurance carriers are subject to numerous conditions, including the conditions of the Equitas settlement, which include the condition that the United States Congress does not pass national asbestos litigation reform legislation before January 5, 2005.

Under the terms of our announced insurance settlements and proposed insurance settlements, we expect to receive cash proceeds with a present value of approximately $1.4 billion for our asbestos- and silica-related insurance receivables. Our December 31, 2003 estimate of our asbestos- and silica-related insurance receivables already included the charge for the settlement amount under the Equitas agreement reached in January 2004, as well as certain other probable settlements with carriers for which we could reasonably estimate the amount of the settlement. In the second quarter of 2004, we reduced the amount recorded as insurance receivables for asbestos- and silica-related liabilities insured by domestic carriers, resulting in a pre-tax charge to discontinued operations of approximately $680.0 million.

Although we are working toward implementation of these announced and proposed insurance settlements, there can be no assurance that such settlements can be completed on the terms as either announced or proposed. In addition, if we are unable to complete our announced and proposed insurance settlements, we may be unable to recover, or we may be delayed in recovering, insurance reimbursements related to asbestos and silica claims due to, among other things:

- the inability or unwillingness of insurers to timely reimburse for claims in the future;

- disputes as to documentation requirements for DII Industries, Kellogg Brown & Root or other subsidiaries in order to recover claims paid;

- the inability to access insurance policies shared with, or the dissipation of shared insurance assets by, Harbison-Walker Refractories Company, Federal Mogul Products or others;

- the possible insolvency or reduced financial viability of our insurers;

- the cost of litigation to obtain insurance reimbursement; and

- possible adverse court decisions as to our rights to obtain insurance reimbursement.

PROLONGED CHAPTER 11 PROCEEDINGS OF SOME OF OUR SUBSIDIARIES MAY NEGATIVELY AFFECT THEIR ABILITY TO OBTAIN NEW BUSINESS AND CONSEQUENTLY MAY HAVE A NEGATIVE IMPACT ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Because our financial condition and our results of operations depend on distributions from our subsidiaries, any prolonged Chapter 11 proceedings of those subsidiaries, including DII Industries and Kellogg Brown & Root, may have a negative impact on our cash flow and distributions from those subsidiaries. These subsidiaries are not able to make distributions of profits to Halliburton during the Chapter 11 proceedings without court approval. In addition, the Chapter 11 proceedings could materially and adversely affect the ability of our subsidiaries in Chapter 11 proceedings to obtain new orders from current or prospective customers. As a result of any prolonged Chapter 11 proceedings, some current and prospective customers, suppliers and other vendors may assume that our subsidiaries are financially weak and will be unable to honor obligations, making those customers, suppliers and other vendors reluctant to do business with our subsidiaries. In particular, some governments may be unwilling to conduct business with a subsidiary in a Chapter 11 proceeding. Consequently, our financial condition and results of operations could be materially and adversely affected.

Further, prolonged Chapter 11 proceedings could materially and adversely affect the relationship that DII Industries, Kellogg Brown & Root and their subsidiaries involved in the Chapter 11 proceedings have with their customers, suppliers and employees, which in turn could materially and adversely affect their competitive positions, financial conditions and results of operations. A weakening of their financial conditions and results of operations could materially and adversely affect their ability to implement the plan of reorganization.

FEDERAL BANKRUPTCY LAW AND STATE STATUTES MAY, UNDER SPECIFIC CIRCUMSTANCES, VOID PAYMENTS MADE BY OUR SUBSIDIARIES TO US AND VOID PRINCIPAL AND INTEREST PAYMENTS MADE BY US.

Under federal bankruptcy law and various state fraudulent transfer laws, payments and distributions made by our subsidiaries participating in the Chapter 11 proceedings prior to the Chapter 11 filing could, under specific circumstances, be avoided as preferential transfers if the statutory requirements with respect to the recovery of avoidable preferential transfers are met. It is also possible that claims may be brought against transferees of the debtors for the recovery of distributions made by such debtors under the state fraudulent conveyance laws or the provisions for the recovery of fraudulent conveyance contained in the United States Bankruptcy Code. Since we rely primarily on dividends from our subsidiaries and other intercompany transactions to meet our obligations for payment of principal and interest on our outstanding debt obligations, any voidance of such payments made to us by our subsidiaries could limit our ability to make principal and interest payments on the new notes. Dividend payments from DII Industries to us could also, under specific circumstances, be voided as illegal dividends, fraudulent transfers or conveyances to the extent that a court determines that DII Industries was insolvent at the time these dividend payments were made. Furthermore, during the DII Industries Chapter 11 proceeding, DII Industries likely will be unable to make any dividend or other payments to us. The occurrence of these events may severely limit our ability to meet our obligations for payment of principal and interest on the new notes.

A COURT COULD DETERMINE THAT THE DISTRIBUTION OF HALLIBURTON ENERGY SERVICES STOCK TO HALLIBURTON WAS A FRAUDULENT TRANSFER UNDER STATE LAW OR FEDERAL BANKRUPTCY LAW WHICH WOULD IMPAIR OUR ABILITY TO MAKE PAYMENTS ON THE NEW NOTES.

Just prior to the filing of Chapter 11 proceedings, Halliburton Energy Services, Inc. was a wholly owned subsidiary of DII Industries. As part of the plan of reorganization, prior to its Chapter 11 filing, DII Industries distributed all of the capital stock of Halliburton Energy Services to

Halliburton. Halliburton then distributed all of its ownership interests in DII Industries to Halliburton Energy Services, after which DII Industries became a wholly owned subsidiary of Halliburton Energy Services.

Although the transfer was disclosed in, among other documents, the disclosure statement for the proposed plan of reorganization, which on July 16, 2004 was confirmed by the bankruptcy court, if the proposed plan of reorganization does not become effective, it is possible that a claim may be made by a person with standing to assert such claim that the transfer of Halliburton Energy Services capital stock to Halliburton by DII Industries prior to the Chapter 11 filing constitutes a fraudulent transfer. If a court were to determine that the distribution of Halliburton Energy Services stock by DII Industries to Halliburton constituted a fraudulent transfer, then Halliburton Energy Services may be required to remain a subsidiary of DII Industries or we may be required to pay the creditors the lesser of the relevant value of (1) the avoided transfer (in this case the value of the Halliburton Energy Services stock) or obligation and (2) the amount necessary to satisfy the claims of the creditors. It is also possible that other remedies may be fashioned by the court adjudicating such fraudulent conveyance claims. Due to bankruptcy rules which are applicable to DII Industries under the Chapter 11 proceedings and that limit or prohibit the payment of dividends or other distributions by DII Industries and its subsidiaries (including Halliburton Energy Services, if Halliburton Energy Services were to remain a subsidiary of DII Industries), we would effectively be prohibited from receiving funds from Halliburton Energy Services during any period of time in which DII Industries is in Chapter 11 proceedings. The occurrence of this event could severely limit our ability to meet our obligations for payment of principal and interest on the new notes and our other debt instruments.

The successful prosecution of a claim by or on behalf of a debtor or its creditor under the applicable fraudulent transfer laws generally would require a determination that the debtor effected a transfer of an asset or incurred an obligation to an entity either:

- with an actual intent to hinder, delay or defraud its existing or future creditors (a case of "actual fraud"); or

- in exchange otherwise than for a "reasonably equivalent" value or a "fair consideration," and that the debtor:

  - was insolvent or rendered insolvent by reason of the transfer or incurrence;

  - was engaged or about to engage in a business or transaction for which its remaining assets would constitute unreasonably small capital; or

  - intended to incur, or believed that it would incur, debts beyond its ability to pay as they mature (a case of "constructive fraud").

In the case of either actual fraud or constructive fraud, the unsecured creditors affected thereby might be entitled to equitable relief against the transferee of the assets or the obligee of the incurred obligation in the form of a recovery of the lesser of (1) the relevant value of the avoided transfer or obligation or (2) the amount necessary to satisfy their claims.

The measure of insolvency for purposes of a constructive-fraud action would depend on the fraudulent transfer law being applied. Generally, an entity would be considered insolvent if either, at the relevant time:

- the sum of its debts and liabilities, including contingent liabilities, was greater than the value of its assets, at a fair valuation; or

- the fair salable value of its assets was less than the amount required to pay the probable liability on its total existing debts and other liabilities, including contingent liabilities, as they become absolute and mature.

CERTAIN OF OUR LETTERS OF CREDIT HAVE TRIGGERING EVENTS (SUCH AS THE FILING OF CHAPTER 11 PROCEEDINGS BY SOME OF OUR SUBSIDIARIES OR REDUCTIONS IN OUR CREDIT RATINGS) THAT WOULD ALLOW THE BANKS TO REQUIRE CASH COLLATERALIZATION OR ALLOW THE HOLDER TO DRAW UPON THE LETTER OF CREDIT.

We entered into a master letter of credit facility in the fourth quarter of 2003 that is intended to replace any cash collateralization rights of issuers of substantially all our existing letters of credit during the pendency of the Chapter 11 proceedings of DII Industries and Kellogg Brown & Root and our other filing

subsidiaries. The master letter of credit facility is now in effect and governs at least 90% of the face amount of our existing letters of credit. See "Description of Selected Settlement-Related Indebtedness."

Under the master letter of credit facility, if any letters of credit that are covered by the facility are drawn on or before December 31, 2004, the facility will provide the cash needed for such draws, as well as for any collateral or reimbursement obligations, in respect thereof, with any such borrowings being converted into term loans. However, with respect to the letters of credit that are not subject to the master letter of credit facility, we could be subject to reimbursement and cash collateral obligations. In addition, if the proposed plan of reorganization does not become effective in accordance with its terms by December 31, 2004 and we are unable to negotiate a renewal or extension of the master letter of credit facility, the letters of credit that are now governed by that facility will be governed by the arrangements with the banks that existed prior to the effectiveness of the facility. In many cases, those pre-existing arrangements impose reimbursement and/or cash collateral obligations on us and/or our subsidiaries.

Uncertainty may also hinder our ability to access new letters of credit in the future. This could impede our liquidity and/or our ability to conduct normal operations.

A LOWERING OF OUR CREDIT RATINGS WOULD INCREASE OUR BORROWING COST AND MAY RESULT IN OUR INABILITY TO OBTAIN ADDITIONAL FINANCING ON REASONABLE TERMS, TERMS ACCEPTABLE TO US OR AT ALL.

Investment grade ratings are BBB- or higher for Standard & Poor's and Baa3 or higher for Moody's. Our current ratings are one level above BBB- on Standard & Poor's and one level above Baa3 on Moody's. In December 2003, Standard & Poor's revised its credit watch listing for us from "negative" to "developing" in response to our announcement that DII Industries, Kellogg Brown & Root and other of our subsidiaries filed Chapter 11 proceedings to implement the proposed asbestos and silica settlement. In May 2004, Moody's Investors Services confirmed its ratings, but revised its outlook from "positive" to "stable."

If our debt rating falls below investment grade, we will be required to provide additional collateral to secure our credit facilities. With respect to the outstanding letters of credit that are not subject to the master letter of credit facility, we may be in technical breach of the bank agreements governing those letters of credit and we may be required to reimburse the bank for any draws or provide cash collateral to secure those letters of credit. In addition, if the proposed plan of reorganization does not become effective in accordance with its terms by December 31, 2004 and we are unable to negotiate a renewal or extension of the terms of the master letter of credit facility, advances under our master letter of credit facility will no longer be available and will no longer override the reimbursement, cash collateral or other agreements or arrangements relating to any of the letters of credit that existed prior to the effectiveness of the master letter of credit facility. In that event, we may be required to provide reimbursement for any draws or cash collateral to secure our or our subsidiaries' obligations under arrangements in place prior to our entering into the master letter of credit facility.

In addition, our elective deferral compensation plan has a provision which states that if the Standard & Poor's credit rating falls below BBB, the amounts credited to participants' accounts will be paid to participants in a lump-sum within 45 days. At March 31, 2004, this amount was approximately $52.0 million.

In the event our debt ratings are lowered by either agency, we may have to issue additional debt or equity securities or obtain additional credit facilities in order to meet our liquidity needs. We anticipate that any such new financing or credit facilities would not be on terms as attractive as those we have currently and that we would also be subject to increased costs of capital and interest rates. We also may be required to provide cash collateral to obtain surety bonds or letters of credit, which would reduce our available cash or require additional financing. Further, if we are unable to obtain financing for our proposed plan of reorganization on terms that are acceptable to us, we may be unable to complete the proposed plan of reorganization.

RISKS RELATING TO GEOPOLITICAL AND INTERNATIONAL EVENTS

INTERNATIONAL AND POLITICAL EVENTS MAY ADVERSELY AFFECT OUR OPERATIONS.

A significant portion of our revenue is derived from our non-U.S. operations, which exposes us to risks inherent in doing business in each of the more than 100 other countries in which we transact business. The occurrence of any of the risks described below could have a material adverse effect on our consolidated results of operations and consolidated financial condition.

Our operations in more than 100 countries other than the United States accounted for approximately 76% of our consolidated revenues during the first quarter of 2004 and approximately 73% of our consolidated revenues during 2003. Operations in countries other than the United States are subject to various risks peculiar to each country. With respect to any particular country, these risks may include:

- expropriation and nationalization of our assets in that country;
- political and economic instability;
- social unrest, acts of terrorism, force majeure, war or other armed conflict;
- inflation;
- currency fluctuations, devaluations and conversion restrictions;
- confiscatory taxation or other adverse tax policies;
- governmental activities that limit or disrupt markets, restrict payments or limit the movement of funds;
- governmental activities that may result in the deprivation of contract rights; and
- trade restrictions and economic embargoes imposed by the United States and other countries, including current restrictions on our ability to provide products and services to Iran, which is a significant producer of oil and gas.

Due to the unsettled political conditions in many oil producing countries and countries in which we provide governmental logistical support, our revenues and profits are subject to the adverse consequences of war, the effects of terrorism, civil unrest, strikes, currency controls and governmental actions. Countries where we operate that have significant amounts of political risk include: Argentina, Afghanistan, Algeria, Indonesia, Iran, Iraq, Nigeria, Russia and Venezuela. In addition, military action or continued unrest in the Middle East could impact the demand and pricing for oil and gas, disrupt our operations in the region and elsewhere and increase our costs for security worldwide. In addition, investigations by governmental authorities (see "--Risks Relating to Our Business -- A joint venture in which a Halliburton unit participates is under investigation as a result of payments made in connection with a liquefied natural gas project in Nigeria"), as well as the social, economic and political climate in Nigeria, could materially and adversely affect our Nigerian business and operations.

MILITARY ACTION, OTHER ARMED CONFLICTS OR TERRORIST ATTACKS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS.

Military action in Iraq, increasing military tension involving North Korea, as well as the terrorist attacks of September 11, 2001 and subsequent terrorist attacks, threats of attacks and unrest, have caused instability in the world's financial and commercial markets and have significantly increased political and economic instability in some of the geographic areas in which we operate. Acts of terrorism and threats of armed conflicts in or around various areas in which we operate, such as the Middle East and Indonesia, could limit or disrupt markets and our operations, including disruptions resulting from the evacuation of personnel, cancellation of contracts or the loss of personnel or assets.

Such events may cause further disruption to financial and commercial markets and may generate greater political and economic instability in some of the geographic areas in which we operate. In addition, any possible reprisals as a consequence of the war with and ongoing military action in Iraq, such as acts

of

terrorism in the United States or elsewhere, could materially and adversely affect us in ways we cannot predict at this time.

RISKS RELATING TO OUR BUSINESS

OUR BUSINESS DEPENDS ON THE LEVEL OF ACTIVITY IN THE OIL AND NATURAL GAS INDUSTRY, WHICH IS SIGNIFICANTLY AFFECTED BY VOLATILE OIL AND GAS PRICES.

Demand for our services and products depends on oil and natural gas industry activity and expenditure levels that are directly affected by trends in oil and natural gas prices. A prolonged downturn in oil and gas prices could have a material adverse effect on our consolidated results of operations and consolidated financial condition.

Demand for our products and services is particularly sensitive to the level of development, production and exploration activity of, and the corresponding capital spending by, oil and natural gas companies, including national oil companies. Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of other factors that are beyond our control. Any prolonged reduction in oil and natural gas prices will depress the level of exploration, development and production activity, often reflected as changes in rig counts. Lower levels of activity result in a corresponding decline in the demand for our oil and natural gas well services and products that could have a material adverse effect on our revenues and profitability. Factors affecting the prices of oil and natural gas include:

- governmental regulations;

- global weather conditions;

- worldwide political, military and economic conditions, including the ability of OPEC to set and maintain production levels and prices for oil;

- the level of oil production by non-OPEC countries;

- the policies of governments regarding the exploration for and production and development of their oil and natural gas reserves;

- the cost of producing and delivering oil and gas; and

- the level of demand for oil and natural gas, especially demand for natural gas in the United States.

Historically, the markets for oil and gas have been volatile and are likely to continue to be volatile in the future.

Spending on exploration and production activities and capital expenditures for refining and distribution facilities by large oil and gas companies have a significant impact on the activity levels of our businesses.

OUR GOVERNMENT CONTRACTS WORK HAS BEEN THE FOCUS OF ALLEGATIONS AND INQUIRIES, AND THERE CAN BE NO ASSURANCE THAT ADDITIONAL ALLEGATIONS AND INQUIRIES WILL NOT BE MADE OR THAT OUR GOVERNMENT CONTRACT BUSINESS MAY NOT BE ADVERSELY AFFECTED.

We provide substantial work under our government contracts business to the United States Department of Defense and other governmental agencies, including worldwide United States Army logistics contracts, known as LogCAP, and contracts to rebuild Iraq's petroleum industry, known as RIO I and RIO II. Our government services revenue related to Iraq totaled approximately $2.4 billion in the first quarter of 2004 and approximately $3.6 billion in 2003. Our units operating in Iraq and elsewhere under government contracts such as LogCAP and RIO consistently review the amounts charged and the services performed under these contracts. Our operations under these contracts are also regularly reviewed and audited by the Defense Contract Audit Agency (DCAA) and other governmental agencies.

The results of a preliminary audit by the DCAA in December 2003 alleged that we may have overcharged the Department of Defense by $61.0 million in importing fuel into Iraq. After a review, the

Army Corps of Engineers, which is our client and oversees the project, concluded that we obtained a fair price for the fuel. However, Department of Defense officials thereafter referred the matter to the agency's inspector general, which we understand has commenced an investigation. The Criminal Division of the United States Department of Justice is also investigating this matter and had issued a subpoena to a former employee of KBR. If criminal wrongdoing were found, criminal penalties could range up to the greater of $500,000 in fines per count for a corporation, or twice the gross pecuniary gain or loss.

We have had inquiries in the past by the DCAA and the civil fraud division of the United States Department of Justice into possible overcharges for work performed during 1996 through 2000 under a contract in the Balkans, which inquiry has not yet been completed by the Department of Justice. Based on an internal investigation, we credited our customer approximately $2.0 million during 2000 and 2001 related to our work in the Balkans as a result of billings for which support was not readily available. We believe that the preliminary Department of Justice inquiry relates to potential overcharges in connection with a part of the Balkans contract under which approximately $100.0 million in work was done. The Department of Justice has not alleged any overcharges, and we believe that any allegation of overcharges would be without merit.

In January 2004, we announced the identification by our internal audit function of a potential overbilling of approximately $6.0 million by one of our subcontractors under the LogCAP contract in Iraq for services performed during 2003. In accordance with our policy and government regulation, the potential overcharge was reported to the Department of Defense Inspector General's office as well as to our customer, the Army Materiel Command. In January 2004, we issued a check in the amount of $6.0 million to the Army Materiel Command to cover that potential overbilling while we conducted our own investigation into the matter. Later in the first quarter of 2004, we determined the subcontractor billing should have been $2.0 million for the services provided. An Assistant U.S. Attorney based in Illinois is also investigating two former employees and our subcontractor and has convened a grand jury and taken testimony in connection with this matter. We are continuing to investigate whether third-party subcontractors paid, or attempted to pay, one or two of our former employees in connection with the billing.

During 2003, the DCAA raised issues relating to our invoicing to the Army Materiel Command for food services for soldiers and supporting civilian personnel in Iraq and Kuwait. We believe the issues raised by the DCAA relate to the difference between the number of meals ordered by the Army Materiel Command and the number of soldiers actually served at dining facilities for United States troops and supporting civilian personnel in Iraq and Kuwait. In the first quarter of 2004, we reviewed our dining facilities and administration centers (DFACs) in our Iraq and Kuwait areas of operation and have billed and continue to bill for all current DFAC costs. During the second quarter of 2004, we received notice from the DCAA that it is recommending withholding a portion of all our DFAC billings. The amount withheld totaled approximately $206.5 million as of July 12, 2004. The DCAA is continuing to recommend withholding 19.35% of payments on future DFAC billings relating to subcontracts entered into prior to February 2004.

During the first quarter of 2004, the Army Materiel Command issued a mandate that could cause it to withhold 15% from our invoices to be paid after March 31, 2004 until our task orders under the LogCAP III contract are definitized. The Army Materiel Command has now extended this period to August 15, 2004. We do not believe the potential 15% withholding will have a significant or sustained impact on our liquidity because the withholding is temporary and ends once the definitization process is complete.

During the second quarter of 2004, the Army Corps of Engineers withheld $57.4 million of our invoices related to a portion of our RIO I contract until we provide a revised estimate of the total costs related to certain task orders in order to complete the definitization process. These withholdings represent the amount invoiced in excess of 85% of the currently estimated amounts. The Army Corps of Engineers also could withhold similar amounts from future invoices under our RIO I contract until our task orders under the RIO I contract are

definitized.

All of these matters are still under review by the applicable government agencies. Additional review is likely, and the dollar amounts at issue could change significantly. We could also be subject to future DCAA inquiries for other services we provide in Iraq under the current LogCAP contract or the RIO contracts. For example, as a result of an increase in the level of work performed in Iraq or the DCAA's review of additional

aspects of our services performed in Iraq, it is possible that we may, or may be required to, withhold additional invoicing or make refunds to our customer, some of which could be substantial, until these matters are resolved. This could materially and adversely affect our liquidity.

Typically, when issues are found during the governmental agency audit process, they are discussed and reviewed by the governmental agency with the contractor in order to reach a resolution. However, to the extent we or our subcontractors make mistakes in our government contract operations, even if unintentional, insignificant or subsequently self-reported to the applicable government agency, we have been and will likely continue to be subject to more intense scrutiny. Some of this scrutiny is a result of the Vice President of the United States being a former chief executive officer of Halliburton. This scrutiny has recently centered on our government contracts work, especially in Iraq and other parts of the Middle East. In part because of the heightened level of scrutiny under which we operate, audit issues between us and government auditors like the DCAA or the inspector general of the Department of Defense may arise and are more likely to become public. We could be asked to reimburse payments made to us that are determined to be in excess of those allowed by the applicable contract, or we could agree to delay billing for an indefinite period of time for work we have performed until any billing and cost issues are resolved. Our ability to secure future government contracts business or renewals of current government contracts business in the Middle East or elsewhere could be materially and adversely affected. In addition, we may be required to expend a significant amount of resources explaining and/or defending actions we have taken under our government contracts.

THE BARRACUDA-CARATINGA PROJECT IS CURRENTLY BEHIND SCHEDULE, HAS SUBSTANTIAL COST OVERRUNS AND WILL LIKELY RESULT IN LIQUIDATED DAMAGES PAYABLE BY US AND OUR INABILITY TO RECOVER OUR COSTS ASSOCIATED WITH THE PROJECT.

In June 2000, Kellogg Brown & Root entered into a contract with Barracuda & Caratinga Leasing Company B.V., the project owner, to develop the Barracuda and Caratinga crude oilfields, which are located off the coast of Brazil. The construction manager and project owner's representative is Petrobras, the Brazilian national oil company. When completed, the project will consist of two converted supertankers, Barracuda and Caratinga, which will be used as floating production, storage, and offloading units, commonly referred to as FPSOs, 32 hydrocarbon production wells, 22 water injection wells, and all subsea flow lines, umbilicals and risers necessary to connect the underwater wells to the FPSOs. The original completion date for the Barracuda vessel was December 2003, and the original completion date for the Caratinga vessel was April 2004. The project is significantly behind the original schedule, due in large part to change orders from the project owner as well as a significant reduction in shipyard subcontractor productivity and vessel rework, and is in a financial loss position. We expect that the Barracuda vessel will likely be completed by June 2005, and the Caratinga vessel will likely be completed by November 2005. However, there can be no assurance that further delays will not occur.

At June 30, 2004, the project was estimated to be approximately 87% complete. To date, we have recorded an inception-to-date pretax loss of approximately $762.0 million related to the project of which, based on June 2004 project forecasts, approximately $310.0 million was recorded in the second quarter of 2004, $97.0 million was recorded in the first quarter of 2004, $238.0 million was recorded in 2003, and $117.0 million was recorded in 2002. In determining the amount of the charge we recorded in the second quarter of 2004, we assumed that the April 2004 agreement in principle (described below) will be successfully finalized. If the April 2004 agreement in principle were not finalized, based on June 2004 project forecasts, Kellogg Brown & Root could be subject to an additional approximately $159.0 million in liquidated damages beyond the $85.0 million of liquidated damages recorded as of June 30, 2004 in the event that the delay in the project is determined to be attributable to us. Kellogg Brown & Root and Petrobras continue to work toward finalization of a definitive agreement but there can be no guarantee that a definitive agreement will be achieved or approved.

Our performance under the contract is secured by:

- performance letters of credit, which together have an available credit of approximately $272.0 million as of June 30, 2004 and which will continue to be adjusted to represent approximately 10% of the contract amount, as amended to date by change orders;

- retainage letters of credit, which together have available credit of approximately $170.0 million as of June 30, 2004 and which will increase in order to continue to represent 10% of the cumulative cash amounts paid to us; and

- a guarantee of Kellogg Brown & Root's performance under the agreement by Halliburton in favor of the project owner.

April 2004 Agreement in Principle. In early April 2004, Kellogg Brown & Root and Petrobras, on behalf of the project owner, entered into a non-binding agreement in principle. The April 2004 agreement in principle is the basis for settlement of the various claims between the parties and would amend existing agreements, including the November 2003 agreements described below. Implementation of the agreement in principle requires final approval of the Board of Directors of Petrobras and Halliburton, the project lenders, and possibly the bankruptcy court reviewing our proposed plan of reorganization. Discussions among all parties, including the project lenders, are underway. The April 2004 agreement in principle provides for:

- the release of all claims of all parties that arise prior to the effective date of a final definitive agreement;

- the payment to us of $79.0 million as a result of change orders for remaining claims;

- payment by Petrobras of any value added taxes on the project, except for $8.0 million which has been paid by us;

- the assumption by Petrobras of certain work under the original contract;

- the repayment on December 7, 2004 by Kellogg Brown & Root of a portion of $300.0 million of advance payments (as was agreed in the November 2003 agreements described below), without interest; and

- an extension of time to the original completion dates and other milestone dates that average approximately 18 months, thereby granting an additional approximately six months beyond the extensions granted in the November 2003 agreements (described below) before liquidated damages for project delays will be assessed.

November 2003 Agreements. If the April 2004 agreement in principle is not implemented, we would remain subject to agreements entered into in November 2003 with the project owner in which the project owner agreed to:

- pay $69.0 million to settle a portion of our claims, thereby reducing the amount of probable unapproved claims to $114.0 million;

- extend the original project completion dates and other milestone dates, reducing our original exposure to liquidated damages; and

- delay Kellogg Brown & Root's repayment of approximately $300.0 million in advance payments until December 2004, although we and the project owner did not resolve whether Kellogg Brown & Root would be obligated to pay interest on this amount.

In addition, we would remain subject to the following risks under the November 2003 agreements:

Unapproved Claims. We have asserted claims for compensation substantially in excess of the $114.0 million of probable unapproved claims, as well as claims for additional time to complete the project before liquidated damages become applicable. The project owner and Petrobras asserted claims against us that are in addition to the project owner's potential claims for liquidated damages. In the November 2003 agreements, the parties agreed to arbitrate these remaining disputed claims. In addition,

we agreed to cap our financial recovery to a maximum of $375.0 million, and the project owner and Petrobras agreed to cap their recovery to a maximum of $380.0 million plus liquidated damages.

Liquidated Damages. In the event that any portion of the project delay is determined to be attributable to us and any phase of the project is completed after the milestone dates specified in the contract, we could be required to pay liquidated damages. These damages were initially (prior to the November 2003 agreements) calculated on an escalating basis rising ultimately to approximately $1.0 million per day of delay caused by us, subject to a total cap on liquidated damages of 10% of the final contract amount, yielding a cap of approximately $272.0 million as of June 30, 2004.

Under the November 2003 agreements, the project owner granted an extension of time to the original completion dates and other milestone dates that average approximately 12 months. In addition, the project owner agreed to delay any attempt to assess the original liquidated damages against us for project delays beyond 12 months and up to 18 months and delay any drawing of letters of credit with respect to such liquidated damages until the earliest of December 7, 2004, the completion of any arbitration proceedings or the resolution of all claims between the project owner and us. Although the November 2003 agreements do not delay the drawing of letters of credit for liquidated damages for delays beyond 18 months, our master letter of credit facility will provide funding for any such draw before December 31, 2004. The November 2003 agreements also provide for a separate liquidated damages calculation of $450,000 per day for each of the Barracuda and the Caratinga vessels if delayed beyond 18 months from the original schedule. That amount is subject to the total cap on liquidated damages of 10% of the final contract amount. Based upon the November 2003 agreements and our June 2004 project forecasts, we estimate that if we were to be completely unsuccessful in our claims for additional time, we would be obligated to pay approximately $244.0 million in liquidated damages. If the April 2004 agreement in principle were not finalized, based on June 2004 project forecasts, Kellogg Brown & Root could be subject to an additional approximately $159.0 million in liquidated damages beyond the $85.0 million of liquidated damages recorded as of June 30, 2004 in the event that the delay in the project is determined to be attributable to us. We have accrued $85.0 million for this exposure as of June 30, 2004. There can be no assurance that further project delays will not occur.

Value Added Taxes. On December 16, 2003, the State of Rio de Janeiro issued a decree recognizing that Petrobras is entitled to a credit for the value added taxes paid on the project. The decree also provided that value added taxes that may have become due on the project, but which had not yet been paid, could be paid in January 2004 without penalty or interest. In response to the decree, Petrobras agreed to:

- directly pay the value added taxes due on all imports on the project (including Petrobras' January 2004 payment of approximately $150.0 million); and

- reimburse us for value added taxes paid on local purchases, of which approximately $100.0 million will become due during 2004.

Since the credit to Petrobras for these value added taxes is on a delayed basis, the issue of whether we must bear the cost of money for the period from payment by Petrobras until receipt of the credit has not been determined.

The validity of the December 2003 decree has now been challenged in court in Brazil. Our legal advisers in Brazil believe that the decree will be upheld. If it is overturned or rescinded, or the Petrobras credits are

lost for any other reason not due to Petrobras, the issue of who must ultimately bear the cost of the value added taxes will have to be determined based upon the law prior to the December 2003 decree. We believe that the value added taxes are reimbursable under the contract and prior law, but, until the December 2003 decree was issued, Petrobras and the project owner had been contesting the reimbursability of up to $227.0 million of value added taxes. There can be no assurance that we will not be required to pay all or a portion of these value added taxes. In addition, penalties and interest of $40.0 million to $100.0 million could be due if the December 2003 decree is invalidated. We have paid $8.0 million for these amounts as of June 30, 2004.

Default Provisions. In the event that we were determined to be in default under the contract, and if the project was not completed by us as a result of such default (i.e., our services are terminated as a result of such default), the project owner may seek direct damages. Those damages could include completion costs in excess of the contract price and interest on borrowed funds, but would exclude consequential damages. The total damages could be up to $500.0 million plus the return of up to $300.0 million in advance payments previously received by us to the extent they have not been repaid. The original contract terms require repayment of the $300.0 million in advance payments by crediting the last $350.0 million of our invoices related to the contract by that amount, but the November 2003 agreements delay the repayment of any of the $300.0 million in advance payments until at least December 7, 2004. The April 2004 agreement in principle provides that interest on this amount is not due and payable. A termination of the contract by the project owner could have a material adverse effect on our financial condition and results of operations.

Cash Flow Considerations. The project owner has procured project finance funding obligations from various lenders to finance the payments due to us under the contract. In addition, the project financing includes borrowing capacity in excess of the original contract amount.

Under the loan documents, the availability date for loan draws expired December 1, 2003 and, therefore, the project owner drew down all remaining available funds on that date. As a condition to the draw-down of the remaining funds, the project owner was required to escrow the funds for the exclusive use of paying project costs. The availability of the escrowed funds can be suspended by the lenders if applicable conditions are not met. With limited exceptions, these funds may not be paid to Petrobras or its subsidiary, which is funding the drilling costs of the project, until all amounts due to us, including amounts due for the claims, are liquidated and paid. While this potentially reduces the risk that the funds would not be available for payment to us, we are not party to the arrangement between the lenders and the project owner and can give no assurance that there will be adequate funding to cover current or future claims and change orders.

We have begun to fund operating cash shortfalls on the project and are obligated to fund total shortages over the remaining project life. Approximately $342.0 million of this amount will be paid during the second half of 2004 (which includes approximately half of the second quarter 2004 charge described previously), and approximately $171.0 million of this amount will be paid during 2005. That funding level assumes that, pursuant to amended project agreements implementing the April 2004 agreement in principle, neither we nor the project owner recover additional claims against the other, other than liquidated damages for project delays. The operating cash shortfalls set forth in this paragraph may increase and we may be required to fund additional amounts over the remaining project life.

A JOINT VENTURE IN WHICH A HALLIBURTON UNIT PARTICIPATES IS UNDER INVESTIGATION AS A RESULT OF PAYMENTS MADE IN CONNECTION WITH A LIQUEFIED NATURAL GAS PROJECT IN NIGERIA.

The SEC has commenced a formal investigation into payments made in connection with the construction and subsequent expansion by TSKJ of a multibillion dollar natural gas liquefaction complex and related facilities at Bonny Island in Rivers State, Nigeria. A French magistrate has also been investigating this matter. TSKJ and other similarly owned entities have entered into various contracts to build and expand the liquefied natural gas project for Nigeria LNG Limited, which is owned by the Nigerian National Petroleum Corporation, Shell Gas B.V., Cleag Limited (an affiliate of Total), and Agip International B.V. TSKJ is a private limited liability company registered in Madeira, Portugal whose members are Technip SA of France, Snamprogetti Netherlands B.V., which is an affiliate of ENI SpA of Italy, JGC Corporation of Japan, and Kellogg Brown & Root, each of which owns 25% of the venture.

In June 2004, we terminated all relationships with Mr. A. Jack Stanley, who

most recently served as a consultant and chairman of Kellogg Brown & Root, and another consultant and former employee of M.W. Kellogg, Ltd., a joint venture in which Kellogg Brown & Root has a 55% interest. The terminations occurred because of violations of Halliburton's code of business conduct that allegedly involve the receipt of improper personal benefits in connection with TSKJ's construction of the natural gas liquefaction facility in Nigeria. We understand that Mr. Stanley has received a subpoena from the SEC. It has also been reported recently in the French press that the French magistrate has officially placed an agent of TSKJ under investigation for corruption of a foreign public official.

The United States Department of Justice and the SEC have met with Halliburton to discuss these matters and have asked Halliburton for cooperation and access to information in reviewing these matters in light of the requirements of the United States Foreign Corrupt Practices Act. Halliburton has engaged outside counsel to investigate any allegations and is cooperating with the United States government's inquiries and will make its employees available for testimony. While Halliburton does not believe it has violated the Foreign Corrupt Practices Act, Halliburton's own internal investigation of these matters is on-going and there can be no assurance that the government's or Halliburton's investigation will not conclude otherwise. Representatives of Halliburton have also recently met with the French magistrate to express their willingness to cooperate with the magistrate's investigation. In Nigeria, a legislative committee of the National Assembly and the Economic and Financial Crimes Commission, which is organized as part of the executive branch of the government, are also investigating these matters. Halliburton intends to cooperate with these investigations as well. As of March 31, 2004, we had not accrued any amounts related to this investigation.

WE ARE SUBJECT TO SEC INVESTIGATIONS, WHICH COULD MATERIALLY AFFECT US.

In addition to the SEC investigation described in the immediately preceding risk factor, we are currently the subject of a formal investigation by the SEC, which we believe is focused on the accuracy, adequacy and timing of our disclosure of the change in our accounting practice for revenues associated with estimated cost overruns and unapproved claims for specific long-term engineering and construction projects. The resolution of these investigations could have a material adverse effect on us and result in:

- the institution of administrative, civil or injunctive proceedings;

- sanctions and the payment of fines and penalties; and

- increased review and scrutiny of us by regulatory authorities, the media and others.

WE MAY PURSUE ACQUISITIONS, DISPOSITIONS, INVESTMENTS AND JOINT VENTURES, WHICH COULD AFFECT OUR RESULTS OF OPERATIONS.

We may actively seek opportunities to maximize efficiency and value through various transactions, including purchases or sales of assets, businesses, investments or contractual arrangements or joint ventures. These transactions would be intended to result in the realization of savings, the creation of efficiencies, the generation of cash or income or the reduction of risk. Acquisition transactions may be financed by additional borrowings or by the issuance of our common stock. These transactions may also affect our consolidated results of operations.

These transactions also involve risks and we cannot assure you that:

- any acquisitions would result in an increase in income;

- any acquisitions would be successfully integrated into our operations;

- any disposition would not result in decreased earnings, revenue or cash flow;

- any dispositions, investments, acquisitions or integrations would not divert management resources; or

- any dispositions, investments, acquisitions or integrations would not have a material adverse effect on our results of operations or financial condition.

We conduct some operations through joint ventures, where control may be shared with unaffiliated third parties. As with any joint venture arrangement, differences in views among the joint venture participants may result in delayed

decisions or in failures to agree on major issues. We also cannot control the actions of our joint venture partners, including any nonperformance, default or bankruptcy of our joint venture partners. These factors could potentially materially and adversely affect the business and operations of the joint venture and, in turn, our business and operations.

A SIGNIFICANT PORTION OF OUR ENGINEERING AND CONSTRUCTION PROJECTS IS ON A FIXED-PRICE BASIS, SUBJECTING US TO THE RISKS ASSOCIATED WITH COST OVER-RUNS AND OPERATING COST INFLATION.

We contract to provide services either on a time-and-materials basis or on a fixed-price basis, with fixed-price (or lump sum) contracts accounting for approximately 10% of KBR's revenues for the first quarter of 2004 and approximately 24% for the year ended December 31, 2003. We bear the risk of cost overruns, operating cost inflation, labor availability and productivity and supplier and subcontractor pricing and performance in connection with projects covered by fixed-price contracts. Our failure to estimate accurately the resources and time required for a fixed-price project, or our failure to complete our contractual obligations within the time frame and costs committed, could have a material adverse effect on our business, results of operations and financial condition.

CHANGES IN GOVERNMENTAL SPENDING AND CAPITAL SPENDING BY OUR CUSTOMERS MAY ADVERSELY AFFECT US.

Our business is directly affected by changes in governmental spending and capital expenditures by our customers. Some of the changes that may materially and adversely affect us include:

- a decrease in the magnitude of governmental spending and outsourcing for military and logistical support of the type that we provide. For example, the current level of government services being provided in the Middle East may not continue for an extended period of time;

- an increase in the magnitude of governmental spending and outsourcing for military and logistical support, which can materially and adversely affect our liquidity needs as a result of additional or continued working capital requirements to support this work;

- a decrease in capital spending by governments for infrastructure projects of the type that we undertake;

- the consolidation of our customers, which has (1) caused customers to reduce their capital spending, which has in turn reduced the demand for our services and products, and (2) resulted in customer personnel changes, which in turn affects the timing of contract negotiations and settlements of claims and claim negotiations with engineering and construction customers on cost variances and change orders on major projects;

- adverse developments in the businesses and operations of our customers in the oil and gas industry, including write-downs of reserves and reductions in capital spending for exploration, development, production, processing, refining, and pipeline delivery networks; and

- ability of our customers to timely pay the amounts due us.

THE LOSS OF ONE OR MORE SIGNIFICANT CUSTOMERS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS AND OUR CONSOLIDATED RESULTS OF OPERATIONS.

Both our Energy Services Group and KBR depend on a limited number of significant customers. While, except for the United States Government, none of these customers represented more than 10% of consolidated revenues in any recent period, the loss of one or more significant customers could have a material adverse effect on our business and our consolidated results of operations.

WE ARE SUSCEPTIBLE TO ADVERSE WEATHER CONDITIONS IN OUR REGIONS OF OPERATIONS.

Our businesses could be materially and adversely affected by severe weather, particularly in the Gulf of Mexico where we have significant operations. Repercussions of severe weather conditions may include:

- evacuation of personnel and curtailment of services;

- weather-related damage to offshore drilling rigs resulting in suspension of operations;

- weather-related damage to our facilities;

- inability to deliver materials to jobsites in accordance with contract schedules; and

- loss of productivity.

Because demand for natural gas in the United States drives a disproportionate amount of our Energy Services Group's United States business, warmer than normal winters in the United States are detrimental to the demand for our services to gas producers.

WE ARE RESPONDING TO AN INQUIRY FROM THE OFFICE OF FOREIGN ASSETS CONTROL REGARDING ONE OF OUR NON-UNITED STATES SUBSIDIARIES' OPERATIONS IN IRAN.

We have a Cayman Islands subsidiary with operations in Iran, and other European subsidiaries that manufacture goods destined for Iran and/or render services in Iran. The United States imposes trade restrictions and economic embargoes that prohibit United States incorporated entities and United States citizens and residents from engaging in commercial, financial or trade transactions with some foreign countries, including Iran, unless authorized by the Office of Foreign Assets Control (OFAC) of the United States Treasury Department or exempted by statute.

We received and responded to an inquiry in mid-2001 from OFAC with respect to the operations in Iran by a Halliburton subsidiary that is incorporated in the Cayman Islands. The OFAC inquiry requested information with respect to compliance with the Iranian Transaction Regulations. Our 2001 written response to OFAC stated that we believed that we were in full compliance with applicable sanction regulations. In January 2004, we received a follow-up letter from OFAC requesting additional information. We responded fully to this request on March 19, 2004. We understand this matter has now been referred by OFAC to the Department of Justice. In July 2004, Halliburton received from an Assistant U.S. Attorney for the Southern District of Texas a grand jury subpoena requesting the production of documents. We intend to cooperate with the government's investigation. As of March 31, 2004, we had not accrued any amounts related to this investigation.

Separate from the OFAC inquiry, we completed a study in 2003 of our activities in Iran during 2002 and 2003 and concluded that these activities were in full compliance with applicable sanction regulations. These sanction regulations require isolation of entities that conduct activities in Iran from contact with United States citizens or managers of United States companies.

We have been asked to and could be required to respond to other questions and inquiries about operations in countries with trade restrictions and economic embargoes.

WE ARE SUBJECT TO TAXATION IN MANY JURISDICTIONS AND THERE ARE INHERENT UNCERTAINTIES IN THE FINAL DETERMINATION OF OUR TAX LIABILITIES.

We have operations in more than 100 countries other than the United States and as a result are subject to taxation in many jurisdictions. Therefore, the final determination of our tax liabilities involves the interpretation of the statutes and requirements of taxing authorities worldwide. Foreign income tax returns of foreign subsidiaries, unconsolidated affiliates and related entities are routinely examined by foreign tax authorities. These tax examinations may result in assessments of additional taxes or penalties or both. Additionally, new taxes, such as the proposed excise tax in the United States targeted at heavy equipment of the type we own and use in our operations, could negatively affect our results of operations.

WE ARE SUBJECT TO SIGNIFICANT FOREIGN EXCHANGE AND CURRENCY RISKS THAT COULD ADVERSELY AFFECT OUR OPERATIONS AND OUR ABILITY TO REINVEST EARNINGS FROM OPERATIONS.

A sizable portion of our consolidated revenues and consolidated operating expenses are in foreign currencies. As a result, we are subject to significant risks, including:

- foreign exchange risks resulting from changes in foreign exchange rates and the implementation of exchange controls such as those experienced in Argentina in late 2001 and early 2002; and

- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries.

We conduct business in countries that have non-traded or "soft" currencies which, because of their restricted or limited trading markets, may be more difficult to exchange for "hard" currency. We may accumulate cash in soft currencies and we may be limited in our ability to convert our profits into United States dollars or to repatriate the profits from those countries.

OUR ABILITY TO LIMIT OUR FOREIGN EXCHANGE RISK THROUGH HEDGING TRANSACTIONS MAY BE LIMITED.

We selectively use hedging transactions to limit our exposure to risks from doing business in foreign currencies. For those currencies that are not readily convertible, our ability to hedge our exposure is limited because financial hedge instruments for those currencies are nonexistent or limited. Our ability to hedge is also limited because pricing of hedging instruments, where they exist, is often volatile and not necessarily efficient.

In addition, the value of the derivative instruments could be impacted by:

- adverse movements in foreign exchange rates;

- interest rates;

- commodity prices; or

- the value and time period of the derivative being different than the exposures or cash flows being hedged.

WE ARE SUBJECT TO A VARIETY OF ENVIRONMENTAL REQUIREMENTS THAT IMPOSE ON US OBLIGATIONS OR RESULT IN OUR INCURRING LIABILITIES THAT WILL ADVERSELY AFFECT OUR RESULTS OF OPERATIONS OR FOR WHICH OUR FAILURE TO COMPLY COULD ADVERSELY AFFECT US.

Our businesses are subject to a variety of environmental laws, rules and regulations in the United States and other countries, including those covering hazardous materials and requiring emission performance standards for facilities. For example, our well service operations routinely involve the handling of significant amounts of waste materials, some of which are classified as hazardous substances. We also use radioactive and explosive materials in certain of our operations. Environmental requirements include, for example, those concerning:

- the containment and disposal of hazardous substances, oilfield waste and other waste materials;

- the importation and use of radioactive materials;

- the use of underground storage tanks; and

- the use of underground injection wells.

Environmental and other similar requirements generally are becoming increasingly strict. Sanctions for failure to comply with these requirements, many of which may be applied retroactively, may include:

- administrative, civil and criminal penalties;

- revocation of permits to conduct business; and

- corrective action orders, including orders to investigate and/or clean up contamination.

Failure on our part to comply with applicable environmental requirements could have a material adverse effect on our consolidated financial condition. We are also exposed to costs arising from environmental compliance, including compliance with changes in or expansion of environmental requirements, such as the potential regulation in the United States of our Energy Services Group's hydraulic fracturing services and products as underground injection, which could have a material adverse effect on our business, financial condition, operating results or cash flows.

We are exposed to claims under environmental requirements and from time to time such claims have been made against us. In the United States, environmental requirements and regulations typically impose strict liability. Strict liability means that in some situations we could be exposed to liability for cleanup costs, natural resource damages and other damages as a result of our conduct that was lawful at the time it occurred or the conduct of prior operators or other third parties. Liability for damages arising as a result of environmental laws could be substantial and could have a material adverse effect on our consolidated results of operations.

Changes in environmental requirements may negatively impact demand for our services. For example, oil and natural gas exploration and production may decline as a result of environmental requirements (including land use policies responsive to environmental concerns). Such a decline, in turn, could have a material adverse effect on us.

WE MAY BE UNABLE TO PROTECT OUR INTELLECTUAL PROPERTY RIGHTS.

We rely on a variety of intellectual property rights that we use in our products and services. We may not be able to successfully preserve these intellectual property rights in the future and these rights could be invalidated, circumvented or challenged. In addition, the laws of some foreign countries in which our products and services may be sold do not protect intellectual property rights to the same extent as the laws of the United States. Our failure to protect our proprietary information and any successful intellectual property challenges or infringement proceedings against us could materially and adversely affect our competitive position.

IF WE DO NOT DEVELOP NEW COMPETITIVE TECHNOLOGIES AND PRODUCTS OR IF OUR PROPRIETARY TECHNOLOGIES, EQUIPMENT, FACILITIES OR WORK PROCESSES BECOME OBSOLETE, OR IF WE HAVE PROBLEMS IMPLEMENTING NEW TECHNOLOGY, OUR BUSINESS AND REVENUES MAY BE ADVERSELY AFFECTED.

The market for our products and services is characterized by continual technological developments to provide better and more reliable performance and services. If we are not able to design, develop and produce commercially competitive products and to implement commercially competitive services in a timely manner in response to changes in technology, our business and revenues could be materially and adversely affected and the value of our intellectual property may be reduced. Likewise, if our proprietary technologies, equipment and facilities or work processes become obsolete, we may no longer be competitive and our business and revenues could be materially and adversely affected.

WE MAY BE UNABLE TO EMPLOY A SUFFICIENT NUMBER OF TECHNICAL PERSONNEL.

Many of the services that we provide and the products that we sell are complex and highly engineered and often must perform or be performed in harsh conditions. We believe that our success depends upon our ability to employ and retain technical personnel with the ability to design, utilize and enhance these products and services. In addition, our ability to expand our operations depends in part on our ability to increase our skilled labor force. The demand for skilled workers is high and the supply is limited. A significant increase in the wages paid by competing employers could result in a reduction of our skilled labor force, increases in the wage rates that we must pay or both. If either of these events were to occur, our cost structure could increase, our margins could decrease and our growth potential could be impaired.

RISKS RELATING TO THE EXCHANGE OFFER

IF YOU FAIL TO EXCHANGE YOUR OUTSTANDING NOTES, THE EXISTING TRANSFER RESTRICTIONS WILL REMAIN IN EFFECT AND THE MARKET VALUE OF YOUR OUTSTANDING NOTES MAY BE ADVERSELY AFFECTED BECAUSE THEY MAY BE MORE DIFFICULT TO SELL.

If you do not exchange your outstanding notes for new notes under the exchange offer, then you will continue to be subject to the existing transfer restrictions on the outstanding notes. In general, the outstanding notes may not be offered or sold unless they are registered or exempt from registration under the Securities Act and applicable state securities laws. Except in connection with this exchange offer or as required by the

registration rights agreement, we do not intend to register resales of the outstanding notes under the Securities Act.

Tenders of outstanding notes under the exchange offer will reduce the aggregate principal amount of the unregistered notes outstanding. This may have an adverse effect upon, and increase the volatility of, the market price of any outstanding notes that you continue to hold following completion of the exchange offer due to a reduction in liquidity.

RISKS RELATING TO THE NEW NOTES

OUR FINANCIAL CONDITION IS DEPENDENT ON THE EARNINGS OF OUR SUBSIDIARIES.

We are a holding company and our assets consist primarily of direct and indirect ownership interests in, and our business is conducted substantially through, our subsidiaries. Consequently, our ability to repay our debt, including the new notes, depends on the earnings of our subsidiaries, as well as our ability to receive funds from our subsidiaries through dividends, repayment of intercompany notes or other payments. The ability of our subsidiaries to pay dividends, repay intercompany debt or make other advances to us is subject to restrictions imposed by applicable laws (including bankruptcy laws), tax considerations and the terms of agreements governing our subsidiaries. Our foreign subsidiaries in particular may be subject to currency controls, repatriation restrictions, withholding obligations on payments to us, and other limits. If we do not receive such funds from our subsidiaries, our financial condition would be materially adversely affected.

YOU WILL HAVE NO RECOURSE AGAINST OUR SUBSIDIARIES IN THE EVENT OF A DEFAULT ON THE NEW NOTES.

As a holding company, we rely primarily on dividends from our subsidiaries to meet our obligations for payment of principal and interest on our outstanding debt obligations and corporate expenses. See "-- Our financial condition is dependent on the earnings of our subsidiaries" above. We are a legal entity separate and distinct from our subsidiaries, and holders of the new notes will be able to look only to us for payments on the new notes. In addition, our right to receive assets of any subsidiaries upon their liquidation or reorganization, and the rights of the holders of the new notes to share in those assets, would be subject to the satisfaction of claims of the subsidiaries' creditors. Consequently, the new notes will be subordinate to all liabilities, including their guarantees of our other indebtedness and their trade payables, of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish. Borrowings under the credit facilities we entered into in connection with our proposed plan of reorganization are guaranteed by some of our subsidiaries. See "Description of Selected Settlement-Related Indebtedness."

THE NEW NOTES WILL BE EFFECTIVELY JUNIOR TO ALL SECURED INDEBTEDNESS UNLESS THEY ARE ENTITLED TO BE EQUALLY AND RATABLY SECURED.

The new notes will be our unsecured obligations and will rank equally with all our other unsecured indebtedness. However, the new notes are structurally subordinated to indebtedness of our subsidiaries and effectively subordinated to our secured debt to the extent of the value of the assets securing such debt. In the fourth quarter of 2003, we entered into (1) a secured master letter of credit facility intended to ensure that existing letters of credit supporting our contracts remain in place during the Chapter 11 filing and (2) a secured $700.0 million revolving credit facility for general working capital purposes. In July 2004, we entered into an additional secured $500.0 million 364-day revolving credit facility for general working capital purposes with terms substantially similar to our existing $700.0 million revolving credit facility. As of the date of this prospectus, we have no outstanding advances under the credit facilities and no other outstanding secured indebtedness. Under the credit facilities, the lenders have limited the amount of indebtedness we can issue that would be equally and ratably secured with indebtedness under the credit facilities. See "Description of Selected Settlement-Related Indebtedness." The indenture governing the new notes permits us to incur an amount of Secured Debt (as defined in the new notes) up to 5% of our consolidated net tangible assets before the new notes will be entitled to equal and ratable security and the new notes are effectively junior to any secured indebtedness until the new notes are entitled to be equally and ratably secured. In addition, certain of our notes, including the outstanding notes, our 8.75% notes due 2021, our 3 1/8% convertible senior notes due

2023, our medium-term notes, our 7.6% debentures due 2096, our senior notes due 2005 and our 5 1/2% senior notes due 2010 will, and certain new issuances may, be entitled to be secured on the same basis as the new notes.

In the event that we are declared bankrupt, become insolvent or are liquidated or reorganized, any debt that ranks ahead of the new notes will be entitled to be paid in full from our assets before any payment may be made with respect to the new notes. Holders of the new notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the new notes, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor, in our remaining assets. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the new notes. As a result, holders of the new notes may receive less, ratably, than holders of secured indebtedness.

BECAUSE WE ARE A HOLDING COMPANY, THE NEW NOTES WILL BE STRUCTURALLY SUBORDINATED TO ALL OF THE INDEBTEDNESS OF OUR SUBSIDIARIES.

The new notes are a general unsecured obligation of Halliburton. We are a holding company and our assets consist primarily of direct and indirect ownership interests in, and our business is conducted substantially through, our subsidiaries. As a consequence, any of our indebtedness, including the new notes, are structurally subordinated to all of the indebtedness of our subsidiaries. In addition, because we are a holding company, our right to participate in any distribution of assets of any subsidiary upon its liquidation or reorganization or otherwise, and the ability of holders of the new notes to benefit indirectly from that kind of distribution, is subject to the prior claims of creditors of that subsidiary, except to the extent that we are recognized as a creditor of that subsidiary. All obligations of our subsidiaries will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise, to us. At March 31, 2004, the aggregate indebtedness of our subsidiaries was approximately $119.0 million, and other liabilities of our subsidiaries, including trade payables, accrued compensation, advanced billings, income taxes payable and other liabilities (other than asbestos and intercompany liabilities) were approximately $5.5 billion, and accrued asbestos and silica liabilities were approximately $4.3 billion. In addition, while the new notes will not be guaranteed by any of our subsidiaries, borrowings under our credit facilities are guaranteed by some of our subsidiaries. We also have joint ventures and subsidiaries in which we own less than 100% of the equity so that, in addition to the structurally senior claims of creditors of those entities, the equity interests of our joint venture partners or other shareholders in any dividend or other distribution made by these entities would need to be satisfied on a proportionate basis with us. These joint ventures and less than wholly owned subsidiaries may also be subject to restrictions on their ability to distribute cash to us in their financing or other agreements and, as a result, we may not be able to access their cash flow to service our debt obligations, including in respect of the new notes. Accordingly, the new notes are effectively subordinated to all existing and future liabilities of our subsidiaries and all liabilities of any of our future subsidiaries.

WE MAY INCUR ADDITIONAL INDEBTEDNESS RANKING EQUAL TO THE NEW NOTES.

If we incur any additional debt that ranks equally with the new notes, including trade payables, the holders of that debt will be entitled to share ratably with you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of us. This may have the effect of reducing the amount of proceeds paid to you.

WE WILL BE ABLE TO INCUR MORE INDEBTEDNESS AND THE RISKS ASSOCIATED WITH OUR LEVERAGE, INCLUDING OUR ABILITY TO SERVICE OUR INDEBTEDNESS, WILL INCREASE AS WE INCUR ADDITIONAL INDEBTEDNESS.

As of March 31, 2004, we had approximately $3.966 billion of indebtedness, representing a total debt to capitalization ratio of 62%. We may need to incur or issue additional indebtedness to finance the remaining cash portion of our proposed plan of reorganization. Further, the indenture that governs the outstanding notes

and the new notes does not restrict us from issuing additional indebtedness. Our level of debt is substantial, and the risks associated with our leverage could have important consequences to you, including the following:

- our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired;

- we would be obligated to use a substantial portion of our cash flow from operations to pay interest and principal on the new notes and other indebtedness, which will reduce the funds available to us for other purposes such as potential acquisitions and capital expenditures;

- we could potentially have a higher level of indebtedness than some of our competitors, which may put us at a competitive disadvantage and reduce our flexibility in planning for, or responding to, changing conditions in our industry, including increased competition; and

- we would be more vulnerable to general economic downturns and adverse developments in our business.

We expect to obtain money to pay our expenses and to pay the principal and interest on the new notes and other debt from cash flow from distributions from our subsidiaries. Our ability to meet our expenses depends on our future performance, which will be affected by financial, business, economic and other factors. We will not be able to control many of these factors, such as economic conditions in the markets where we operate and pressure from competitors. The failure to generate sufficient cash flow could significantly adversely affect the value of the new notes.

THERE IS NO TRADING MARKET FOR THE NEW NOTES AND THERE MAY NEVER BE ONE.

The new notes are new securities for which currently there is no trading market. We do not currently intend to apply for listing of the new notes on any securities exchange. The liquidity of any market for the new notes will depend on the number of holders of the new notes, the interest of securities dealers in making a market in the new notes and other factors. Accordingly, we cannot assure you as to the development of liquidity of any market for the new notes. Further, if markets were to develop, the market price for the new notes may be adversely affected by changes in our financial performance, changes in the overall market for similar securities and performance or prospects for companies in our industry.

USE OF PROCEEDS

The exchange offer is intended to satisfy our obligations under the registration rights agreement that we entered into in connection with the private offering of the outstanding notes. We will not receive any cash proceeds from the issuance of the new notes. In consideration for issuing the new notes, we will receive in exchange a like principal amount of the outstanding notes. The outstanding notes surrendered in exchange for the new notes will be retired and canceled, and cannot be reissued. Accordingly, issuance of the new notes will not result in any change in our capitalization.

We intend to use a substantial portion of the net proceeds from the sale of the outstanding notes and net proceeds from other borrowings, some of which are described under "Description of Selected Settlement-Related Indebtedness," if and when the proposed plan of reorganization is confirmed by the bankruptcy court and the federal district court affirms such confirmation, and the bankruptcy court and federal district court orders become final and non-appealable, to fund a portion of the cash required to be contributed to the trusts for the benefit of the asbestos and silica claimants. We may also use the net proceeds for general corporate purposes, which may include repayment of debt, acquisitions, loans and advances to, and investments in, our subsidiaries to provide funds for working capital and capital expenditures. Until the net proceeds are utilized, it is expected that the net proceeds will be placed in interest bearing time deposits or invested in short-term marketable securities.

CAPITALIZATION

We have provided in the table below our consolidated cash and equivalents, short-term debt and capitalization as of March 31, 2004. You should read this table in conjunction with our consolidated financial statements and the related notes incorporated by reference in this prospectus.

AS OF MARCH 31, 2004	
(IN MILLIONS)	
CASH AND EQUIVALENTS	$1,933
SHORT-TERM DEBT AND CURRENT MATURITIES OF LONG-TERM DEBT	$ 32
LONG-TERM DEBT (EXCLUDING CURRENT MATURITIES):	
3 1/8% convertible senior notes due July 15, 2023	1,200
5 1/2% senior notes due October 15, 2010	748
Medium-term notes due through 2027	600
Floating rate senior notes due January 26, 2007	500
Floating rate senior notes due October 17, 2005	300
7.6% debentures due August 2096	294
7.60% debentures due August 2096 of DII Industries, LLC(1)	6
8.75% debentures due February 2021	200
Variable interest credit facility maturing September 2009	46
Variable interest revolving line of credit due April 2005	27
Effect of interest rate swaps	8
Other notes with varying interest rates	5
Total long-term debt	3,934
SHAREHOLDERS' EQUITY:	
Common shares, par value $2.50 per share; 600 million shares authorized(2); 457 million shares issued	1,143
Paid-in capital in excess of par value	268
Accumulated other comprehensive income	(350)
Retained earnings	1,951
Less 17 million shares of treasury stock, at cost	540
Total shareholders' equity	2,472
Total capitalization and short-term debt	$6,438

- ---

(1) Halliburton is a co-obligor of the DII Industries debentures.

(2) In May 2004, the number of our authorized shares increased to 1 billion.

Participation in the exchange offer is voluntary, and you should carefully consider whether to participate. You are urged to consult your financial and tax advisors in making your own decision on what action to take.

We are offering to issue new registered senior notes due January 26, 2007 in exchange for a like principal amount of our outstanding unregistered senior notes due January 26, 2007. We may extend, delay or terminate the exchange offer. Holders of outstanding notes who wish to tender will need to complete and timely submit the exchange offer documentation related to the exchange.

PURPOSE AND EFFECT OF THE EXCHANGE OFFER

We entered into a registration rights agreement with the initial purchasers of the outstanding notes in which we agreed to file a registration statement relating to an offer to exchange the outstanding notes for new notes within 120 days after the closing of the offering and to use our reasonable best efforts to have it declared effective within 210 days after the closing of the offering. We are offering the new notes under this prospectus to satisfy those obligations under the registration rights agreement.

If the exchange offer is not permitted by applicable law or SEC policy or in general if any holder of the outstanding notes notifies us that:

- on or prior to the time the exchange offer is completed, existing SEC interpretations are changed such that the notes received in the exchange offer would not be transferable without restriction under the Securities Act;

- the exchange offer has not been completed within 255 days following the date the notes were first issued; or

- the exchange offer is not available to any holder of notes,

we will file with the SEC a shelf registration statement to cover resales of outstanding notes.

If we fail to comply with the applicable deadlines for filing the registration statements or completion of the exchange offer, we may be required to pay additional interest amounts to holders of the outstanding notes. Please read the section captioned "Registration Rights Agreement" for more details regarding the registration rights agreement.

To receive transferable new notes in exchange for your outstanding notes in the exchange offer, you, as holder of the tendered outstanding notes, will be required to represent to us that:

- you are not our "affiliate," as defined in Rule 405 of the Securities Act, or a broker-dealer tendering outstanding notes acquired directly from us for your own account;

- if you are not a broker-dealer or are a broker-dealer but will not receive new notes for your own account in exchange for outstanding notes, you are not engaged in and do not intend to participate in a distribution of the new notes;

- you have no arrangement or understanding with any person to participate in a distribution of the new notes or the outstanding notes within the meaning of the Securities Act;

- you are acquiring the new notes in the ordinary course of your business; and

- if you are a broker-dealer that will receive new notes in exchange for outstanding notes, that you acquired the outstanding notes to be exchanged for new notes for your own account as a result of market-making activities or other trading activities, and you acknowledge that you will deliver a prospectus meeting the requirements of the Securities Act in connection with the resale of any new notes. It is understood that you are not admitting that you are an "underwriter" within the meaning of the Securities Act by acknowledging that you will deliver, and by delivery of, a prospectus.

RESALES OF NEW NOTES

Based on interpretations of the SEC staff in "no action letters" issued to third parties, we believe that each new note issued to a holder tendering in the exchange offer may be offered for resale, resold and otherwise transferred by you, the holder of that new note, without compliance with the registration and prospectus delivery provisions of the Securities Act if:

- you are not our "affiliate" within the meaning of Rule 405 under the Securities Act;

- the new note is acquired in the ordinary course of your business; and

- you are not engaged in, and do not intend to participate in, and have no arrangement or understanding to participate in, the distribution of new notes.

However, the SEC has not considered the legality of our exchange offer in the context of a "no action letter," and there can be no assurance that the staff of the SEC would make a similar determination with respect to our exchange offer as in other circumstances.

If you tender outstanding notes in the exchange offer with the intention of participating in any manner in a distribution of the new notes, you:

- cannot rely on these interpretations by the SEC staff; and

- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction.

Unless an exemption from registration is otherwise available, any holder intending to distribute new notes should be covered by an effective registration statement under the Securities Act containing the holder's information required by Item 507 or Item 508, as applicable, of Regulation S-K under the Securities Act. This prospectus may be used for an offer to resell, resale or other transfer of new notes only as specifically described in this prospectus. We have agreed to make this prospectus available in connection with resales of the new notes for up to 180 days from the consummation of the exchange offer. Failure to comply with the registration and prospectus delivery requirements by a holder subject to these requirements could result in that holder incurring liability for which it is not indemnified by us. Only broker-dealers that acquired the outstanding notes as a result of market-making activities or other trading activities may participate in the exchange offer. Please read the section captioned "Plan of Distribution" for more details regarding the transfer of new notes.

TERMS OF THE EXCHANGE OFFER

Upon the terms and subject to the conditions described in this prospectus and in the accompanying letter of transmittal, we will accept for exchange any outstanding notes properly tendered and not withdrawn before the expiration date. We will issue $1,000 principal amount of new notes in exchange for each $1,000 principal amount of outstanding notes surrendered under the exchange offer. Outstanding notes may be tendered only in integral multiples of $1,000. The exchange offer is not conditioned upon any minimum aggregate principal amount of outstanding notes being tendered for exchange.

As of the date of this prospectus, $500.0 million aggregate principal amount of the outstanding notes are not yet registered. This prospectus and the letter of transmittal accompanying this prospectus are being sent to all registered holders of outstanding notes. There will be no fixed record date for determining registered holders of outstanding notes entitled to participate in the exchange offer.

We intend to conduct the exchange offer according to the provisions of the registration rights agreement, the applicable requirements of the Securities Act and the Exchange Act, and the rules and regulations of the SEC. Outstanding notes that are not tendered for exchange in the exchange offer will remain outstanding and continue to accrue interest and will be entitled to the rights and benefits the holders have under the indenture. However, these outstanding notes will not be freely tradable and will not have registration rights. Other than in connection with the exchange offer and as specified in the registration rights agreement, we are not

obligated to, nor do we currently anticipate that we will, register the outstanding notes under the Securities Act. See "-- Consequences of Failure to Exchange" below.

By signing or agreeing to be bound by the letter of transmittal, you acknowledge that, upon request, you will execute and deliver any additional documents deemed by the exchange agent or us to be necessary or desirable to complete the exchange, assignment and transfer of the outstanding notes tendered by you, including the transfer of your notes on the account books maintained by DTC.

We will be deemed to have accepted for exchange properly tendered outstanding notes when we have given oral or written notice of the acceptance to the exchange agent and complied with the applicable provisions of the registration rights agreement. The exchange agent will act as agent for the tendering holders for the purpose of receiving the new notes.

Holders tendering outstanding notes in the exchange offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of outstanding notes. We will pay all charges and expenses, other than certain applicable taxes described below, in connection with the exchange offer. It is important for holders to read the section labeled "-- Fees and Expenses" below for more details regarding fees and expenses incurred in the exchange offer.

We will return any outstanding notes that we do not accept for exchange for any reason without expense to the tendering holder as promptly as practicable after the expiration or termination of the exchange offer.

EXPIRATION DATE

The exchange offer will expire at 5:00 p.m., New York City time on , 2004 unless, in our sole discretion, we extend the exchange offer.

EXTENSIONS, DELAY IN ACCEPTANCE, TERMINATION OR AMENDMENT

We reserve the right, at any time or at various times, to extend the period of time during which the exchange offer is open. During any extensions, all outstanding notes previously tendered will remain subject to the exchange offer, and we may accept them for exchange. We do not currently intend to extend the expiration date.

To extend the exchange offer, we will notify the exchange agent orally or in writing of any extension. We will also make a public announcement of the extension no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. Without limiting the manner in which we may choose to make public announcements of any delay in acceptance, extension, termination or amendment of the exchange offer, we will have no obligation to publish, advertise or otherwise communicate any public announcement, other than by making a timely release to the Dow Jones News Service.

If any of the conditions described below under "-- Conditions to the Exchange Offer" have not been satisfied, we reserve the right, in our sole discretion:

- to delay accepting for exchange any outstanding notes;

- to extend the exchange offer; or

- to terminate the exchange offer

by giving oral or written notice of a delay, extension or termination to the exchange agent. Subject to the terms of the registration rights agreement, we also reserve the right to amend the terms of the exchange offer in any manner.

Any delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice to the registered holders of the outstanding notes. If we amend the exchange offer in a manner we determine to constitute a material change, we will promptly disclose the amendment by means of a prospectus supplement. The supplement will be distributed to the registered holders of the outstanding notes. Depending upon the significance of the amendment and the manner of

disclosure to the registered holders, we may extend the exchange offer if the exchange offer would otherwise expire during that period.

CONDITIONS TO THE EXCHANGE OFFER

If in our reasonable judgment the exchange offer, or the making of any exchange by a holder of outstanding notes, would violate applicable law or any applicable interpretation of the staff of the SEC:

- we will not be required to accept for exchange, or exchange any new notes for, any outstanding notes; and

- we may terminate the exchange offer as provided in this prospectus before accepting any outstanding notes for exchange.

In addition, we will not be obligated to accept for exchange the outstanding notes of any holder that has not made to us the following representations:

- the representations described under "-- Purpose and Effect of the Exchange Offer" above and "-- Your Representations to Us" below, and in the letter of transmittal and

- other representations as may be reasonably necessary under applicable SEC rules, regulations or interpretations to make available to us an appropriate form for registration of the new notes under the Securities Act.

We reserve the right to amend or terminate the exchange offer, and to reject for exchange any outstanding notes not previously accepted for exchange, upon the occurrence of any of the conditions to the exchange offer specified above. We will give oral or written notice of any extension, amendment, nonacceptance or termination to the holders of the outstanding notes as promptly as practicable. These conditions are for our sole benefit, and we may assert them or waive them in whole or in part at any time or at various times in our sole discretion. If we fail at any time to exercise any of these rights, this failure will not mean that we have waived our rights. Each right will be deemed an ongoing right that we may assert at any time or at various times.

In addition, we will not accept for exchange any outstanding notes tendered and will not issue new notes in exchange for any outstanding notes, if at that time any stop order has been threatened or is in effect with respect to the registration statement of which this prospectus constitutes a part or the qualification of the indenture under the Trust Indenture Act of 1939.

PROCEDURES FOR TENDERING

HOW TO TENDER GENERALLY

Only a registered holder of outstanding notes may tender its outstanding notes in the exchange offer. If you are a beneficial owner of outstanding notes and wish to have the registered owner tender on your behalf, please see "-- How to Tender if You Are a Beneficial Owner" below. To tender in the exchange offer, you must either comply with the procedures for manual tender or comply with the automated tender offer program procedures of DTC described below under "-- Tendering Through DTC's Automated Tender Offer Program."

To complete a manual tender, you must:

- complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal;

- have the signature on the letter of transmittal guaranteed if the letter of transmittal so requires;

- mail or deliver the letter of transmittal or a facsimile of the letter of transmittal to the exchange agent before the expiration date; and

- deliver, and the exchange agent must receive, before the expiration date:

  -- the outstanding notes along with the letter of transmittal, or

-- a timely confirmation of book-entry transfer of the outstanding notes into the exchange agent's account at DTC according to the procedure for book-entry transfer described below under "-- Book-Entry Transfer."

If you wish to tender your outstanding notes and cannot comply with the requirement to deliver the letter of transmittal and your outstanding notes or use the automated tender offer program of DTC before the expiration date, you must tender your outstanding notes according to the guaranteed delivery procedures described below.

For a tender to be effective, the exchange agent must receive any physical delivery of the letter of transmittal and other required documents at its address provided above under "Prospectus Summary -- The Exchange Agent" before the expiration date. Any tender by a holder that is not withdrawn before the expiration date will constitute a legally binding agreement between the holder and us according to the terms and subject to the conditions described in this prospectus and in the letter of transmittal.

THE METHOD OF DELIVERY OF OUTSTANDING NOTES, THE LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT IS AT YOUR ELECTION AND RISK. RATHER THAN MAIL THESE ITEMS, WE RECOMMEND THAT YOU USE AN OVERNIGHT OR HAND-DELIVERY SERVICE. IN ALL CASES, YOU SHOULD ALLOW SUFFICIENT TIME TO ENSURE DELIVERY TO THE EXCHANGE AGENT BEFORE THE EXPIRATION DATE. YOU SHOULD NOT SEND THE LETTER OF TRANSMITTAL OR OUTSTANDING NOTES TO US. YOU MAY REQUEST YOUR BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY OR OTHER NOMINEE TO PERFORM THE DELIVERIES ON YOUR BEHALF.

BOOK-ENTRY TRANSFER

The exchange agent will make a request to establish an account with respect to the outstanding notes at DTC for purposes of the exchange offer promptly after the date of this prospectus. Any financial institution participating in DTC's system may make book-entry delivery of outstanding notes by causing DTC to transfer the outstanding notes into the exchange agent's account at DTC according to DTC's procedures for transfer. Holders of outstanding notes who are unable to deliver confirmation of the book-entry tender of their outstanding notes into the exchange agent's account at DTC or all other documents required by the letter of transmittal to the exchange agent on or before the expiration date must tender their outstanding notes according to the guaranteed delivery procedures described below.

TENDERING THROUGH DTC'S AUTOMATED TENDER OFFER PROGRAM

The exchange agent and DTC have confirmed that any financial institution that is a participant in DTC's system may use DTC's automated tender offer program to tender its outstanding notes. Participants in the program may transmit their acceptance of the exchange offer electronically instead of physically completing and signing the letter of transmittal and delivering it to the exchange agent. Tendering through the automated tender offer program causes DTC to transfer the outstanding notes to the exchange agent according to its procedures for transfer. DTC will then send an agent's message to the exchange agent.

The term "agent's message" means a message transmitted by DTC, received by the exchange agent and forming part of the book-entry confirmation, stating that:

- DTC has received an express acknowledgment from a participant in its automated tender offer program that is tendering outstanding notes that are the subject of book-entry confirmation;

- the participant has received and agrees to be bound by the terms of the letter of transmittal or, in the case of an agent's message relating to guaranteed delivery, that the participant has received and agrees to be bound by the applicable notice of guaranteed delivery; and

- the agreement may be enforced against the participant.

HOW TO TENDER IF YOU ARE A BENEFICIAL OWNER

If you beneficially own outstanding notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender those notes, you should contact the registered

holder promptly and instruct it to tender on your behalf. If you are a beneficial owner and wish to tender on your own behalf, you must, before completing and executing the letter of transmittal and delivering your outstanding notes, either:

- make appropriate arrangements to register ownership of the outstanding notes in your name; or

- obtain a properly completed bond power from the registered holder of outstanding notes.

The transfer of registered ownership may take considerable time and may not be completed before the expiration date.

SIGNATURES AND SIGNATURE GUARANTEES

You must have signatures on a letter of transmittal or a notice of withdrawal described below guaranteed by:

- a member firm of a registered national securities exchange;

- a member of the National Association of Securities Dealers, Inc.;

- a commercial bank or trust company having an office or correspondent in the United States; or

- an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act.

The above must be a member of one of the recognized signature guarantee programs identified in the letter of transmittal, unless the outstanding notes are tendered:

- by a registered holder who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the letter of transmittal and the new notes are being issued directly to the registered holder of the outstanding notes tendered in the exchange for those new notes; or

- for the account of a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States, or an eligible guarantor institution.

WHEN ENDORSEMENTS OR BOND POWERS ARE NEEDED

If the letter of transmittal is signed by a person other than the registered holder of the outstanding notes, the outstanding notes to be tendered must be endorsed or accompanied by a properly completed bond power. The bond power must be signed by the registered holder as the registered holder's name appears on the outstanding notes and a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States, or an eligible guarantor institution must guarantee the signature on the bond power.

If the letter of transmittal or any outstanding notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, those persons should so indicate when signing. They should also submit evidence of their authority to deliver the letter of transmittal satisfactory to us unless we waive this requirement.

DETERMINATIONS UNDER THE EXCHANGE OFFER

We will determine in our sole discretion all questions as to the validity, form, eligibility, time of receipt, acceptance of tendered outstanding notes and withdrawal of tendered outstanding notes. Our determination will be final and binding. We reserve the absolute right to reject any outstanding notes not properly tendered or any outstanding notes our acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tender as to particular outstanding notes. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of outstanding notes must be cured within the time we shall determine. Neither we, the exchange agent nor any other person will be

under any duty to give notification of defects or irregularities with respect

to tenders of outstanding notes, and none of the aforementioned will incur liability for failure to give notification. Tenders of outstanding notes will not be deemed made until any defects or irregularities have been cured or waived. Any outstanding notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned to the tendering holder, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date.

WHEN WE WILL ISSUE NEW NOTES

In all cases, we will issue new notes for outstanding notes that we have accepted for exchange under the exchange offer only after the exchange agent timely receives:

- delivery of the outstanding notes or a book-entry confirmation of the tender of the outstanding notes into the exchange agent's account at DTC; and

- a properly completed and duly executed letter of transmittal and all other required documents or a properly transmitted agent's message.

RETURN OF OUTSTANDING NOTES NOT ACCEPTED OR EXCHANGED

If we do not accept any tendered outstanding notes for exchange for any reason described in the terms and conditions of the exchange offer or if outstanding notes are submitted for a greater principal amount than the holder desires to exchange, the unaccepted or nonexchanged outstanding notes will be returned without expense to their tendering holder. In the case of outstanding notes tendered by book-entry transfer into the exchange agent's account at DTC according to the procedures described below, the outstanding notes not accepted for exchange will be credited to an account maintained with DTC. These actions will occur as promptly as practicable after the expiration or termination of the exchange offer.

YOUR REPRESENTATIONS TO US

By signing or agreeing to be bound by the letter of transmittal, you will represent that, among other things:

- you are not our "affiliate," as defined in Rule 405 of the Securities Act, or a broker-dealer tendering outstanding notes acquired directly from us for your own account;

- if you are not a broker-dealer or are a broker-dealer but will not receive new notes for your own account in exchange for outstanding notes, you are not engaged in and do not intend to participate in a distribution of the new notes;

- you have no arrangement or understanding with any person to participate in a distribution of the outstanding notes or the new notes within the meaning of the Securities Act;

- you are acquiring the new notes in the ordinary course of your business; and

- if you are a broker-dealer that will receive new notes in exchange for outstanding notes, you acquired the outstanding notes to be exchanged for new notes for your own account as a result of market-making activities or other trading activities, and you acknowledge that you will deliver a prospectus meeting the requirements of the Securities Act in connection with the resale of any new notes. It is understood that you are not admitting that you are an "underwriter" within the meaning of the Securities Act by acknowledging that you will deliver, and by delivery of, a prospectus.

If you tender in the exchange offer for the purpose of participating in a distribution of the new notes:

- you cannot rely on the applicable interpretations of the SEC; and

- you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction.

GUARANTEED DELIVERY PROCEDURES

If you wish to tender your outstanding notes but your outstanding notes are not immediately available or you cannot deliver your outstanding notes, the letter of transmittal or any other required documents to the exchange agent or comply with the applicable procedures under DTC's automated tender offer program before the expiration date, you may tender if:

- the tender is made through a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or an eligible guarantor institution; and

- before the expiration date, the exchange agent receives from the member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., commercial bank or trust company having an office or correspondent in the United States, or eligible guarantor institution either a properly completed and duly executed notice of guaranteed delivery by facsimile transmission, mail or hand delivery or a properly transmitted agent's message and notice of guaranteed delivery:

  -- stating your name and address, the registered number(s) of your outstanding notes and the principal amount of outstanding notes tendered,

  -- stating that the tender is being made, and

  -- guaranteeing that, within three New York Stock Exchange trading days after the expiration date, the letter of transmittal or facsimile thereof, together with the outstanding notes or a book-entry confirmation and any other documents required by the letter of transmittal will be deposited by the eligible guarantor institution with the exchange agent; and

- the exchange agent receives the properly completed and executed letter of transmittal or facsimile thereof, as well as all tendered outstanding notes in proper form for transfer or a book-entry confirmation and all other documents required by the letter of transmittal, within three New York Stock Exchange trading days after the expiration date.

Upon request to the exchange agent, the exchange agent will send you a notice of guaranteed delivery if you wish to tender your outstanding notes using the guaranteed delivery procedures described above.

WITHDRAWAL OF TENDERS

Except as otherwise provided in this prospectus, you may withdraw your tender at any time before 5:00 p.m., New York City time, on the expiration date unless we have previously accepted your notes for exchange. For a withdrawal to be effective:

- the exchange agent must receive a written notice of withdrawal at one of the addresses listed above under "Prospectus Summary -- The Exchange Agent;" or

- the withdrawing holder must comply with the appropriate procedures of DTC's automated tender offer program system.

Any notice of withdrawal must:

- specify the name of the person (whom we refer to as the depositor) who tendered the outstanding notes to be withdrawn;

- identify the outstanding notes to be withdrawn, including the registration number or numbers and the principal amount of the outstanding notes;

- be signed by the depositor in the same manner as the original signature on the letter of transmittal used to deposit those outstanding notes or be accompanied by documents of transfer sufficient to permit the trustee for the outstanding notes to register the transfer into the name of the depositor withdrawing the tender; and

- specify the name in which the outstanding notes are to be registered, if different from that of the depositor.

If outstanding notes have been tendered under the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn outstanding notes and otherwise comply with the procedures of DTC.

We will determine, in our sole discretion, all questions as to the validity, form, eligibility and time of receipt of notice of withdrawal. Our determination shall be final and binding on all parties. We will deem any outstanding notes so withdrawn not to have been validly tendered for exchange for purposes of the exchange offer.

Any outstanding notes that have been tendered for exchange but that are not exchanged for any reason will be returned to their holder without cost to the holder or, in the case of outstanding notes tendered by book-entry transfer into the exchange agent's account at DTC according to the procedures described above, the outstanding notes will be credited to an account maintained with DTC for the outstanding notes. This return or crediting will take place as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. At any time on or before the expiration date, holders may re-tender properly withdrawn outstanding notes by following one of the procedures described under "-- Procedures for Tendering" above.

FEES AND EXPENSES

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail, but we may make additional solicitation by telephone, electronically or in person by the exchange agent, our officers and regular employees and those of our affiliates.

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to broker-dealers or others soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and reimburse it for its related reasonable out-of-pocket expenses. We may also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this prospectus, letters of transmittal and related documents to the beneficial owners of the outstanding notes and in handling or forwarding tenders for exchange.

We will pay the cash expenses to be incurred in connection with the exchange offer, including:

- SEC registration fees;

- fees and expenses of the exchange agent and trustee;

- accounting and legal fees and printing costs; and

- related fees and expenses.

TRANSFER TAXES

We will pay all transfer taxes, if any, applicable to the exchange of outstanding notes under the exchange offer. A tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if:

- certificates representing outstanding notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of outstanding notes tendered;

- tendered outstanding notes are registered in the name of any person other than the person signing the letter of transmittal; or

- a transfer tax is imposed for any reason other than the exchange of outstanding notes under the exchange offer.

If satisfactory evidence of payment of any transfer taxes payable by a holder is not submitted with the letter of transmittal, the amount of the transfer taxes will be billed directly to that tendering holder.

CONSEQUENCES OF FAILURE TO EXCHANGE

If you do not exchange your outstanding notes for new notes in the exchange offer, your notes will remain subject to the existing restrictions on transfer. IN GENERAL, YOU MAY NOT OFFER OR SELL THE OUTSTANDING NOTES UNLESS THEY ARE REGISTERED UNDER THE SECURITIES ACT OR THE OFFER OR SALE IS EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. Except as required by the registration rights agreement, we do not intend to register resales of the outstanding notes under the Securities Act. In addition, if you fail to exchange your outstanding notes, the market value of your outstanding notes may be adversely affected because they may be more difficult to sell. The tender of outstanding notes under the exchange offer will reduce the outstanding aggregate principal amount of the outstanding notes. This may have an adverse effect upon, and increase the volatility of, the market price of any outstanding notes that you continue to hold due to a reduction in liquidity. See "Risk Factors -- Risks Relating to the Exchange Offer -- If you fail to exchange your outstanding notes, the existing transfer restrictions will remain in effect and the market value of your outstanding notes may be adversely affected because they may be more difficult to sell."

Based on interpretations of the SEC staff, you may offer for resale, resell or otherwise transfer new notes issued in the exchange offer without compliance with the registration and prospectus delivery provisions of the Securities Act, if:

- you are not our "affiliate" within the meaning of Rule 405 under the Securities Act;
- you acquired the new notes in the ordinary course of your business; and
- you have no arrangement or understanding with respect to the distribution of the new notes to be acquired in the exchange offer.

If you tender in the exchange offer for the purpose of participating in a distribution of the new notes:

- you cannot rely on the applicable interpretations of the SEC; and
- you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction.

ACCOUNTING TREATMENT

We will not recognize a gain or loss for accounting purposes upon the consummation of the exchange offer.

OTHER

Participation in the exchange offer is voluntary, and you should carefully consider whether to accept. You are urged to consult your financial and tax advisors in making your decision on what action to take.

We may, in the future, seek to acquire untendered outstanding notes in open-market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plans to acquire any outstanding notes that are not tendered in the exchange offer or to file a registration statement to permit resales of any untendered outstanding notes.

DESCRIPTION OF SELECTED SETTLEMENT-RELATED INDEBTEDNESS

In connection with the proposed plan of reorganization, in the fourth quarter of 2003, we entered into (1) a secured master letter of credit facility intended to ensure that existing letters of credit supporting our contracts remain in place during the Chapter 11 proceedings, which allows advances until December 31, 2004, and (2) a secured $700.0 million revolving credit facility for general working capital purposes, which matures in October 2006. In July 2004, we entered into an additional secured $500.0 million 364-day revolving credit facility for general working capital purposes with terms otherwise substantially similar to our existing secured $700.0 million revolving credit facility maturing in October 2006. The new notes will share in the collateral pledged to secure the credit facilities at times when the threshold for Secured Debt (as defined in the new notes) is exceeded by advances and letter of credit drawings under the credit facilities.

The following discussion is a summary of selected provisions of the facilities described in the first paragraph of this "Description of Selected Settlement-Related Indebtedness." It does not restate the facilities in their entirety and this summary is qualified in its entirety by reference to the full and complete text of the credit facilities.

MASTER LC FACILITY

In connection with the proposed plan of reorganization, Halliburton (and to the extent that they are account parties in respect of specified existing letters of credit, DII Industries and Kellogg Brown & Root) entered into a senior secured master letter of credit facility (the "Master LC Facility") with a syndicate of banks made up of those banks holding at least 90% of the face amount of certain of our then existing letters of credit. The Master LC Facility is now effective. The Master LC Facility covers at least 90% of the face amount of certain of our existing letters of credit, such credit to be provided by each lender to the extent of any draw on an existing letter of credit issued by it. In addition, the Master LC Facility provides a discretionary facility for the issuance of new letters of credit, so long as the total facility does not exceed an amount equal to the amount of the facility at closing plus $250.0 million. The existing letters of credit issued by the lenders entering into the Master LC Facility and any additional letters of credit issued under the facility are referred to herein as the "Facility LCs."

For so long as the Master LC Facility is secured by any collateral, as defined in the Master LC Facility, Halliburton Energy Services and certain domestic subsidiaries of Halliburton and Halliburton Energy Services will guaranty the obligations under the Master LC Facility. In any event, we shall remain at all times during the term of the Master LC Facility an obligor with respect to any LC Advance (as defined below) in respect of which we are not the account party. As used herein, "subsidiaries" of us and Halliburton Energy Services is determined after giving effect to the restructuring that occurred immediately prior to the Chapter 11 filing and excludes DII Industries and its subsidiaries during the period before the plan of reorganization has been confirmed and the related court orders have been entered (the "Exit Date").

The purpose of the Master LC Facility is to provide a term-out for any draws prior to December 31, 2004, but no later than the Exit Date (the "Term-Out Date") on Facility LCs, as well as to provide collateral for the reimbursement obligations in respect thereof. During the term of the Master LC Facility prior to the Term-Out Date, any draw on a Facility LC will be funded by the lender that issued such Facility LC (each such funding, an "LC Advance"). Until the Term-Out Date, the terms of the Master LC Facility will override any reimbursement, cash collateral or other agreements or arrangements between any individual lender and the account party or any of its affiliates relating to the Facility LCs, whether or not drawn, and until such advance is repaid, the terms of the Master LC Facility will override any such agreement or arrangement relating to any Facility LC which is drawn prior to the Term-Out Date. Each lender has permanently waived any right that it might otherwise have pursuant to any such agreement or arrangement to demand cash collateral as a result of the filing of Chapter 11 proceedings.

On the occurrence of the Term-Out Date, all LC Advances outstanding under the Master LC Facility on the Term-Out Date, if any, will become term loans

payable in full on June 30, 2005 (unless prepaid prior to such date) and all undrawn Facility LCs shall cease to be subject to the terms of the Master LC Facility.

We may, upon at least five business days' notice and at the end of any applicable interest period, prepay any portion of the LC Advances as follows: (1) before the occurrence of the Exit Date, ratably among all lenders, with such prepayment being used to prepay the outstanding LC Advances at such time and to cash collateralize obligations at such time, and (2) after the occurrence of the Exit Date, to prepay outstanding LC Advances ratably among all lenders that have made LC Advances, in each case, without penalty.

Prior to the occurrence of the Collateral Release Date (as defined below), the Master LC Facility must be cash collateralized with the net proceeds of any sales of collateral and the net cash proceeds of any sales of other assets, subject to certain exceptions. Such cash collateral will be shared pro rata among the lenders and the lenders under the Revolving Credit Facilities (as defined below). To the extent that the aggregate principal amount of all LC Advances and borrowings under the Revolving Credit Facilities exceed 5% of the consolidated net tangible assets of Halliburton and its subsidiaries, such cash collateral will also be shared pro rata with the holders of Halliburton's 8.75% notes due 2021, 3 1/8% convertible senior notes due 2023, medium term notes, 7.6% debentures due 2096, senior notes due 2005, 5 1/2% senior notes due 2010, the senior notes due 2007 (whether registered or unregistered) and any other issue of debt of Halliburton that Halliburton may effect prior to the Exit Date (a "New Issuance") to the extent that such New Issuance includes a requirement that the holders thereof be equally and ratably secured with Halliburton's other creditors (provided that the amount of such New Issuance which may be so secured does not exceed $500.0 million). After the Exit Date, if the conditions to release of collateral have been satisfied, any cash collateral held pursuant to the preceding sentence, subject to certain exceptions, will be applied to ratably prepay outstanding LC Advances at such time.

Until the date of satisfaction of the conditions for release of the collateral identified below, the Master LC Facility will be secured by a perfected, first-priority lien on (1) 100% of the stock of Halliburton Energy Services, (2) 100% of the stock or other equity interests owned by us and Halliburton Energy Services of the first-tier domestic subsidiaries of Halliburton and Halliburton Energy Services (other than Halliburton Affiliates LLC), (3) 66% of the equity interests of Halliburton Affiliates LLC and (4) 66% of the stock or other equity interests owned by us or Halliburton Energy Services of the first-tier foreign subsidiaries of Halliburton and Halliburton Energy Services (excluding, in each case, dormant subsidiaries). In addition, if at any time prior to the Collateral Release Date our long-term senior unsecured debt is rated lower than BBB- by Standard & Poor's or lower than Baa3 by Moody's, then we shall, within 20 days in the case of personal property and within 45 days in the case of real property, take all action necessary to ensure that the Master LC Facility is also secured by a perfected, first priority lien on (a) the tangible and intangible assets (with customary exceptions) of Halliburton and Halliburton Energy Services and (b) the tangible and intangible assets (with customary exceptions) of certain of Halliburton Energy Services' directly or indirectly, wholly-owned domestic subsidiaries (except Halliburton Affiliates LLC, DII Industries LLC and each of their respective subsidiaries) (excluding, in each case, dormant subsidiaries). Such collateral will be shared pro rata with the lenders under the Revolving Credit Facilities and, to the extent that the aggregate principal amount of all LC Advances under the Master LC Facility and borrowings under the Revolving Credit Facilities exceed 5% of the consolidated net tangible assets of Halliburton and its subsidiaries, such collateral would also be shared pro rata with the holders of Halliburton's 8.75% notes due 2021, 3 1/8% convertible senior notes due 2023, medium term notes, 7.6% debentures due 2096, senior notes due 2005, 5 1/2% senior notes due 2010, the senior notes due 2007 (whether registered or unregistered) as well as any New Issuance to the extent that such New Issuance includes a requirement that the holders thereof be equally and ratably secured with Halliburton's other creditors (provided that the amount of such New Issuance which may be so secured does not exceed $500.0 million). Upon the occurrence of the Exit Date and the satisfaction of certain conditions, the Master LC Facility will be unsecured (the "Collateral Release Date"). The granting and perfection of collateral (including, without limitation, collateral consisting of foreign subsidiary stock pledges) will be subject to cost efficiency determinations reasonably made by the co-lead arrangers in consultation with us, taking into account, among other things, adverse tax consequences, administrative procedures required by local law or practice, and other parameters to be agreed.

The interest rate per annum (calculated on a 360-day basis) applicable to the LC Advances is the London interbank offered rate for deposits in U.S. dollars at 11:00 A.M. (London time) for the two business

days before the first day of any interest period for a period equal to such interest period, plus the greater of (x) the sum of the per annum rate used to calculate any fee on undrawn letters of credit payable pursuant to the original documents governing the relevant Facility LC plus 0.50% or (y) a margin ranging from 1.00% to 2.00%, which margin will be based on the lower of our credit rating by Standard & Poor's and Moody's (the "Applicable LC Facility Margin").

We may select interest periods of one, two, three or six months for LIBOR rate advances. Interest based on the LIBOR rate would be payable in arrears at the end of the selected interest period, but no less frequently than quarterly.

During the continuance of any default under the loan documentation, the interest rate on all advances owing under the loan documentation would increase by 2% per annum.

REVOLVING CREDIT FACILITIES

In connection with the proposed plan of reorganization, we entered into (1) a secured revolving credit facility, which matures in October 2006 and provides for a total commitment of up to $700.0 million, and (2) a secured revolving credit facility, which matures in July 2005 and provides for a total commitment of up to $500.0 million (together, the "Revolving Credit Facilities").

The entire commitment under each of the Revolving Credit Facilities is available for standby and trade letters of credit (the "Letters of Credit").

For so long as the Revolving Credit Facilities are secured by any collateral as set forth below, Halliburton Energy Services and certain domestic subsidiaries of Halliburton and Halliburton Energy Services will guaranty the obligations under the Revolving Credit Facilities. As used herein, "subsidiaries" of Halliburton and Halliburton Energy Services is determined after giving effect to the restructuring that occurred immediately prior to the Chapter 11 filing and excludes DII Industries and its subsidiaries during the period prior to the Exit Date.

During the period from the closing date until satisfaction of the conditions for release of the collateral identified below, the advances and reimbursement obligations in respect of letters of credit will be secured by a perfected, first priority lien on (1) 100% of the stock of Halliburton Energy Services, (2) 100% of the stock or other equity interests owned by Halliburton or Halliburton Energy Services in certain first-tier domestic subsidiaries of Halliburton and Halliburton Energy Services (other than Halliburton Affiliates LLC), (3) 66% of the stock or other equity interests of Halliburton Affiliates LLC and (4) 66% of the stock or other equity interests owned by Halliburton or Halliburton Energy Services of the first-tier foreign subsidiaries of Halliburton and Halliburton Energy Services (excluding, in each case, dormant subsidiaries). In addition, if at any time prior to the Collateral Release Date our long-term senior unsecured debt is rated lower than BBB- by Standard & Poor's or lower than Baa3 by Moody's, then we shall, within 20 days in the case of personal property and within 45 days in the case of real property, take all action necessary to ensure that the Revolving Credit Facilities are also secured by a perfected, first priority lien on (a) the tangible and intangible assets (with customary exceptions) of Halliburton and Halliburton Energy Services and (b) the tangible and intangible assets (with customary exceptions) of all of Halliburton Energy Services' directly or indirectly wholly-owned domestic subsidiaries (except Halliburton Affiliates LLC, DII Industries and their respective subsidiaries) (excluding, in each case, dormant subsidiaries). Prior to the occurrence of the Collateral Release Date, the Revolving Credit Facilities will be required to be cash collateralized with the net proceeds of any sales of collateral, subject to certain exceptions. All collateral will be shared pro rata with the lenders under the Master LC Facility and, to the extent that the aggregate principal amount of all loans under the Revolving Credit Facilities and advances under the Master LC Facility exceeds 5% of the consolidated net tangible assets of Halliburton and its subsidiaries such collateral will also be shared pro rata with the holders of Halliburton's 8.75% notes due 2021, 3 1/8% convertible senior notes due 2023, medium term notes, 7.6% debentures due 2096, senior notes due 2005, 5 1/2% senior notes due October 2010, the senior notes due 2007 (whether registered or unregistered) and the new notes offered hereby as well as any other New Issuance to the extent that such

New Issuance includes a requirement that the holders thereof be equally and ratably secured with Halliburton's other creditors (provided that the amount of such New Issuance which may

be so secured does not exceed $500.0 million). Upon the occurrence of the Collateral Release Date, the Revolving Credit Facilities will be unsecured.

The interest rate per annum (calculated on a 360-day basis) applicable to the advances is (1) the London interbank offered rate for deposits in U.S. dollars at 11:00 A.M. (London time) for the two business days before the first day of any interest period for a period equal to such interest period, plus a margin ranging from prior to the Exit Date 1.00% to 2.00% and after the Exit Date 0.875% to 1.875%, which margin will be based on the lower of our credit rating by Standard & Poor's and Moody's (the "Applicable Revolving Facility Margin") or (2) at our option, the highest of (a) the base rate of Citibank, N.A., (b) the Federal Funds rate plus 0.50% and (c) the latest three-week moving average of secondary market morning offering rates for three-month certificates of deposit, as determined by Citibank and adjusted for the cost of reserves and FDIC insurance assessments plus 0.50%, plus, in each case, a margin ranging from 0% to 0.875% based on the lower of our credit rating by Standard & Poor's and Moody's, (the "Base Rate").

We may select interest periods of one, two, three or six months for LIBOR rate advances. Interest based on the LIBOR rate would be payable in arrears at the end of the selected interest period, but no less frequently than quarterly. Interest based on the Base Rate would be payable monthly in arrears.

During the continuance of any default under the loan documentation, the interest rate on all advances owing under the loan documentation would increase by 2% per annum.

CONDITIONS TO RELEASE OF COLLATERAL

As described above under "-- Master LC Facility" and "-- Revolving Credit Facilities," borrowings under the Master LC Facility and the Revolving Credit Facilities are secured by a perfected, first-priority lien, on certain of our assets. Any such liens will be released upon satisfaction of all the following conditions:

- completion of the Chapter 11 plan of reorganization of DII Industries, Kellogg Brown & Root and some of their subsidiaries with U.S. operations.

- there is no proceeding pending or threatened in any court or before any arbitrator or governmental instrumentality that (1) could reasonably be expected to have a material adverse effect on our business, condition (financial or otherwise), operations, performance, properties or prospects on a consolidated basis except for litigation that is pending or threatened prior to the effective date of the Revolving Credit Facilities and Master LC Facility and disclosed to the lenders under the Revolving Credit Facilities and the Master LC Facility or (2) purports to affect the legality, validity or enforceability of our obligations or the rights and remedies of any of the lenders under the Revolving Credit Facilities and the Master LC Facility, and there shall have been no material adverse change in the status or financial effect on us on a consolidated basis of the disclosed litigation;

- our long-term senior unsecured debt is rated BBB or higher (stable outlook) by Standard & Poor's and Baa2 or higher (stable outlook) by Moody's and these ratings have been recently confirmed by Standard & Poor's and Moody's;

- there is no material adverse change (which term shall not be deemed to refer to the commencement of the Chapter 11 filing) since December 31, 2002 in our business, condition (financial or otherwise), operations, performance, properties or prospects, except as disclosed in our June 30, 2003 quarterly report on Form 10-Q and except for the accounting charges to be taken directly in connection with the plan of reorganization payments; and

- we are not in default under either of the Revolving Credit Facilities or the Master LC Facility.

DESCRIPTION OF NEW NOTES

We will issue the new notes under an indenture dated as of October 17, 2003, between us and JP Morgan Chase Bank, as trustee (the "base indenture"), as supplemented by the Third Supplemental Indenture thereto, dated as of January 26, 2004, establishing the terms of the notes between Halliburton and the trustee (the "third supplemental indenture" and together with the base indenture, the "indenture"). The terms of the new notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939.

The following description is a summary of the material provisions of the indenture. It does not restate the indenture in its entirety and this summary is qualified in its entirety by reference to the full and complete text of the indenture. We urge you to read the indenture and the new notes because they, and not this description, define your rights as holders of the new notes. You may request copies of those documents in substantially the form in which they have been or will be executed by writing or telephoning us at our address and telephone number shown under the caption "Where You Can Find More Information."

If the exchange offer for the notes is consummated, holders of outstanding notes who do not exchange their outstanding notes will vote together with holders of the new notes for all relevant purposes under the indenture. Accordingly, in determining whether the required holders have given any notice, consent or waiver or taken any other action permitted under the indenture, any outstanding notes that remain outstanding after the exchange offer will be aggregated with new notes, and the holders of the outstanding notes and new notes will vote together as a single series.

The definitions of capitalized terms used in this section without definition are set forth below under "-- Definitions." In this description, the word "Halliburton," "we" or "us" means only Halliburton Company and not any of its subsidiaries.

GENERAL

The notes offered hereby will be our senior unsecured obligations and will rank equally with all our other existing and future senior unsecured indebtedness. In addition, except as otherwise provided herein, the notes are effectively subordinated to any secured indebtedness to the extent of the value of the assets securing such indebtedness and to any indebtedness of our subsidiaries to the extent of the assets of those subsidiaries.

The indenture does not contain any financial covenants. In addition, we are not restricted under the indenture from paying dividends or issuing or repurchasing our securities. The indenture does not restrict our ability to incur additional indebtedness in the future. Halliburton may, without notice to or consent of the holders or beneficial owners of the notes, issue additional notes having the same ranking, interest rate, maturity and other terms as the notes offered hereby. Any such additional notes issued could be considered part of the same series of notes under the indenture as the notes offered hereby.

You will not be afforded protection in the event of a highly leveraged transaction, or a change in control of us under the indenture.

Holders are not required to pay a service charge for registration or transfer of their new notes. We may, however, require holders to pay any tax or other governmental charge in connection with the transfer. We are not required to exchange or register the transfer of any notes or portion of any notes surrendered for redemption or repurchase by us but not withdrawn.

PRINCIPAL; MATURITY; INTEREST

The new notes will initially be limited to an aggregate principal amount of $500,000,000. The new notes will be issued only in fully registered form without coupons, in denominations of $1,000 and whole multiples of $1,000.

The new notes will mature on January 26, 2007 unless earlier redeemed by us.

The notes will bear interest at a floating rate. Interest on the notes will be payable in cash quarterly on the 26th day of January, April, July and October of each year, beginning April 26, 2004. Interest on the notes will be payable to holders of record of the notes on the immediately preceding 1st day of January, April, July and October, as the case may be.

The notes will bear interest for each interest period at a rate determined by JPMorgan Chase Bank, acting as calculation agent. The interest rate on the notes for a particular interest period will be a per annum rate equal to LIBOR as determined on the interest determination date plus 0.75%. The interest determination date for an interest period will be the second London business day preceding the commencement of such interest period. The interest determination date for the notes for the first interest period is January 26, 2004. Promptly upon determination, the calculation agent will inform the trustee and Halliburton of the interest rate for the next interest period. Absent manifest error, the determination of the interest rate by the calculation agent shall be binding and conclusive on the holders of new notes, the trustee and Halliburton.

"LIBOR" means the London interbank offered rates. London business day is a day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

On any interest determination date, LIBOR will be equal to the offered rate for deposits in U.S. dollars having an index maturity of three months, in amounts of at least $1.0 million, as such rate appears on Telerate Page 3750 at approximately 11:00 a.m., London time, on such interest determination date. If Telerate Page 3750 is replaced by another service or ceases to exist, the calculation agent will use the replacing service or such other service that may be nominated by the British Bankers' Association for the purpose of displaying LIBOR for U.S. dollar deposits.

If no offered rate appears on Telerate Page 3750 on an interest determination date at approximately 11:00 a.m., London time, then the calculation agent (after consultation with Halliburton) will select four major banks in the London interbank market and shall request each of their principal London offices to provide a quotation of the rate at which three-month deposits in U.S. dollars in amounts of at least $1.0 million are offered by it to prime banks in the London interbank market, on that date and at that time, that is representative of single transactions at that time. If at least two quotations are provided, LIBOR will be the arithmetic average of the quotations provided. Otherwise, the calculation agent will select three major banks in New York City and shall request each of them to provide a quotation of the rate offered by them at approximately 11:00 a.m., New York City time, on the interest determination date for loans in U.S. dollars to leading European banks having an index maturity of three months for the applicable interest period in an amount of at least $1.0 million that is representative of single transactions at that time. If three quotations are provided, LIBOR will be the arithmetic average of the quotations provided. Otherwise, the rate of LIBOR for next interest period will be set equal to the rate of LIBOR for the then-current interest period.

Upon request from any noteholder, the calculation agent will provide notice of the interest rate in effect on the notes for the current interest period and, if it has been determined, the interest rate to be in effect for the next interest period.

Interest on the notes will be calculated on the basis of the actual number of days in an interest period and a 360-day year. Dollar amounts resulting from such calculation will be rounded to the nearest cent, with one-half cent being rounded upward.

Interest on the new notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest on the new notes will be payable in arrears on the next scheduled interest payment date and on the date the new notes mature. If interest is payable on, or if the date of maturity is, a date that is not a business day, that interest payment, or the payment of principal, as applicable, will be paid on the next succeeding business day and no interest will accrue on that payment during the period between the scheduled payment date and the next succeeding business day.

We will maintain an office in Dallas, Texas, for the payment of interest, which shall initially be an office or agency of the trustee.

We will pay interest either by check mailed to your address as it appears in the note register or, at our option, with respect to global notes, by wire transfer in immediately available funds. Payments to The Depository Trust Company, New York, New York, which we refer to as DTC, or its nominee will be made by wire transfer of immediately available funds to the account of DTC or its nominee.

OPTIONAL REDEMPTION

No sinking fund is provided for the notes, which means that the indenture will not require us to redeem or retire the notes periodically. However, the notes will be redeemable at our option, in whole or in part, on each quarterly interest payment date occurring on or after January 26, 2005, in principal amounts of $1,000 or any integral multiple of $1,000 for an amount equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to the date of redemption.

We will mail notice of a redemption not less than 30 days nor more than 60 days before the redemption date to the trustee and holders of notes to be redeemed.

If we are redeeming less than all the notes, the trustee will select the particular notes to be redeemed pro rata, by lot or by another method the trustee deems fair and appropriate. Unless there is a default in payment of the redemption amount, on and after the redemption date, interest will cease to accrue on the notes or portions thereof called for redemption. We will pay 100% of the principal amount of the notes at the maturity of those notes.

Except as described above, the new notes will not be redeemable by us prior to maturity.

RANKING

The notes will be senior unsecured obligations and will rank equally with all of our existing and future unsecured senior indebtedness. In addition, except as otherwise provided herein, the notes will be effectively subordinated to any secured indebtedness to the extent of the value of the assets securing such indebtedness and to any indebtedness of our subsidiaries to the extent of the assets of those subsidiaries.

As of March 31, 2004, we had outstanding approximately $3.966 billion of unsecured indebtedness, no secured indebtedness and no subordinated indebtedness. As of the date of this prospectus, we had no outstanding advances under our master letter of credit facility and our $700.0 million revolving credit facility and no other outstanding secured indebtedness. At March 31, 2004, the aggregate indebtedness of our subsidiaries was approximately $119.0 million, and other liabilities of our subsidiaries, including trade payables, accrued compensation, advanced billings, income taxes payable, other liabilities (other than asbestos and intercompany liabilities) were approximately $5.5 billion, and accrued asbestos and silica liabilities were approximately $4.3 billion. As of March 31, 2004, our subsidiaries had no secured indebtedness and no subordinated indebtedness outstanding.

In the fourth quarter of 2003, we entered into (1) a secured master letter of credit facility intended to ensure that existing letters of credit supporting our contracts remain in place during the Chapter 11 proceedings, which allows advances until December 31, 2004 and (2) a secured $700.0 million revolving credit facility for general working capital purposes, which matures in October 2006. In July 2004, we entered into an additional secured $500.0 million 364-day revolving credit facility for general working capital purposes with terms substantially similar to our $700.0 million revolving credit facility. The terms of the notes and the credit facilities provide that the notes offered hereby and certain of our previously issued debt securities (including the outstanding notes) and limited amounts of new issuances of debt, if similarly entitled, will share in collateral pledged to secure borrowings under the credit facilities if and when the total of all the Secured Debt (as defined in the new notes) exceeds 5% of the consolidated net tangible assets of Halliburton and its subsidiaries. The terms of the credit facilities limit the amount of indebtedness we can issue that would be equally and ratably secured with indebtedness under the credit facilities. The terms of the credit facilities provide that collateral pledged to secure borrowings under the credit facilities will be released after (1) completion of the Chapter 11 plan of reorganization of DII Industries, Kellogg Brown & Root and

some of their subsidiaries with U.S. operations, and (2) satisfaction of other conditions described in this prospectus. For additional information, see "Description of Selected Settlement-Related Indebtedness."

The new notes will not be guaranteed by any of our subsidiaries. Borrowings under the credit facilities are guaranteed by some of our subsidiaries. Accordingly, the new notes will be structurally subordinated to the debt guaranteed by our subsidiaries. The terms of the credit facilities provide that any of these subsidiary guarantees will be released after (1) completion of the Chapter 11 plan of reorganization of DII Industries, Kellogg Brown & Root and some of their subsidiaries with U.S. operations, and (2) satisfaction of the other conditions described in this prospectus. For additional information, see "Description of Selected Settlement-Related Indebtedness."

The notes are our exclusive obligation. Our cash flow and our ability to service our indebtedness, including the notes, is dependent upon the earnings of our subsidiaries. In addition, we are dependent on the distribution of earnings, loans or other payments by our subsidiaries to us. Our subsidiaries are separate and distinct legal entities. Our subsidiaries will not guarantee the notes or have any obligation to pay any amounts due on the notes or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations. Our right to receive any assets of any subsidiary upon its liquidation or reorganization, and, therefore, our right to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if we were a creditor of any of our subsidiaries, our right as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us. See "Risk Factors -- Risks Relating to Asbestos and Silica Liability -- Prolonged Chapter 11 proceedings of some of our subsidiaries may negatively affect their ability to obtain new business and consequently may have a negative impact on our financial condition and results of operations" and "-- Federal bankruptcy law and state statutes may, under specific circumstances, void payments made by our subsidiaries to us and void principal and interest payments made by us."

We are obligated to pay reasonable compensation to the trustee and calculation agent and to indemnify the trustee and calculation agent against certain losses, liabilities or expenses incurred by the trustee and calculation agent in connection with its duties relating to the notes. The trustee's claims for these payments will generally be senior to those of holders of notes in respect of all funds collected or held by the trustee.

For more information regarding the indebtedness and subsidiary guarantees described above, see "Description of Selected Settlement-Related Indebtedness."

COVENANTS

Under the indenture, there are no covenants restricting our ability to incur additional debt, issue additional securities, maintain any asset ratios or create or maintain any reserves. See "Risk Factors -- Risks Relating to the New Notes -- We will be able to incur more indebtedness and the risks associated with our leverage, including our ability to service our indebtedness, will increase as we incur additional indebtedness." However, the indenture does contain other covenants for your protection, including those described below. The covenants summarized below will apply to the notes (unless waived or amended) as long as the notes are outstanding.

RESTRICTIONS ON SECURED DEBT

Except as provided below, we will not, and will not cause, suffer or permit any of our Restricted Subsidiaries to, create, incur or assume any Secured Debt without equally and ratably securing the notes. In that circumstance, we must also equally and ratably secure any of our other indebtedness or any indebtedness of such Restricted Subsidiary then similarly entitled. However, the foregoing restrictions will not apply to:

- specified purchase money mortgages;

- specified mortgages to finance construction on unimproved property;

- mortgages existing on property at the time of its acquisition by us or a Restricted Subsidiary;

- mortgages existing on the property or on the outstanding shares or indebtedness of a corporation at the time it becomes a Restricted Subsidiary;

- mortgages on property of a corporation existing at the time the corporation is merged or consolidated with us or a Restricted Subsidiary;

- mortgages in favor of governmental bodies to secure payments of indebtedness; or

- extensions, renewals or replacement of the foregoing; provided that their extension, renewal or replacement must secure the same property and does not create Secured Debt in excess of the principal amount then outstanding.

We and any Restricted Subsidiaries may create, incur or assume Secured Debt not otherwise permitted or excepted without equally and ratably securing the notes if the sum of:

- the amount of the Secured Debt (not including Secured Debt permitted under the foregoing exceptions), plus

- the aggregate value of Sale and Leaseback Transactions in existence at the time (not including Sale and Leaseback Transactions the proceeds of which are or will be applied to the retirement of the notes or other funded indebtedness of us and our Restricted Subsidiaries as described below),

does not at the time exceed 5% of Consolidated Net Tangible Assets.

LIMITATIONS ON SALE AND LEASEBACK TRANSACTIONS

The indenture also prohibits Sale and Leaseback Transactions unless:

- Halliburton or the Restricted Subsidiary owning the Principal Property would be entitled to incur Secured Debt equal to the amount realizable upon the sale or transfer secured by a mortgage on the property to be leased without equally and ratably securing the notes; or

- Halliburton or a Restricted Subsidiary apply an amount equal to the value of the property so leased to the retirement (other than mandatory retirement), within 120 days of the effective date of any such arrangement, of indebtedness for money borrowed by Halliburton or any Restricted Subsidiary (other than such indebtedness owned by Halliburton or any Restricted Subsidiary) which was recorded as funded debt as of the date of its creation and which, in the case of such indebtedness of Halliburton, is not subordinate and junior in right of payment to the prior payment of the notes.

Provided, however, that the amount to be so applied to the retirement of such indebtedness shall be reduced by:

- the aggregate principal amount of any notes delivered within 120 days of the effective date of any such arrangement to the trustee for retirement and cancellation; and

- the aggregate principal amount of such indebtedness (other than the notes) retired by Halliburton or a Restricted Subsidiary within 120 days of the effective date of such arrangement.

As of the date of this prospectus, our board of directors has not designated any property of Halliburton or of any Restricted Subsidiary as a Principal Property because, in the opinion of our management, no single property or asset is of material importance to the total business of our company and our Restricted Subsidiaries taken as a whole. As a result, unless a Principal Property is designated by our board of directors, the limitation on Sale and Leaseback Transactions would not limit or prohibit any Sale and Leaseback Transactions by us or a Restricted Subsidiary.

RESTRICTIONS ON CONSOLIDATION, MERGER, SALE OR CONVEYANCE

Halliburton will not, in any transaction or series of transactions, consolidate with or merge with or into, or sell, convey, transfer, lease or otherwise dispose of all or substantially all its assets to, any person, unless:

(1) either (a) Halliburton shall be the continuing person or (b) the person (if other than Halliburton) formed by such consolidation or into which Halliburton is merged, or to which such sale, lease, conveyance, transfer or other disposition shall be made is organized and validly existing under the laws of the United States, any political subdivision thereof or any State of the United States or the District of Columbia and the successor company (if not Halliburton) will expressly assume, by supplemental indenture, the due and punctual payment of the principal of, premium (if any) and interest on the notes and the performance of all the obligations of Halliburton under the notes and the indenture;

(2) immediately after giving effect to such transaction or series of transactions, no default or event of default (as described below) shall have occurred and be continuing or would result from the transaction; and

(3) Halliburton delivers to the trustee the certificates and opinions required by the indenture.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more subsidiaries of Halliburton, which properties and assets, if held by Halliburton instead of such subsidiaries, would constitute all or substantially all of the properties and assets of Halliburton on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of Halliburton.

The successor company will succeed to, and be substituted for, and may exercise every right and power of, Halliburton under the indenture. In the case of a sale, conveyance, transfer or other disposition (other than a lease) of all or substantially all its assets, Halliburton will be released from all of the obligations under the indenture and the notes.

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a person.

EVENTS OF DEFAULT

The following are events of default with respect to the notes:

- failure to pay any interest or additional interest amounts, if any, when due, continued for 30 days;

- failure to pay principal or premium, if any, when due;

- breach or failure to perform any other covenant or agreement in the indenture applicable to the notes (other than any agreement or covenant that has been included in the base indenture and any other supplement thereto solely for the benefit of other series of debt securities issued under the base indenture and any other supplement thereto), continued for 60 days after written notice of such failure by the trustee or the holders of at least 25% in aggregate principal amount of the affected notes then outstanding;

- failure to make any payment at maturity on any indebtedness, upon redemption or otherwise, in the aggregate principal amount of $125.0 million or more, after the expiration of any applicable grace period, and such amount has not been paid or discharged within 30 days after notice is given in accordance with the terms of such indebtedness;

- a default by us on any indebtedness that results in the acceleration of any such indebtedness in the aggregate principal amount of $125.0 million or more so that it becomes due and payable prior to the

date on which it would otherwise become due and payable and such acceleration is not rescinded within 30 days after notice is given in accordance with the terms of such indebtedness;

- specific events relating to our bankruptcy, insolvency or reorganization, whether voluntary or not.

A default under one series of notes will not necessarily be a default under any other series of debt securities issued under the indenture.

If any event of default occurs for the notes and continues for the required amount of time, the trustee or the holders of not less than 25% of the principal amount of the then-outstanding notes (or, in some cases, 25% in principal amount of all securities issued under the base indenture and any supplement thereto that are affected, voting as one class) may declare the notes due and payable, together with all accrued and unpaid interest, if any, immediately by giving notice in writing to us (and to the trustee, if given by the holders). Notwithstanding the preceding, in the case of an event of default arising from certain events of bankruptcy, insolvency or reorganization with respect to Halliburton, all outstanding notes will become due and payable without further action or notice. The holders of a majority in principal amount of the then-outstanding notes (or, in some cases, of all securities issued under the base indenture and any supplement thereto that are affected, voting as one class), may rescind the declaration under circumstances specified in the indenture.

No holder of a note then outstanding may institute any suit, action or proceeding with respect to, or otherwise attempt to enforce, the indenture, unless:

- the holder has given to the trustee written notice of the occurrence and continuance of a default for the notes;

- the holders of at least 25% in principal amount of the then-outstanding notes have made a written request to the trustee to institute the suit, action or proceeding and have offered to the trustee the reasonable indemnity it may require; and

- the trustee for 60 days after its receipt of the notice, request and offer of indemnity has neglected or refused to institute the requested action, suit or proceeding, and during that 60 day period the holders of a majority in principal amount of the then-outstanding notes do not give the trustee a direction inconsistent with the request.

The right of each holder of a note to receive payment of the principal of, premium, if any, or interest on a note on or after the respective due dates and the right to institute suit for enforcement of any payment obligation may not be impaired or affected without the consent of that holder.

The holders of a majority in aggregate principal amount of the then-outstanding notes (or of all debt securities issued under the base indenture and any other supplement thereto that are affected, voting as a class) may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust power conferred on the trustee if that direction is not in conflict with applicable law and would not involve the trustee in personal liability.

We will be required to furnish to the trustee annually a statement as to the fulfillment of all of our obligations under the indenture.

DEFEASANCE

When we use the term defeasance, we mean discharge from some or all of our obligations under the indenture. If any combination of funds or government securities are deposited with the trustee sufficient to make payments on the notes on the dates those payments are due and payable, then, at our option, either of the following will occur:

- we will be discharged from our obligations with respect to the notes ("legal defeasance"); or

- we will no longer have any obligation to comply with the restrictive covenants, the merger covenant and other specified covenants under the indenture, and the related events of default will no longer apply ("covenant defeasance").

If notes are defeased, the holders of the notes will not be entitled to the benefits of the indenture, except for obligations to register the transfer or exchange of notes, replace stolen, lost or mutilated notes or maintain paying agencies and hold moneys for payment in trust. In the case of covenant defeasance, our obligation to pay principal, premium and interest on the notes will also survive.

We will be required to deliver to the trustee an opinion of counsel that the deposit and related defeasance would not cause the holders of the notes to recognize income, gain or loss for United States federal income tax purposes and that holders will be subject to federal income tax in the same amount and in the same manner and at the same times as would have been the case if such defeasance had not occurred. If we elect legal defeasance, that opinion of counsel must be based upon a ruling from the United States Internal Revenue Service or a change in law to that effect.

MODIFICATIONS

We and the trustee may amend or supplement the indenture if holders of a majority in principal amount of the then-outstanding notes and all other series of securities issued under the base indenture and any other supplement thereto that are affected by the amendment or supplement (acting as one class) consent to it. Without the consent of each holder of a note, however, no modification may:

- reduce the percentage stated above of the holders who must consent to an amendment or supplement to or waiver of the indenture;

- reduce the rate or change the time of payment of interest on the notes;

- extend the stated maturity of the principal of the notes;

- reduce the amount of the principal of or premium, if any, on the notes;

- reduce any premium payable on the redemption of any note or change the time at which any note may be redeemed;

- change the coin or currency in which principal, premium, if any, and interest are payable to the holder;

- impair or affect the right to institute suit for the enforcement of any payment of principal of or interest on any note;

- make any change in the percentage of principal amount of notes necessary to waive compliance with specified provisions of the indenture; or

- waive a continuing default or event of default in payment of principal or premium, if any.

From time to time, we and the trustee may enter into supplemental indentures without the consent of the holders of the notes to, among other things:

- cure any ambiguity, omission, defect or any inconsistency in the indenture;

- evidence the assumption by a successor entity of our obligations under the indenture;

- provide for uncertificated notes in addition to or in place of certificated notes;

- secure the notes or add guarantees of or additional obligors on, the notes;

- comply with any requirement in order to effect or maintain the qualification of the indenture under the Trust Indenture Act;

- add covenants or new events of default for the protection of the holders of the notes;

- amend the indenture in any other manner that we may deem necessary or desirable and that will not adversely affect the interests of the holders of outstanding notes of any series of notes; or

- evidence the acceptance of appointment by a successor trustee.

GOVERNING LAW

The indenture is and the new notes will be governed by, and construed in accordance with, the laws of the State of New York.

DEFINITIONS

"Consolidated Net Tangible Assets" means the aggregate amount of assets included on a consolidated balance sheet of Halliburton and its Restricted Subsidiaries, less:

- applicable reserves and other properly deductible items;
- all current liabilities; and
- all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles;

all in accordance with generally accepted accounting principles consistently applied.

"Principal Property" means any real property, manufacturing plant, warehouse, office building or other physical facility, or any item of marine, transportation or construction equipment or other like depreciable assets of Halliburton or of any Restricted Subsidiary, whether owned at or acquired after the date of the indenture, other than any pollution control facility, that in the opinion of our Board of Directors is of material importance to the total business conducted by us and our Restricted Subsidiaries as a whole. As of the date of this prospectus, our Board of Directors has not designated any property of Halliburton or any Restricted Subsidiary as a Principal Property because, in the opinion of our management, no single property or asset is of material importance to the total business of Halliburton and its Restricted Subsidiaries taken as a whole.

"Restricted Subsidiary" means:

- any Subsidiary of ours existing at the date of the indenture the principal assets and business of which are located in the United States or Canada, except sales financing, real estate and other Subsidiaries so designated; and
- any other Subsidiary we designate as a Restricted Subsidiary.

"Sale and Leaseback Transaction" means the sale or transfer by Halliburton or a Restricted Subsidiary (other than to Halliburton or any one or more of our Restricted Subsidiaries, or both) of any Principal Property owned by it that has been in full operation for more than 120 days prior to the sale or transfer with the intention of taking back a lease on such property, other than a lease not exceeding 36 months, and where the use by Halliburton or the Restricted Subsidiary of the property will be discontinued on or before the expiration of the term of the lease.

"Secured Debt" means indebtedness (other than indebtedness among Halliburton and Restricted Subsidiaries) for money borrowed by Halliburton or a Restricted Subsidiary, or any other indebtedness of Halliburton or a Restricted Subsidiary on which interest is paid or payable, which in any case is secured by:

- a mortgage or other lien on any Principal Property of Halliburton or a Restricted Subsidiary; or
- a pledge, lien or other security interest on any shares of stock or indebtedness of a Restricted Subsidiary.

"Subsidiary" of any person means (a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or persons performing similar functions) or (b) any partnership, joint venture, limited liability company or similar entity of which more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of clauses (a) and (b), at the time owned or controlled, directly or indirectly, by (1) such person, (2) such person and one or more Subsidiaries of such person or

(3) one or more Subsidiaries of such person. Unless otherwise specified herein, each reference to a Subsidiary will refer to a Subsidiary of Halliburton. As used herein, "Capital Stock" of any person means any and all shares (including ordinary shares or American Depositary Shares), interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) of capital stock or other equity participations of such person and any rights (other than debt securities convertible or exchangeable into an equity interest), warrants or options to acquire an equity interest in such person.

INFORMATION CONCERNING THE TRUSTEE

JPMorgan Chase Bank is the trustee under the indenture, the paying agent, the registrar and the custodian with regard to the notes. The trustee or its affiliates may from time to time in the future provide banking and other services to us in the ordinary course of their business.

BOOK-ENTRY SYSTEM

The new notes will be issued in the form of global certificates registered in the name of the depositary or its nominee. Upon issuance, all book-entry certificates will be represented by one or more fully registered global certificates, without coupons. Each global certificate will be deposited with, or on behalf of, the depositary, a securities depositary, and will be registered in the name of the depositary or a nominee of the depositary. The depositary will thus be the only registered holder of the notes.

Notes that are issued as described below under "-- Certificated Notes" will be issued in definitive form. Upon the transfer of notes in definitive form, such notes will, unless the global securities have previously been exchanged for notes in definitive form, be exchanged for an interest in the global securities representing the principal amount of notes being transferred.

Purchasers of notes may hold interests in the global certificates through the depositary if they are participants in the depositary system. Purchasers may also hold interests through a securities intermediary -- banks, brokerage houses and other institutions that maintain securities accounts for customers -- that has an account with the depositary. The depositary will maintain accounts showing the security holdings of its participants, and these participants will, in turn, maintain accounts showing the security holdings of their customers. Some of these customers may themselves be securities intermediaries holding securities for their customers. Thus, each beneficial owner of a book-entry certificate will hold that certificate indirectly through a hierarchy of intermediaries, with the depositary at the "top" and the beneficial owner's own securities intermediary at the "bottom."

The notes of each beneficial owner of a book-entry certificate will be evidenced solely by entries on the books of the beneficial owner's securities intermediary. The actual purchaser of notes will generally not be considered the owner under the indenture. The book-entry system for holding securities eliminates the need for physical movement of certificates and is the system through which most publicly traded securities are held in the United States. However, the laws of some jurisdictions require some purchasers of securities to take physical delivery of their securities in definitive form. These laws may impair the ability of a beneficial owner to transfer book-entry notes.

Investors who purchase notes in offshore transactions in reliance on Regulation S under the Securities Act may hold their interests in the global certificate indirectly through Euroclear Bank, S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, societe anonyme ("Clearstream"), if they are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream will hold interests in the global certificate on behalf of their participants through their respective depositaries, which, in turn, will hold such interests in the global certificate in the depositaries' names on the books of the depositary.

Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures. If a holder requires physical delivery of a definitive certificate for any reason, including to sell certificates to persons in jurisdictions that require delivery of such certificates or to pledge such certificates, such holder must transfer its interest in the global

certificate in accordance with the normal procedures of the depositary and the procedures set forth in the indenture.

Cross-market transfers between the depositary, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in the depositary in accordance with the depositary's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the global certificate in the depositary, and making or receiving payment in accordance with normal procedures for same- day funds settlement applicable to the depositary. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in the global certificate from a depositary participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the depositary settlement date and such credit or any interests in the global certificate settled during such processing day will be reported to the relevant Euroclear or Clearstream participant on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in the global certificate by or through a Euroclear or Clearstream participant to a depositary participant will be received with value on the depositary settlement date, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in the depositary.

A beneficial owner of book-entry notes represented by a global certificate may exchange the notes for definitive, certificated notes only if the conditions for such an exchange, as described under "-- Certificated Notes" are met.

In this prospectus, references to actions taken by a holder of notes will mean actions taken by the depositary upon instructions from its participants, and references to payments means payments to the depositary, as registered holder.

We expect that the depositary or its nominee, upon receipt of any payment will credit immediately participants' accounts with payments in amounts proportionate to their respective beneficial interest in the principal amount of the relevant global note as shown on the records of the depositary or its nominee. We also expect that payments by participants to owners of beneficial interests in a global note held through these participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the participants.

We will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the book-entry securities or for maintaining, supervising or reviewing any records relating to beneficial ownership interests.

In order to ensure that the depositary's nominee will timely exercise a right conferred by the notes, the beneficial owner of that note must instruct the broker or other direct or indirect participant through which it holds an interest in that note to notify the depositary of its desire to exercise that right. Different firms have different deadlines for accepting instructions from their customers. Each beneficial owner should consult the broker or other direct or indirect participant through which it holds an interest in the notes in order to ascertain the deadline for ensuring that timely notice will be delivered to the depositary.

The depositary is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under Section 17A of the Exchange Act. The rules applicable to the depositary and its participants are on file with the SEC.

The depositary may discontinue providing its services as securities depositary at any time by giving reasonable notice. Under those circumstances, in the event that a successor securities depositary is not appointed, definitive certificates are required to be printed and delivered.

The information in this section concerning the depositary and the depositary's book-entry system has been obtained from sources that we believe to be reliable, but we do not take responsibility for the accuracy of that information.

CERTIFICATED NOTES

The notes represented by the global securities are exchangeable for certificated notes in definitive form of like tenor as such notes if:

- the depositary notifies us that it is unwilling or unable to continue as depositary for the global securities or if at any time the depositary ceases to be a clearing agency registered under the Exchange Act and, in either case, a successor depositary is not appointed by us within 90 days after the date of such notice;

- an event of default has occurred and is continuing, and the depositary requests the issuance of certificated notes; or

- we determine not to have the notes represented by a global note.

Any notes that are exchangeable pursuant to the preceding sentence are exchangeable for certificated notes issuable in authorized denominations and registered in such names as the depositary shall direct. Subject to the foregoing, the global securities are not exchangeable, except for global securities of the same aggregate principal amount to be registered in the name of the depositary or its nominee.

REGISTRATION RIGHTS AGREEMENT

The following description is a summary of the material provisions of the registration rights agreement. It does not restate the registration rights agreement in its entirety, and this summary is qualified in its entirety by reference to the full and complete text of the registration rights agreement. We urge you to read the registration rights agreement because it, and not this description, defines your rights as holders of the notes. You may request copies of the registration rights agreement by writing or telephoning us at our address and telephone number shown under the caption "Where You Can Find More Information."

EXCHANGE OFFER REGISTRATION STATEMENT

In connection with the issuance of outstanding notes, we and the initial purchasers entered into a registration rights agreement. In the registration rights agreement, we agreed to file an exchange offer registration statement with the SEC as soon as practicable, but no later than 120 days following the date the notes are first issued, and use our reasonable best efforts to have it declared effective as soon as practicable, but in no event later than 210 days following the date the notes are first issued. We also agreed to use our reasonable best efforts to cause the exchange offer registration statement to be effective continuously, to keep the exchange offer for the notes open for a period of at least 30 days and cause the exchange offer to be consummated no later than the 45th business day after the exchange offer registration statement is declared effective by the SEC.

Under the exchange offer, holders of notes that constitute Registrable Securities may exchange their Registrable Securities for registered notes. To participate in an exchange offer, each holder must represent that:

- it is not our affiliate or a broker-dealer tendering notes acquired directly from us for its own account;
- it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the notes that are issued in the exchange offer; and
- that it is acquiring the notes in the exchange offer in its ordinary course of business.

SHELF REGISTRATION STATEMENT

If:

- on or prior to the time the exchange offer is completed, existing SEC interpretations are changed such that the notes received in the exchange offer would not be transferable without restriction under the Securities Act;
- the exchange offer has not been completed within 255 days following the date the notes are first issued; or
- the exchange offer is not available to any holder of the notes,

then we will file, no later than 60 days after the time such obligation to file arises, with the SEC a shelf registration statement to register for public resale the Registrable Securities held by any such holder. A holder who sells notes pursuant to the shelf registration statement generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the registration rights agreement which are applicable to such a holder (including certain indemnification obligations). In addition, each holder of the notes will be required to deliver information to be used in connection with the shelf registration statement in order to have its notes included in the shelf registration statement.

For the purposes of the registration rights agreement, "Registrable Securities" means:

- each note until the earliest to occur of:

  -- the date on which such note is exchanged in a registered exchange offer,

-- the date on which such note has been disposed of pursuant to and in a manner contemplated by the shelf registration statement,

-- the date on which such note is sold pursuant to Rule 144 under the Securities Act under circumstances in which any legend borne by such note relating to restrictions on transferability thereof is removed,

-- the note is eligible to be sold pursuant to Rule 144(k) under the Securities Act, or

-- the note is no longer outstanding; and

- each exchange note issued to a broker-dealer in a registered exchange offer until resale of such exchange note by the broker-dealer within the 180-day period contemplated by the registration rights agreement.

ADDITIONAL INTEREST AMOUNTS

The registration rights agreement also provides that:

- if we fail to file any registration statement on or prior to the applicable deadline;

- if such registration statement is not declared effective by the SEC on or before the applicable deadline;

- if the exchange offer is not consummated within 45 business days after the exchange offer registration statement is declared effective; or

- if any registration statement is declared effective but thereafter ceases to be effective or useable in connection with resales of the Registrable Securities during the periods specified in the registration rights agreement, for such time of non-effectiveness or non-usability (each, a "Registration Default Period"),

we will pay to each holder of Registrable Securities affected thereby additional interest amounts in an amount equal to 0.25% per annum for the first 90 days of the Registration Default Period and an additional 0.25% per annum from and after the 91st day following the Registration Default Period. In no event shall additional interest amounts exceed 0.50% per annum. We shall not be required to pay additional interest amounts for more than one registration default at any given time. Following the cure of all registration defaults, the accrual of additional interest amounts will cease.

We shall pay all accrued additional interest amounts to holders entitled thereto in the same manner and at the same time as interest on the notes is paid. The notes and any registered notes issued in exchange for the notes will constitute a single series of notes under the indenture. If a registered exchange offer is consummated, holders of notes who do not exchange their notes will vote together with the holders of the registered notes for all relevant purposes under the indenture.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the material United States federal income tax consequences of the purchase, ownership and disposition of the notes. Unless otherwise stated, this summary deals only with new notes held as capital assets by a holder who purchased the outstanding notes upon their original issuance at their issue price. The "issue price" of the outstanding notes is the first price at which a substantial amount of such notes was sold, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. As used in this summary, "U.S. Holders" are any beneficial owners of the notes, that are, for United States federal income tax purposes: (1) citizens or residents of the United States, (2) corporations created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (3) estates, the income of which is subject to United States federal income taxation regardless of its source or (4) trusts if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and (b) one or more United States persons have the authority to control all substantial decisions of the trust. As used in this summary, "Non-U.S. Holders" means holders of the notes that are individuals, corporations, estates or trusts that are not U.S. Holders. If a partnership (including for this purpose any entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of notes, the treatment of a partner in the partnership will generally depend upon the status of the partner and upon the activities of the partnership. Holders of notes that are a partnership or partners in such partnership should consult their tax advisors about the United States federal income tax consequences of holding and disposing of the notes. This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as of the date hereof, and all of which are subject to change and differing interpretations, possibly on a retroactive basis. There can be no assurance that the Internal Revenue Service (the "IRS") will not challenge one or more of the conclusions described in this offering memorandum.

This summary does not deal with special classes of holders such as banks, thrifts, real estate investment trusts, regulated investment companies, insurance companies, dealers in securities or currencies, or tax-exempt investors and does not discuss notes held as part of a hedge, straddle, "synthetic security" or other integrated transaction. This summary also does not address the tax consequences to certain former citizens or former long-term residents of the United States, U.S. Holders that have a functional currency other than the U.S. dollar or to shareholders, partners, members or beneficiaries of a holder of the notes. Further, it does not include any description of any alternative minimum tax consequences, United States federal estate or gift tax laws or the tax laws of any state or local government or of any foreign government that may be applicable to the notes.

YOU SHOULD CONSULT WITH YOUR OWN TAX ADVISOR REGARDING THE UNITED STATES FEDERAL, STATE, LOCAL AND FOREIGN INCOME, FRANCHISE, PERSONAL PROPERTY, AND ANY OTHER TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES.

EXCHANGE OF NOTES

The exchange of new notes for outstanding notes pursuant to this exchange offer will not constitute a taxable event for United States federal income tax purposes. Consequently, no gain or loss will be recognized by a holder of an outstanding note upon receipt of a new note. A holder's adjusted tax basis in the new note will be the same as the adjusted tax basis in the outstanding note exchanged therefor. A holder's holding period of the new note will include the holding period of the outstanding note exchanged therefor.

U.S. HOLDERS

INTEREST PAYMENTS

The interest paid on the notes will be taxable to a U.S. Holder as ordinary interest income, as received or accrued, in accordance with the holder's United States federal income tax method of accounting.

ADDITIONAL INTEREST AMOUNTS

We intend to take the position that the possibility that holders of the notes will be paid additional interest amounts as described under "Registration Rights Agreement" is a remote and incidental contingency as of the issue date of the notes within the meaning of the applicable Treasury regulations. Accordingly, any such additional interest amounts should be taxable to a U.S. Holder as ordinary income only at the time it accrues or is received in accordance with such U.S. Holder's regular method of tax accounting. Our determination that the payment of additional interest amounts is a remote and incidental contingency is binding upon all holders of the notes, unless a holder properly discloses to the IRS that it is taking a contrary position.

SALE, EXCHANGE OR REDEMPTION

Generally, the sale, exchange (excluding the exchange described above in "-- Exchange of Notes") or redemption of notes will result in taxable gain or loss to a U.S. Holder. The amount of gain or loss on a taxable sale, exchange or redemption will be equal to the difference between (a) the amount of cash plus the fair market value of any other property received by the U.S. Holder in the sale, exchange or redemption (other than amounts attributable to accrued but unpaid interest) and (b) the U.S. Holder's adjusted tax basis in the notes. A U.S. Holder's adjusted tax basis in notes will generally be equal to the holder's original purchase price for the notes.

Gain or loss recognized on the disposition of a note generally will be capital gain or loss, and will be long-term capital gain or loss if, at the time of such disposition, the U.S. Holder's holding period for the note is more than one year. A reduced tax rate on capital gain generally will apply to an individual U.S. Holder if such holder's holding period for the note is more than one year at the time of disposition. Recently enacted legislation generally reduces the maximum tax rate on the long-term capital gain of such holder to 15%. However, there are exceptions to the reduced rates. Individuals should consult their tax advisors regarding the extent, if any, to which any exceptions may apply to their particular factual situation. The deductibility of net capital losses by individuals and corporations is subject to limitations.

NON-U.S. HOLDERS

The rules governing United States federal income taxation of Non-U.S. Holders are complex and no attempt will be made in this offering circular to provide more than a summary of such rules. Non-U.S. Holders should consult with their own tax advisors to determine the effect of United States federal, state, local and foreign income tax laws, as well as treaties, with regard to an investment in the notes, including any reporting requirements and, in particular, the proper application of the United States federal withholding tax rules.

INTEREST PAYMENTS

Except as described below, United States federal withholding tax will not apply to interest paid on the notes to a Non-U.S. Holder, provided that: (1) the Non-U.S. Holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of stock entitled to vote within the meaning of section 871(h)(3) of the Code and Treasury regulations promulgated thereunder; (2) the Non-U.S. Holder is not a controlled foreign corporation related, directly or indirectly, to us or any of our constituent partners; (3) the Non-U.S. Holder is not a bank which acquired the notes in consideration for an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business; (4) interest paid on the notes is not effectively connected with the beneficial owner's conduct of a trade or business in the United States; and (5) either (a) the beneficial owner of notes certifies to us or our paying agent on IRS Form W-8BEN (or successor form), under penalties of perjury, that it is not a United States person and provides its name, address and certain other information or (b) the beneficial owner holds its notes through certain foreign intermediaries or certain foreign partnerships and such holder satisfies certain certification requirements.

To the extent a Non-U.S. Holder for any reason does not qualify for the withholding exemption described above, payments of interest will be subject to United States federal withholding tax unless the Non-U.S. Holder provides us or our agent with a properly executed (1) IRS Form W-8BEN (or successor form) claiming an exemption from or reduction in withholding under an applicable tax treaty or (2) IRS Form W-8ECI (or successor form) stating that interest paid on the notes is not subject to withholding tax because it is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States.

If a Non-U.S. Holder of the notes is engaged in a trade or business in the United States, and if interest on the notes is effectively connected with the conduct of such trade or business (and, if required by a tax treaty, the interest is attributable to a permanent establishment maintained in the United States), the Non-U.S. Holder, although exempt from the withholding tax discussed in the preceding paragraphs, will generally be subject to regular United States federal income tax on interest and any gain realized on the sale or exchange of the notes in the same manner as if it were a U.S. Holder. In addition, if such a Non-U.S. Holder is a foreign corporation, such Non-U.S. Holder may be subject to a branch profits tax equal to 30% (or such lower tax rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

SALE, EXCHANGE OR REDEMPTION

A Non-U.S. Holder will generally not be subject to United States federal income or withholding tax with respect to gain upon the sale, exchange, redemption or other disposition of notes, unless: (1) the income or gain is "U.S. trade or business income," which means income or gain that is effectively connected with the conduct by the Non-U.S. Holder of a trade or business (and, if required by a tax treaty, the interest is attributable to a permanent establishment maintained in the United States); or (2) such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met.

U.S. trade or business income of a Non-U.S. Holder will generally be subject to regular United States federal income tax in the same manner as if it were realized by a U.S. Holder. Non-U.S. Holders that realize U.S. trade or business income with respect to the notes should consult their tax advisors as to the treatment of such income or gain. In addition, U.S. trade or business income of a Non-U.S. Holder that is a corporation may be subject to a branch profits tax equal to 30% (or such lower tax rate provided by an applicable treaty).

BACKUP WITHHOLDING AND INFORMATION REPORTING

U.S. HOLDERS

Payments of interest made by us on, or the proceeds of the sale or other disposition of, the notes will generally be subject to information reporting. Additionally, United States federal backup withholding tax will apply if the recipient of such payment fails to supply an accurate taxpayer identification number or otherwise fails to comply with applicable United States information reporting or certification requirements. Any amount withheld from a payment to a U.S. Holder under the backup withholding rules is allowable as a credit against the holder's United States federal income tax, if any, or will be otherwise refundable, provided that the required information is furnished to the IRS in a timely manner.

NON-U.S. HOLDERS

Generally, we must report annually to the IRS and to each Non-U.S. Holder the amount of each payment of interest and the amount of tax, if any, that is withheld with respect to such payments. Copies of these information returns may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides.

Generally, information reporting and backup withholding of United States federal income tax at the applicable rate may apply to payments made by us or our agent to a Non-U.S. Holder if such holder fails to

make the appropriate certification that the holder is a non-U.S. person or if we or our agent has actual knowledge or reason to know that the payee is a United States person.

Payments of the proceeds of the sale of a note to or through a foreign office of a U.S. broker or of a foreign broker that is a "controlled foreign corporation" within the meaning of the Code, a foreign person, 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with the conduct of a trade or business within the United States, or, in certain cases, a foreign partnership will be subject to information reporting requirements, but not backup withholding, unless the payee is an exempt recipient or such broker has evidence in its records that the payee is a Non-U.S. Holder. Both backup withholding and information reporting will apply to the proceeds of such dispositions if the broker has actual knowledge or reason to know that the payee is a U.S. Holder.

Payments of the proceeds of a sale of a note to or through the United States office of a broker will be subject to information reporting and possible backup withholding unless the payee certifies under penalties of perjury as to his or her status as a Non-U.S. Holder and satisfies certain other qualifications (and no agent of the broker who is responsible for receiving or reviewing such statement has actual knowledge or reason to know that it is incorrect) and provides his or her name and address or the payee otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules from a payment to a Non-U.S. Holder of a note will be allowed as a credit against such holder's United States federal income tax, if any, or will be otherwise refundable, provided that the required information is furnished to the IRS in a timely manner.

THE PRECEDING DISCUSSION OF CERTAIN UNITED STATES FEDERAL INCOME CONSEQUENCES IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. ACCORDINGLY, YOU SHOULD CONSULT YOUR OWN TAX ADVISER AS TO PARTICULAR TAX CONSEQUENCES TO YOU OF PURCHASING, HOLDING AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS, AND OF ANY PROPOSED CHANGES IN APPLICABLE LAWS.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the acquisition and/or holding of the new notes by employee benefit plans that are subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, "Similar Laws"), and entities whose underlying assets are considered to include "assets" of such plans, accounts and arrangements (each, a "Plan").

GENERAL FIDUCIARY MATTERS

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an "ERISA Plan") and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of an ERISA Plan or the management or disposition of the assets of an ERISA Plan, or who renders investment advice for a fee or other compensation with respect to the assets of an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the new notes with the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

PROHIBITED TRANSACTION ISSUES

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities that are "parties in interest," within the meaning of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition and/or holding of new notes by (or with the assets of) an ERISA Plan with respect to which Halliburton is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the United States Department of Labor has issued prohibited transaction class exemptions, or PTCEs, that may apply to the acquisition and holding of the new notes. These class exemptions include, without limitation, PTCE 75-1 respecting transactions with broker-dealer parties in interest acting as principals or agents, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers, although there can be no assurance that all of the conditions of any such exemptions will be satisfied.

Governmental plans and certain church plans and non-U.S. plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to Similar Laws.

Because of the foregoing, the new notes should not be acquired or held by any person investing assets of any Plan, unless such acquisition and holding will not constitute a non-exempt prohibited transaction under ERISA and the Code or a violation of any applicable Similar Laws.

REPRESENTATION

Accordingly, by acceptance of any new notes (or any interest therein), each holder and subsequent transferee of the new notes will be deemed to have represented and warranted that either (1) no portion of the assets used by such holder or transferee to acquire and hold the new notes (or any interest therein) constitutes assets of any Plan or (2) the acquisition and holding of the new notes by such holder or transferee or the redemption of the new notes by Halliburton will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Laws.

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the notes on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the new notes.

PLAN OF DISTRIBUTION

Based on interpretations by the staff of the SEC in no action letters issued to third parties, we believe that you may transfer new notes issued under the exchange offer in exchange for the outstanding notes if:

- you acquire the new notes in the ordinary course of your business; and

- you are not engaged in, and do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of new notes.

Broker-dealers receiving new notes in the exchange offer will be subject to a prospectus delivery requirement with respect to resales of the new notes.

We believe that you may not transfer new notes issued under the exchange offer in exchange for the outstanding notes if you are:

- our "affiliate" within the meaning of Rule 405 under the Securities Act;

- a broker-dealer that acquired outstanding notes directly from us; or

- a broker-dealer that acquired outstanding notes as a result of market-making or other trading activities without compliance with the registration and prospectus delivery provisions of the Securities Act.

To date, the staff of the SEC has taken the position that participating broker-dealers may fulfill their prospectus delivery requirements with respect to transactions involving an exchange of securities such as this exchange offer, other than a resale of an unsold allotment from the original sale of the outstanding notes, with the prospectus contained in the exchange offer registration statement. In the registration rights agreement, we have agreed to permit participating broker-dealers to use this prospectus in connection with the resale of new notes. We have agreed that, for a period of up to 180 days after the closing of the exchange offer, we will make this prospectus, and any amendment or supplement to this prospectus, available to any broker-dealer that requests these documents in the letter of transmittal. In addition, until , 2004 all dealers effecting transactions in the new notes may be required to deliver a prospectus.

If you wish to exchange your outstanding notes for new notes in the exchange offer, you will be required to make representations to us as described under the sections "The Exchange Offer -- Purpose and Effect of the Exchange Offer" and "The Exchange Offer -- Your Representations to Us" of this prospectus and in the letter of transmittal. In addition, if you are a broker-dealer who receives new notes in exchange for outstanding notes that you acquired for your own account as a result of market-making activities or other trading activities, you will be required to acknowledge that you will deliver a prospectus in connection with any resale by you of new notes.

We will not receive any proceeds from sale of new notes by broker-dealers. Broker-dealers who receive new notes for their own account in the exchange offer may sell them from time to time in one or more transactions either:

- in the over-the-counter market;

- in negotiated transactions;

- through the writing of options on the new notes;

- at market prices or negotiated prices; or

- a combination of methods of resale

The prices at which these sales occur may be:

- at market prices prevailing at the time of resale;

- at prices related to prevailing market prices; or

- at negotiated prices.

Any resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any broker-dealer or the purchasers of any new notes. Any broker-dealer that resells new notes it received for its own account in the exchange offer and any broker or dealer that participates in a distribution of new notes may be deemed to be an "underwriter" within the meaning of the Securities Act. Any profit on any resale of new notes and any commissions or concessions received by any persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that, by acknowledging that it will deliver and by delivery a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning the Securities Act.

We have agreed to pay all expenses incidental to the exchange offer other than commissions and concessions of any broker or dealers. We will indemnify holders of the outstanding notes, including any broker-dealers, against some liabilities, including liabilities under the Securities Act, as provided in the registration rights agreement.

TRANSFER RESTRICTIONS ON OUTSTANDING NOTES

The outstanding notes were not registered under the Securities Act. Accordingly, we offered and sold the outstanding notes only in private sales exempt from or not subject to the registration requirements of the Securities Act to "qualified institutional buyers" under Rule 144A under the Securities Act and outside the United States in accordance with Regulation S under the Securities Act. You may not offer or sell those outstanding notes in the United States or to, or for the account or benefit of, U.S. persons except in transactions exempt from or not subject to the Securities Act registration requirements.

LEGAL MATTERS

Baker Botts L.L.P., Houston, Texas, our outside counsel, will issue opinions about certain legal matters in connection with this offering of new notes.

EXPERTS

The consolidated financial statements of Halliburton Company as of December 31, 2003 and 2002 and for the years then ended, have been incorporated by reference in this prospectus in reliance on the reports of KPMG LLP, independent registered public accounting firm, and upon the authority of said firm as experts in accounting and auditing.

KPMG's report dated February 18, 2004 refers to a change in the composition of Halliburton's reportable segments in 2003. The amounts in the 2002 and 2001 consolidated financial statements related to reportable segments have been restated to conform to the 2003 composition of reportable segments.

CHANGE IN INDEPENDENT AUDITORS

The consolidated financial statements of Halliburton for December 31, 2001 incorporated by reference in this prospectus were audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto.

On April 17, 2002, we dismissed Arthur Andersen LLP as our independent auditors and engaged KPMG LLP to serve as our independent auditors for the year ended December 31, 2002. The Arthur Andersen dismissal and the KPMG LLP engagement were approved by our Board of Directors upon the recommendation of our audit committee.

Arthur Andersen's reports on our consolidated financial statements for the year ended December 31, 2001 did not contain an adverse opinion or disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal year ended December 31, 2001 and through April 17, 2002, there were no disagreements with Arthur Andersen on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which if not resolved to Arthur Andersen's satisfaction would have caused Arthur Andersen to make a reference to the subject matter in connection with Arthur Andersen's report.

Arthur Andersen ceased to practice before the SEC effective August 31, 2002. Because of Arthur Andersen's current financial position, you may not be able to recover against Arthur Andersen for any claims you may have under securities or other laws as a result of Arthur Andersen's activities during the period in which it acted as our independent public accountants.

$500,000,000

HALLIBURTON COMPANY

SENIOR NOTES DUE JANUARY 26, 2007

(HALLIBURTON LOGO)

PROSPECTUS

, 2004

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the General Corporation Law of the State of Delaware or DGCL, provides that a Delaware corporation has the power, under specified circumstances, to indemnify its directors, officers, employees, and agents. Indemnification is allowed in connection with threatened, pending, or completed actions, suits, or proceedings, whether civil, criminal, administrative, or investigative, other than an action by or in right of the corporation, brought against them by reason of the fact that they were or are directors, officers, employees, or agents, for:

- expenses, judgments, and fines; and

- amounts paid in settlement actually and reasonably incurred in any action, suit, or proceeding.

Article X of Halliburton's restated certificate of incorporation together with Section 47 of its by-laws provide for mandatory indemnification of each person who is or was made a party to any actual or threatened civil, criminal, administrative, or investigative action, suit, or proceeding because:

- the person is or was an officer or director of the registrant; or

- is a person who is or was serving at the request of Halliburton as a director, officer, employee, or agent of another corporation or of a partnership, joint venture, trust, or other enterprise,

to the fullest extent permitted by the DGCL as it existed at the time the indemnification provisions of Halliburton's restated certificate of incorporation and the by-laws were adopted or as each may be amended. Section 47 of Halliburton's by-laws and Article X of its restated certificate of incorporation expressly provide that they are not the exclusive methods of indemnification.

Section 47 of the by-laws provides that Halliburton may maintain insurance, at its own expense, to protect itself and any director or officer of Halliburton or of another entity against any expense, liability, or loss. This insurance coverage may be maintained regardless of whether Halliburton would have the power to indemnify the person against the expense, liability, or loss under the DGCL.

Section 102(b)(7) of the DGCL provides that a certificate of incorporation may contain a provision eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. However, that provision shall not eliminate or limit the liability of a director:

- for any breach of the director's duty of loyalty to the corporation or its stockholders;

- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

- under Section 174 of the DGCL, relating to liability for unauthorized acquisitions or redemptions of, or dividends on, capital stock; or

- for any transaction from which the director derived an improper personal benefit.

Article XV of Halliburton's restated certificate of incorporation contains this type of provision.

ITEM 21. EXHIBITS.

EXHIBIT NO.	DESCRIPTION OF EXHIBIT -
+3.1	Restated Certificate of

Incorporation of Halliburton Company filed with the Secretary of State of Delaware on May 21, 2004. 3.2* By-laws of Halliburton revised effective February 12, 2003 (incorporated by reference to Exhibit 3.2 to Halliburton's Form 10-K for the year ended December 31, 2002, File No. 1-3492).

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
4.1*	Senior Indenture dated as of October 17, 2003 between Halliburton and JPMorgan Chase Bank, as Trustee (incorporated by reference to Exhibit 4.1 to Halliburton's Form 10-Q for the quarter ended September 30, 2003, File No. 1-3492).
+4.2	Third Supplemental Indenture dated as of January 26, 2004 between Halliburton and JPMorgan Chase Bank, as Trustee.
4.3	Form of Senior Notes due 2007 (included as Exhibit A to Exhibit 4.2 above).
+4.4	Registration Rights Agreement dated as of January 26, 2004 among Halliburton and J.P. Morgan Securities Inc., Citigroup Global Markets, Inc. and Goldman, Sachs & Co., as representatives of the several Purchasers named in Schedule I of the Purchase Agreement dated as of January 21, 2004.
+5.1	Opinion of Baker Botts L.L.P.
	Selected Material Contracts:
10.1*	3-Year Revolving Credit Agreement, dated as of October 31, 2003, among Halliburton, the Banks party thereto, Citicorp North

America, Inc., as Administrative Agent, JPMorgan Chase Bank, as Syndication Agent, and ABN AMRO Bank N.V., as Documentation Agent (incorporated by reference to Exhibit 10.2 to Halliburton's Form 10-Q for the quarter ended September 30, 2003, File No. 1-3492). 10.1(a) Amendment No. 1 dated as of July 14, 2004 to the 3-Year Revolving Credit Agreement, dated as of October 31, 2003, among Halliburton, the Banks party thereto, Citicorp North America, Inc., as Administrative Agent, JPMorgan Chase Bank, as Syndication Agent, and ABN AMRO Bank N.V., as Documentation Agent. 10.2* Master Letter of Credit Facility Agreement, dated as of October 31, 2003, among Halliburton, Kellogg Brown & Root, Inc., and DII Industries, LLC, as Account Parties, the Banks party thereto, Citicorp North America, Inc., as Administrative Agent, JPMorgan Chase Bank, as Syndication Agent, and ABN AMRO Bank N.V., as Documentation Agent (incorporated by reference to Exhibit 10.3 to Halliburton's Form 10-Q for the quarter ended September 30, 2003, File

No. 1-3492), as amended by Amendment No. 1 dated as of May 10, 2004 (incorporated by reference to Exhibit 10.4 of Halliburton's Registration Statement on Form S-4 filed on June 3, 2004, Registration No. 333-112977). 10.2(a) Amendment No. 2 dated as of July 14, 2004 to the Master Letter of Credit Facility Agreement, dated as of October 31, 2003, among Halliburton, Kellogg Brown & Root, Inc., and DII Industries, LLC, as Account Parties, the Banks party thereto, Citicorp North America, Inc., as Administrative Agent, JPMorgan Chase Bank, as Syndication Agent, and ABN AMRO Bank N.V., as Documentation Agent, as amended. 10.3 364-Day Revolving Credit Agreement, dated as of July 14, 2004, among Halliburton, the Issuing Banks and Banks party thereto, Citicorp North America, Inc., as Paying Agent and as Co-Administrative Agent, JPMorgan Chase Bank, as Co-Administrative Agent, ABN AMRO Bank N.V., as Syndication Agent, and HSBC Bank USA, National Association and The Royal Bank of Scotland plc, as Co-Documentation Agents. 12.1*

Statement of computation of ratio of earnings to fixed charges (incorporated by reference to Exhibit 12 to Halliburton's Form 10-Q for the quarter ended March 31, 2004, File No. 1-3492). 23.1 Consent of KPMG LLP. 23.2 Consent of Baker Botts L.L.P. (included in Exhibit 5.1). +24.1 Power of Attorney. +25.1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of the Trustee on Form T-1. +99.1 Form of Letter to DTC Participants for the Senior Notes due 2007. +99.2 Form of Letter to Clients for the Senior Notes due 2007. +99.3 Form of Notice of Guaranteed Delivery for the Senior Notes due 2007.

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
-- +99.4	Form of Letter of Transmittal for the Senior Notes due 2007.

- ---

* Incorporated by reference as indicated.

+ Previously filed.

ITEM 22. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) of the Securities Act of 1933 if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the Registration Statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3 or Form S-8 and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities

at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any

action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(d) The undersigned Registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(e) The undersigned Registrant hereby undertake to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Company has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on July 19, 2004.

HALLIBURTON COMPANY

By: /s/ David J. Lesar
David J. Lesar
Chairman of the Board, President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated and on July 20, 2004.

/s/ David J. Lesar David J. Lesar	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ C. Christopher Gaut C. Christopher Gaut	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Mark A. McCollum Mark A. McCollum	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)
* Robert L. Crandall	Director
* Kenneth T. Derr	Director
* Charles J. DiBona	Director
* W.R. Howell	Director
* Ray L. Hunt	Director
* Aylwin B. Lewis	Director
* J. Landis Martin	Director
* Jay A. Precourt	Director
* Debra L. Reed	Director
* C.J. Silas	Director

*By: /s/ Margaret E. Carriere

Margaret E. Carriere
Attorney-in-Fact

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
+3.1	Restated Certificate of Incorporation of Halliburton Company filed with the Secretary of State of Delaware on May 21, 2004.
3.2*	By-laws of Halliburton revised effective February 12, 2003 (incorporated by reference to Exhibit 3.2 to Halliburton's Form 10-K for the year ended December 31, 2002, File No. 1-3492).
4.1*	Senior Indenture dated as of October 17, 2003 between Halliburton and JPMorgan Chase Bank, as Trustee (incorporated by reference to Exhibit 4.1 to Halliburton's Form 10-Q for the quarter ended September 30, 2003, File No. 1-3492).
+4.2	Third Supplemental Indenture dated as of January 26, 2004 between Halliburton and JPMorgan Chase Bank, as Trustee.
4.3	Form of Senior Notes due 2007 (included as Exhibit A to Exhibit 4.2 above).
+4.4	Registration Rights Agreement dated as of January 26, 2004 among Halliburton and J.P. Morgan Securities Inc., Citigroup Global Markets, Inc. and

Goldman, Sachs & Co., as representatives of the several Purchasers named in Schedule I of the Purchase Agreement dated as of January 21, 2004. +5.1 Opinion of Baker Botts L.L.P. Selected Material Contracts: 10.1* 3-Year Revolving Credit Agreement, dated as of October 31, 2003, among Halliburton, the Banks party thereto, Citicorp North America, Inc., as Administrative Agent, JPMorgan Chase Bank, as Syndication Agent, and ABN AMRO Bank N.V., as Documentation Agent (incorporated by reference to Exhibit 10.2 to Halliburton's Form 10-Q for the quarter ended September 30, 2003, File No. 1-3492). 10.1(a) Amendment No. 1 dated as of July 14, 2004 to the 3-Year Revolving Credit Agreement, dated as of October 31, 2003, among Halliburton, the Banks party thereto, Citicorp North America, Inc., as Administrative Agent, JPMorgan Chase Bank, as Syndication Agent, and ABN AMRO Bank N.V., as Documentation Agent. 10.2* Master Letter of Credit Facility Agreement, dated as of October 31, 2003, among Halliburton,

Kellogg Brown & Root, Inc., and DII Industries, LLC, as Account Parties, the Banks party thereto, Citicorp North America, Inc., as Administrative Agent, JPMorgan Chase Bank, as Syndication Agent, and ABN AMRO Bank N.V., as Documentation Agent (incorporated by reference to Exhibit 10.3 to Halliburton's Form 10-Q for the quarter ended September 30, 2003, File No. 1-3492), as amended by Amendment No. 1 dated as of May 10, 2004 (incorporated by reference to Exhibit 10.4 of Halliburton's Registration Statement on Form S-4 filed on June 3, 2004, Registration No. 333-112977).

10.2(a) Amendment No. 2 dated as of July 14, 2004 to the Master Letter of Credit Facility Agreement, dated as of October 31, 2003, among Halliburton, Kellogg Brown & Root, Inc., and DII Industries, LLC, as Account Parties, the Banks party thereto, Citicorp North America, Inc., as Administrative Agent, JPMorgan Chase Bank, as Syndication Agent, and ABN AMRO Bank N.V., as Documentation Agent, as amended.

10.3 364-Day Revolving Credit Agreement, dated as of

July 14, 2004, among Halliburton, the Issuing Banks and Banks party thereto, Citicorp North America, Inc., as Paying Agent and as Co-Administrative Agent, JPMorgan Chase Bank, as Co-Administrative Agent, ABN AMRO Bank N.V., as Syndication Agent, and HSBC Bank USA, National Association and The Royal Bank of Scotland plc, as Co-Documentation Agents. 12.1* Statement of computation of ratio of earnings to fixed charges (incorporated by reference to Exhibit 12 to Halliburton's Form 10-Q for the quarter ended March 31, 2004, File No. 1-3492). 23.1 Consent of KPMG LLP. 23.2 Consent of Baker Botts L.L.P. (included in Exhibit 5.1). +24.1 Power of Attorney. +25.1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of the Trustee on Form T-1.

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
+99.1	Form of Letter to DTC Participants for the Senior Notes due 2007.
+99.2	Form of Letter to Clients for the Senior Notes due 2007.
+99.3	Form of Notice of Guaranteed Delivery for the Senior Notes due 2007.
+99.4	Form of Letter of Transmittal for the Senior Notes due 2007.

- ---

* Incorporated by reference as indicated.

+ Previously filed.

EXHIBIT 10.1(a)

AMENDMENT NO. 1

TO 3-YEAR REVOLVING CREDIT AGREEMENT AND LOAN DOCUMENTS

AMENDMENT NO. 1 dated as of July 14, 2004 (this "Amendment") to (i) the Revolving Credit Agreement (as defined below) among HALLIBURTON COMPANY (the "Borrower"), the Banks (as defined in the Revolving Credit Agreement) party hereto, and CITICORP NORTH AMERICA, INC. ("CNAI"), as the Agent thereunder (the "Agent") and (ii) certain other Loan Documents. Capitalized terms defined in the Revolving Credit Agreement and not otherwise defined herein being used herein as therein defined.

PRELIMINARY STATEMENTS:

(1) The Borrower has entered into the 3-Year Revolving Credit Agreement dated as of October 31, 2003 (as amended or otherwise modified through the date hereof, the "Revolving Credit Agreement") with the Banks party thereto, the Agent and the other agents named therein.

(2) The Borrower, the Required Banks and the Agent have agreed to amend certain provisions of the Revolving Credit Agreement and certain other Loan Documents as hereinafter set forth.

NOW, THEREFORE, it is hereby agreed as follows:

SECTION 1. Amendments to the Revolving Credit Agreement. The Revolving Credit Agreement is, effective as of the Amendment Effective Date (defined below), amended as follows:

(a) The definition of "Collateral Trust Agreement" contained in Section 1.01 is hereby amended and restated in full to read as follows:

"`Collateral Trust Agreement' has the meaning specified in Section 3.01(e)(iv)."

(b) The definition of "Consolidated Debt to Total Consolidated Capitalization Ratio" contained in Section 1.01 is hereby amended and restated in full to read as follows:

""Consolidated Debt to Total Consolidated Capitalization Ratio" means, as of any date of calculation, the ratio of the Borrower's Consolidated Debt outstanding on such date to the sum of (i) Consolidated Debt and (ii) Consolidated Net Worth outstanding on such date; provided, that during the period from the date of this Agreement until the time that the Borrower records the equity component of the Settlement Payments, any changes to Net Asbestos and Silica Liability and any related reduction in equity as a result of required accounting adjustments relating to the Settlement Payments, including changes related to insurance coverage, shall be disregarded for purposes of calculating the Consolidated Debt to Total Consolidated Capitalization Ratio."

(c) Section 1.01 is hereby further amended by adding a new definition in the appropriate alphabetical order to read as follows:

"`364-Day Revolving Credit Agreement' means the senior secured revolving credit facility agreement, dated as of July 14, 2004, among the Borrower, the banks party thereto, CNAI, as agent, and the other agents named therein, as amended from time to time."

(d) Section 2.03(a) is hereby amended by adding immediately before the period at the end thereof a new proviso to read as follows:

"; provided, further that no Issuing Bank shall be required to issue any Letter of Credit if after giving effect to such issuance the aggregate face amount of all outstanding letters of credit issued under this Agreement and the 364-Day Revolving Credit Agreement by such Issuing Bank would exceed $250,000,000, unless such Issuing Bank shall have otherwise agreed."

(e) Section 5.02(b) is hereby amended by adding "and the 364-Day Revolving Credit Agreement" immediately before the period at the end of clause (xiii) thereof.

SECTION 2. Amendments to Certain Loan Documents.

(a) The Collateral Trust Agreement is, effective as of the Amendment Effective Date, amended and restated in full in substantially the form set forth in Exhibit A hereto.

(b) The Pledge Agreement is, effective as of the Amendment Effective Date, amended and restated in full in substantially the form set forth in Exhibit B hereto.

(c) The Subsidiary Guaranty is, effective as of the Amendment Effective Date, amended and restated in full in substantially the form set forth in Exhibit C hereto.

SECTION 3. Effectiveness. This Amendment shall become effective as of the date first above written (the "Amendment Effective Date") upon the satisfaction of the conditions that (a) the Agent shall have received (i) counterparts of this Amendment executed by the Borrower, the Agent and the Required Banks or, as to any of the Banks, advice satisfactory to the Agent that such Bank has executed this Amendment, (ii) counterparts of the Collateral Trust Agreement, the Pledge Agreement and the Subsidiary Guaranty, each in the amended and restated form as set forth in the appropriate exhibit hereto, executed by all the parties thereto, (iii) evidence that Amendment No. 2, dated as of the date hereof, to the Master LC Facility Agreement and the 364-Day Revolving Credit Agreement dated as of the date hereof among the Borrower, the banks party thereto, CNAI, as agent, and the other agents named therein, shall have become effective, (iv) evidence that the Senior Unsecured Credit Facility Agreement and all the "Commitments" (as defined therein) thereunder shall have been terminated and all amounts payable by the Borrower thereunder shall have been paid in full and (v) payment for all fees, costs and expenses of the Agent and the Banks that have been invoiced to the Borrower and are due and payable (including, without limitation, any fees, costs and expenses due and payable pursuant to Section 5 below) as of the date of the Borrower's execution hereof; and (b) the following statements shall be true and the Agent shall have received a certificate signed by a duly authorized officer of the Borrower, dated the Amendment Effective Date, stating that: (i) the representations and warranties contained in Section 4.01 of the Revolving Credit Agreement

are correct on and as of the Amendment Effective Date as though made on and as of such date (other than any such representations and warranties that expressly relate solely to a specific earlier date), and (ii) no event has occurred and is continuing that constitutes a Default.

SECTION 4. Effect on Revolving Credit Agreement. On and after the effectiveness of this Amendment, each reference in the Revolving Credit Agreement, the Collateral Trust Agreement, the Pledge Agreement or the Subsidiary Guaranty to "this Agreement", "hereunder", "hereof" or words of like import referring to the Revolving Credit Agreement, the Collateral Trust Agreement, the Pledge Agreement or the Subsidiary Guaranty, and each reference in each other Loan Document to "the Revolving Credit Agreement", "the Collateral Trust Agreement", "the Pledge Agreement", "the Subsidiary Guaranty", "thereunder", "thereof" or words of like import referring to the Revolving Credit Agreement, the Collateral Trust Agreement, the Pledge Agreement or the Subsidiary Guaranty, shall mean and be a reference to the Revolving Credit Agreement, the Collateral Trust Agreement, the Pledge Agreement or the Subsidiary Guaranty, as the case may be, as amended by this Amendment. Each of the Revolving Credit Agreement, the Collateral Trust Agreement, the Pledge Agreement and the Subsidiary Guaranty, as specifically amended by this Amendment, is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Bank or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

SECTION 5. Payment of Fees. The Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Agent in connection with the preparation, execution and delivery of this Amendment in accordance with the terms of Section 8.04(a)(i) of the Revolving Credit Agreement.

SECTION 6. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 7. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned have each caused this Amendment to be executed and delivered by their respective duly authorized officer as of the date first above written.

HALLIBURTON COMPANY

By /s/ CEDRIC W. BURGHER

_____

Name: Cedric W. Burgher
Title: Vice President

* Bank signature pages omitted.

EXHIBIT 10.2(a)

AMENDMENT NO. 2
TO MASTER LETTER OF CREDIT FACILITY AGREEMENT AND LOAN DOCUMENTS

AMENDMENT NO. 2 dated as of July 14, 2004 (this "Amendment") to (i) the Master L/C Facility Agreement (as defined below) among HALLIBURTON COMPANY (the "Company"), the Banks (as defined in the Master L/C Facility Agreement) party hereto, and CITICORP NORTH AMERICA, INC. ("CNAI"), as the Agent thereunder (the "Agent") and (ii) certain other Loan Documents. Capitalized terms defined in the Master L/C Facility Agreement and not otherwise defined herein being used herein as therein defined.

PRELIMINARY STATEMENTS:

(1) The Company has entered into the Master Letter of Credit Facility Agreement dated as of October 31, 2003 (as amended or otherwise modified through the date hereof, the "Master L/C Facility Agreement") with the other account parties named therein, the Banks party thereto, the Agent and the other agents named therein.

(2) The Company, the Required Banks and the Agent have agreed to amend certain provisions of the Master L/C Facility Agreement and certain other Loan Documents as hereinafter set forth.

NOW, THEREFORE, it is hereby agreed as follows:

SECTION 1. Amendments to the Master L/C Facility Agreement. The Master L/C Facility Agreement is, effective as of the Amendment Effective Date (defined below), amended as follows:

(a) The definition of "Collateral Trust Agreement" contained in Section 1.01 is hereby amended and restated in full to read as follows:

"`Collateral Trust Agreement' has the meaning specified in Section 3.01(f)(iv)."

(b) The definition of "Consolidated Debt to Total Consolidated Capitalization Ratio" contained in Section 1.01 is hereby amended and restated in full to read as follows:

" "Consolidated Debt to Total Consolidated Capitalization Ratio" means, as of any date of calculation, the ratio of the Borrower's Consolidated Debt outstanding on such date to the sum of (i) Consolidated Debt and (ii) Consolidated Net Worth outstanding on such date; provided, that during the period from the date of this Agreement until the time that the Borrower records the equity component of the Settlement Payments, any changes to Net Asbestos and Silica Liability and any related reduction in equity as a result of required accounting adjustments relating to the Settlement Payments, including changes related to insurance coverage, shall be disregarded for purposes of calculating the Consolidated Debt to Total Consolidated Capitalization Ratio."

(c) The definition of "Pledge Agreement" contained in Section 1.01 is hereby amended and restated in full to read as follows:

"`Pledge Agreement' has the meaning specified in Section 3.01(f)(ii)."

(d) The definition of "Subsidiary Guaranty" contained in Section 1.01 is hereby amended and restated in full to read as follows:

"`Subsidiary Guaranty' has the meaning specified in Section 3.01(f)(iii)."

(e) Section 1.01 is hereby further amended by adding a new definition in the appropriate alphabetical order to read as follows:

"`364-Day Revolving Credit Agreement' means the senior secured revolving credit facility agreement, dated as of July 14, 2004, among the Company, the banks party thereto, CNAI, as agent, and the other agents named therein, as amended from time to time."

(f) Section 5.02(b) is hereby amended by adding "and the 364-Day Revolving Credit Agreement" immediately before the period at the end of clause (xiii) thereof.

SECTION 2. Amendments to Certain Loan Documents.

(a) The Collateral Trust Agreement is, effective as of the Amendment Effective Date, amended and restated in full in substantially the form set forth in Exhibit A hereto.

(b) The Pledge Agreement is, effective as of the Amendment Effective Date, amended and restated in full in substantially the form set forth in Exhibit B hereto.

(c) The Subsidiary Guaranty is, effective as of the Amendment Effective Date, amended and restated in full in substantially the form set forth in Exhibit C hereto.

SECTION 3. Effectiveness. This Amendment shall become effective as of the date first above written (the "Amendment Effective Date") upon the satisfaction of the conditions that (a) the Agent shall have received (i) counterparts of this Amendment executed by the Company, the Agent and the Required Banks or, as to any of the Banks, advice satisfactory to the Agent that such Bank has executed this Amendment and the consent attached hereto executed by each of the Subsidiary Guarantors, (ii) counterparts of the Collateral Trust Agreement, the Pledge Agreement and the Subsidiary Guaranty, each in the amended and restated form as set forth in the appropriate exhibit hereto, executed by all the parties thereto, (iii) evidence that Amendment No. 1, dated as of the date hereof, to the Revolving Credit Agreement and the 364-Day Revolving Credit Agreement dated as of the date hereof among the Company, the banks party thereto, CNAI, as agent, and the other agents named therein, shall have become effective, (iv) evidence that the Senior Unsecured Credit Facility Agreement and all the "Commitments" (as defined therein) thereunder shall have been terminated and all amounts payable by the Company thereunder shall have been paid in full and (v) payment for all fees, costs and expenses of the Agent and the Banks that have been invoiced to the Company and are due and payable (including, without limitation, any fees, costs and expenses due and payable pursuant to Section 5 below) as of the date of the Company's execution hereof; and (b) the

following statements shall be true and the Agent shall have received a certificate signed by a duly authorized officer of the Company, dated the Amendment Effective Date, stating that: (i) the representations and warranties contained in Section 4.01 of the Master L/C Facility Agreement are correct on and as of the Amendment Effective Date (other than any such representations and warranties that expressly relate solely to a specific earlier date), and (ii) no event has occurred and is continuing that constitutes a Default.

SECTION 4. Effect on Master L/C Facility Agreement. On and after the effectiveness of this Amendment, each reference in the Master L/C Facility Agreement, the Collateral Trust Agreement, the Pledge Agreement or the Subsidiary Guaranty to "this Agreement", "hereunder", "hereof" or words of like import referring to the Master L/C Facility Agreement, the Collateral Trust Agreement, the Pledge Agreement or the Subsidiary Guaranty, and each reference in each other Loan Document to "the Master LC Facility Agreement", "the Collateral Trust Agreement", "the Pledge Agreement", "the Subsidiary Guaranty", "thereunder", "thereof" or words of like import referring to the Master L/C Facility Agreement, the Collateral Trust Agreement, the Pledge Agreement or the Subsidiary Guaranty, shall mean and be a reference to the Master L/C Facility Agreement, the Collateral Trust Agreement, the Pledge Agreement or the Subsidiary Guaranty, as the case may be, as amended by this Amendment. Each of the Master L/C Facility Agreement, the Collateral Trust Agreement, the Pledge Agreement and the Subsidiary Guaranty, as specifically amended by this Amendment, is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Bank or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

SECTION 5. Payment of Fees. The Company agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Agent in connection with the preparation, execution and delivery of this Amendment in accordance with the terms of Section 8.04(a)(i) of the Master L/C Facility Agreement.

SECTION 6. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 7. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned have each caused this Amendment to be executed and delivered by their respective duly authorized officer as of the date first above written.

HALLIBURTON COMPANY

By /s/ CEDRIC W. BURGHER

_____

Name: Cedric W. Burgher
Title: Vice President

* Bank signature pages omitted.

EXHIBIT 10.3

U.S. $500,000,000

364-DAY REVOLVING CREDIT AGREEMENT

Dated as of July 14, 2004

Among

HALLIBURTON COMPANY

as Borrower,

THE ISSUING BANKS NAMED HEREIN

as Issuing Banks,

THE BANKS NAMED HEREIN

as Banks,

CITICORP NORTH AMERICA, INC.

as Paying Agent and as Co-Administrative Agent,

JPMORGAN CHASE BANK

as Co-Administrative Agent,

ABN AMRO BANK, N.V.

as Syndication Agent,

and

HSBC BANK USA, NATIONAL ASSOCIATION

and

THE ROYAL BANK OF SCOTLAND PLC

as Co-Documentation Agents

Co-Lead Arrangers:

CITIGROUP GLOBAL MARKETS INC.

and

J.P. MORGAN SECURITIES INC.

TABLE OF CONTENTS

ANNEX

Annex A

SCHEDULES

Schedule I - Commitments
Schedule II - Filing Entities
Schedule III - Bank Information
Schedule IV - Subsidiary Guarantors
Schedule 4.01(f) - Litigation
Schedule 4.01(g) - Asbestos and Silica Non-US Litigation
Schedule 4.01(h) - Domestic Subsidiaries

EXHIBITS

Exhibit A - Form of Note
Exhibit B-1 - Form of Notice of Revolving Credit Borrowing
Exhibit B-2 - Form of Notice of Issuance and Application for Letter of Credit
Exhibit C-1 - Form of Opinion of Bruce A. Metzinger
Exhibit C-2 - Form of Opinion of Counsel to the Borrower
Exhibit D - [Intentionally Omitted]
Exhibit E - Form of Assignment and Acceptance
Exhibit F - Form of Pledge Agreement
Exhibit G - Form of Collateral Trust Agreement
Exhibit H - Form of Subsidiary Guaranty

364-DAY REVOLVING CREDIT AGREEMENT
Dated as of July 14, 2004

Halliburton Company, a Delaware corporation (the "Borrower"), the lenders party hereto and Citicorp North America, Inc. ("CNAI"), as Paying Agent hereunder, agree as follows:

Article I
DEFINITIONS AND ACCOUNTING TERMS

Section 1.01 Certain Defined Terms. As used in this Agreement, the terms "Borrower" and "CNAI" shall have the meanings set forth above and the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Advance" means a Revolving Credit Advance under Section 2.01 or a Letter of Credit Advance under Section 2.03 and refers to a Base Rate Advance or a Eurodollar Rate Advance (each, a "Type" of Advance).

"Affected Bank" has the meaning specified in Section 2.15.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or any Subsidiary of such Person.

"Agent" means CNAI in its capacity as Paying Agent pursuant to Article VII and any successor in such capacity pursuant to Section 7.06.

"Agent's Account" means the account of the Agent maintained by the Agent with Citibank at its office at 2 Penns Way, Suite 200, New Castle, Delaware 19720, Account No. 36852248, Attention: Halliburton Account Officer, or such other account as the Agent shall specify in writing to the Banks.

"Agreement" means this 364-Day Revolving Credit Agreement dated as of the date hereof among the Borrower, the Banks and the Agent, as amended from time to time in accordance with the terms hereof.

"Applicable Commitment Fee Rate" has the meaning specified in Annex A.

"Applicable Lending Office" means, with respect to each Bank, (i) in the case of a Base Rate Advance, such Bank's Domestic Lending Office, and (ii) in the case of a Eurodollar Rate Advance, such Bank's Eurodollar Lending Office.

"Applicable Margin" has the meaning specified in Annex A.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Bank and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit E.

"Available Amount" of any Letter of Credit means, at any time, the Dollar Equivalent of the maximum amount available to be drawn under such Letter of Credit at such time as set forth in Section 2.01(b) (assuming compliance at such time with all conditions to drawing).

"Bankruptcy Court" means the U.S. Bankruptcy Court for the Western District of Pennsylvania.

"Banks" means the Issuing Banks and the other Banks party hereto from time to time as lenders, including each Eligible Assignee that becomes a party hereto pursuant to Section 8.08(a), (b) and (d).

"Base Rate" means, for any period, a fluctuating interest rate per annum as shall be in effect from time to time which rate per annum shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate; and

(b) the sum (adjusted to the nearest 1/8 of 1% or, if there is no nearest 1/8 of 1%, to the next higher 1/8 of 1%) of (i)1/2 of one percent per annum plus (ii) the rate obtained by dividing (A) the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average (adjusted to the basis of a year of 360 days) being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing selected by Citibank, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three-week period by the Federal Reserve Board for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for Citibank with respect to liabilities consisting of or including (among other liabilities) three-month Dollar non-personal time deposits in the United States, plus (iii) the average during such three-week period of the annual assessment rates estimated by Citibank for determining the then current annual assessment payable by Citibank to the Federal Deposit Insurance Corporation (or any successor) for insuring Dollar deposits of Citibank in the United States; and

(c) the sum of 1/2 of one percent per annum plus the Federal Funds Rate in effect from time to time.

"Base Rate Advance" means an Advance which bears interest as provided in Section 2.07(a).

"Borrowing" means a borrowing consisting of Advances of the same Type made on the same day by the Banks pursuant to Section 2.01 and, if such Advances are Eurodollar Rate Advances, having Interest Periods of the same duration.

"Business Day" means a day of the year on which banks are not required or authorized to close in New York City and, if the applicable Business Day relates to any Eurodollar Rate Advance, on which dealings in Dollar deposits are carried on in the London interbank market.

"Chapter 11 Cases" means the cases filed by the Filing Entities under Chapter 11 of the Bankruptcy Code.

"Citibank" means Citibank, N.A., a national banking association.

"Co-Administrative Agents" means CNAI and JPMCB solely in their capacities as co-administrative agents under the Agreement.

"Co-Documentation Agents" means each of HSBC Bank USA, National Association and The Royal Bank of Scotland plc, solely in its capacity as co-documentation agent under the Agreement.

"Co-Lead Arrangers" means Citigroup Global Markets Inc. and J.P. Morgan Securities Inc.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor Federal tax code, and the regulations promulgated and rulings issued thereunder, in each case as now or hereafter in effect, and any reference to any statutory provision shall be deemed to be a reference to any successor provision or provisions.

"Collateral" means all "Collateral" referred to in the Collateral Documents and all other property that is or is intended to be subject to any Lien in favor of the Collateral Agent for the benefit of the Secured Holders.

"Collateral Agent" means Citibank in its capacity as Collateral Agent under the Collateral Trust Agreement, together with its successors in interest and permitted assigns.

"Collateral Documents" means the Pledge Agreement, the Collateral Trust Agreement and any other agreement now or hereafter in effect that creates or purports to create a Lien in favor of the Collateral Agent for the benefit of the Secured Holders.

"Collateral Release Date" means the date on which each of the following statements shall be true and correct, and the Borrower shall have so certified to the Agent in writing:

(i) The Exit Date has occurred;

(ii) There exists no action, suit, investigation, litigation or proceeding pending or threatened in any court or before any arbitrator or governmental instrumentality that (i) could reasonably be expected to have a material adverse effect on the business, condition (financial or otherwise), operations, performance, properties or prospects of the Borrower and its subsidiaries on a consolidated basis other than the Disclosed Litigation (the "Pre-Closing Information") or (ii) purports to affect the legality, validity or enforceability of the Borrower's Obligations, or the rights and remedies of any of the Banks, relating to the Revolving Credit Facility and the Loan Documents, and there shall have been no material adverse change in the status, or financial effect on the Borrower and its subsidiaries on a consolidated basis, of the Disclosed Litigation from that described in the Pre-Closing Information;

(iii) The long-term senior unsecured debt of the Borrower has been recently confirmed by letter at BBB or higher (stable outlook) by S&P and Baa2 or higher (stable outlook) by Moody's;

(iv) There has occurred no material adverse change (which term shall not be deemed to refer to the commencement of the Chapter 11 Cases) since December 31, 2002 in the business, condition (financial or otherwise), operations, performance, properties or prospects of the Borrower and its subsidiaries on a consolidated basis, except as disclosed in the Borrower's report on Form 10-Q filing with the Securities and Exchange Commission for the fiscal quarter ended June 30, 2003 and except for the accounting charges taken and to be taken by the Borrower directly in connection with the Settlement Payments; and

(v) There exists no Default or Event of Default under any of the Loan Documents.

"Collateral Trust Agreement" has the meaning specified in Section 3.01(d)(iv).

"Commitment Fee" has the meaning specified in Section 2.04(a).

"Commitment" means a Revolving Credit Commitment or a Letter of Credit Commitment.

"Consolidated Debt" means at any time the Debt of the Borrower and its consolidated subsidiaries calculated on a consolidated basis as of such time, determined in accordance with GAAP.

"Consolidated Debt to Total Consolidated Capitalization Ratio" means, as of any date of calculation, the ratio of the Borrower's Consolidated Debt outstanding on such date to the sum of (i) Consolidated Debt and (ii) Consolidated Net Worth outstanding on such date; provided, that during the period from October 31, 2003 until the time that the Borrower records the equity component of the Settlement Payments, changes to Net Asbestos and Silica Liability and any related reduction in equity as a result of required accounting adjustments relating to the Settlement Payments, including changes related to insurance coverage, shall be disregarded for purposes of calculating the Consolidated Debt to Total Consolidated Capitalization Ratio.

"Consolidated EBITDA" means, with reference to any period of time, the EBITDA of the Borrower and its consolidated subsidiaries calculated on a consolidated basis for such period, determined in accordance with GAAP.

"Consolidated Interest Expense" means, with reference to any period, the Interest Expense of the Borrower and its consolidated subsidiaries calculated on a consolidated basis for such period, determined in accordance with GAAP.

"Consolidated Net Worth" means at any time the consolidated stockholders' equity of the Borrower and its consolidated subsidiaries calculated on a consolidated basis as of such time (excluding treasury stock), determined in accordance with GAAP and excluding any aggregate charges for asbestos litigation claims.

"Convert", "Conversion" and "Converted" each refers to a conversion of Revolving Credit Advances of one Type into Revolving Credit Advances of the other Type pursuant to Section 2.08, 2.14 or 2.15.

"Convertible Notes" means the 3-1/8% Convertible Senior Notes of the Borrower due July 15, 2023, issued pursuant to the Convertible Notes Indenture.

"Convertible Notes Indenture" means the Indenture dated as of June 30, 2003 between the Borrower, as issuer and JPMCB, as Trustee.

"Debt" of any Person means (i) Indebtedness of such Person, plus (ii) obligations of such Person under direct third party guaranties for borrowed money, plus (iii) the aggregate face amount of all outstanding letters of credit in respect of which such Person has any reimbursement obligation (other than Performance Letters of Credit), plus (iv) 50% of the aggregate face amount of all outstanding Performance Letters of Credit issued of such Person, plus (v) the Net Asbestos and Silica Liability, minus (vi) any Unrestricted Cash.

"Default" means any event or condition which with notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"DIP Facility" means the Revolving Credit Agreement among DII Industries, LLC and each other borrower named therein and the Borrower, as lender, as amended from time to time.

"Disclosed Litigation" means the litigation described in the information provided by or on behalf of the Borrower to the Agent for disclosure to the Banks prior to the Effective Date of this Agreement.

"Disclosure Statement" means the disclosure statement, dated as of September 18, 2003, with respect to the Plan of Reorganization filed in connection with the Chapter 11 Cases as the same may be supplemented or restated prior to the Effective Date.

"Dollar Equivalent" means, on any date, (i) in relation to an amount denominated in a currency other than Dollars, the equivalent in Dollars determined by using the quoted spot rate at which the Agent's principal office in London offers to exchange Dollars for such currency in London prior to 4:00 P.M. (London time) on such date and (ii) in relation to an amount denominated in Dollars, such amount.

"Dollars" and "$" means lawful money of the United States of America.

"Domestic Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Domestic Lending Office" opposite its name on Schedule I hereto, in the Assignment and Acceptance pursuant to which it became a Bank, or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Agent.

"EBITDA" means (a) Net Income plus (b) to the extent deducted in determining Net Income, (i) Interest Expense, (ii) taxes, and (iii) depreciation and amortization minus (c) to the extent added in determining Net Income, extraordinary gains (including gains from assets sales) for such period, plus (d) to the extent recognized in determining Net Income, extraordinary, non-recurring losses (excluding asbestos charges) for such period. EBITDA shall be calculated on a rolling four quarters basis using the financial results for the four-quarter period ending on the date as of which the calculation is made.

"Effective Date" means has the meaning specified in Section 3.01.

"Eligible Assignee" means (i) any Bank, (ii) any Affiliate of any Bank and (iii) with the consent of the Agent (which consent shall not be unreasonably withheld) and, so long as no Event of Default under Section 6.01(a) or 6.01(e) shall have occurred and be continuing, the Borrower (which consent shall not be unreasonably withheld), any other Person not covered by clause (i) or (ii) of this definition; provided, however, that neither the Borrower nor any Affiliate of the Borrower shall be an Eligible Assignee.

"Equity Interests" means, with respect to any Person, shares of capital stock of (or other ownership or profit interests in) such Person, warrants, options or other rights for the purchase or other acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or other acquisition from such Person of such shares (or such other interests), and other ownership or profit interests in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any Person that for purposes of Title IV of ERISA is a member of the Borrower's controlled group, or under common control with the Borrower, within the meaning of Section 414(a) or (b) of the Internal Revenue Code, and, for purposes of Section 412 of the Internal Revenue Code, Section 414(m) of the Internal Revenue Code.

"ERISA Event" means (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of the Borrower or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, a Plan; provided, however, that in no event shall the filing of the Chapter 11 Cases be an ERISA Event.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Federal Reserve Board, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto, in the Assignment and Acceptance pursuant to which it became a Bank (or, if no such office is specified, its Domestic Lending Office), or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Agent.

"Eurodollar Rate" means, for any Interest Period for each Eurodollar Rate Advance comprising part of the same Borrowing, an interest rate per annum (rounded upward to the nearest whole multiple of 1/100 of 1% per annum, if such rate per annum is not such a multiple) equal to the rate per annum at which deposits in Dollars are offered by the principal office of Citibank in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to Citibank's Eurodollar Rate Advance comprising part of such Borrowing and for a period equal to such Interest Period.

"Eurodollar Rate Advance" means an Advance which bears interest as provided in Section 2.07(b).

"Eurodollar Rate Reserve Percentage" of any Bank for any Interest Period for all Eurodollar Rate Advances comprising part of the same borrowing means the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other

marginal reserve requirement) for such Bank with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 6.01.

"Excluded Dispositions" means (i) dispositions of assets in the ordinary course of business, (ii) dividends and distributions permitted by Section 5.02(c), (iii) dispositions to the Borrower or a Subsidiary of the Borrower, (iv) dispositions constituting investments and capital contributions, (v) dispositions of any fixed or capital asset pursuant to a sale/leaseback transaction which is consummated within 180 days of the Borrower or such Subsidiary acquiring or completing the construction of such asset and (vi) any Securitization Transaction.

"Existing Indebtedness" means Indebtedness of each Loan Party and its Subsidiaries outstanding immediately before the Effective Date.

"Exit Date" means the date on which (i) the Plan of Reorganization shall have been confirmed and (ii) the Order Entry shall have occurred.

"Federal Funds Rate" means, for any day, a fluctuating interest rate per annum equal for such day to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System or any successor thereof.

"Filing Entities" means the Borrower's Subsidiaries listed on Schedule II hereto.

"Financial Statements" means the consolidated balance sheet and other financial statements of the Borrower and its consolidated subsidiaries dated December 31, 2003 included in the Borrower's Form 10-K/A filing with the SEC for the fiscal year ended December 31, 2003.

"Foreign Currency" means any lawful currency (other than Dollars) that is freely transferable or convertible into Dollars.

"GAAP" means generally accepted accounting principles in the United States of America.

"Guaranty Supplement" has the meaning specified in the Subsidiary Guaranty.

"HESI" means Halliburton Energy Services, Inc., a Delaware corporation.

"Indebtedness" means, for any Person, (a) its liabilities for borrowed money or the deferred purchase price of property or services (other than current accounts and salaries payable or accrued in the ordinary course of business), (b) obligations of such Person for borrowed money evidenced by bonds, debentures, notes or other similar instruments and (c) all Indebtedness of others the payment, purchase or other acquisition or obligation of which such Person has assumed, or the payment, purchase or other acquisition or obligation of which such Person has otherwise become directly or contingently liable for.

"Indemnified Costs" has the meaning specified in Section 7.05.

"Indemnified Party" has the meaning specified in Section 8.04(c).

"Initial Extension of Credit" means the earlier to occur of the initial Revolving Credit Borrowing and the initial issuance of a Letter of Credit hereunder.

"Interest Charge Coverage Ratio" means, as of the end of any fiscal quarter, the ratio of (a) Consolidated EBITDA for the four-fiscal quarter period then ended (excluding, for each quarter through and including the quarter ending December 31, 2003, any non-cash charges related to the proposed global asbestos settlement contemplated in the Borrower's press release dated December 18, 2002) to (b) Consolidated Interest Expense (calculated in accordance with GAAP) for the four-fiscal quarter period then ended.

"Interest Expense" means for any period, interest expense, whether expensed or capitalized, paid, accrued or scheduled to be paid or accrued during such period, determined in accordance with GAAP, without duplication.

"Interest Period" means, for each Eurodollar Rate Advance comprising part of the same Borrowing, the period commencing on the date of such Eurodollar Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurodollar Rate Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, with respect to Eurodollar Rate Advances, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months (or, as to any Interest Period, such other period as the Borrower and each of the Banks may agree to for such Interest Period), in each case as the Borrower may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period (or, as to any Interest Period, at such other time as the Borrower and the Banks may agree to for such Interest Period), select; provided, however, that:

(i) Interest Periods commencing on the same date for Advances comprising part of the same Borrowing shall be of the same duration;

(ii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day;

(iii) any Interest Period which begins on the last Business Day of the calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month in which it would have ended if there were a numerically corresponding day in such calendar month; and

(iv) the Borrower may not select an Interest Period for any Advance if the last day of such Interest Period would be later than the date on which the Advances are then payable in full or if any Event of Default under Section 6.01(a) shall have occurred and be continuing at the time of selection.

"Issuing Bank" means each of Citibank, JPMCB, HSBC and ABN AMRO Bank, N.V. and any of their respective Affiliates, in their capacities as initial issuing banks, and any Eligible Assignee to which a Letter of Credit Commitment has been assigned pursuant to Section 8.08 so long as each such Eligible Assignee expressly agrees to perform in accordance with their terms all the obligations that by the terms of the Agreement are required to be performed by it as an Issuing Bank and notifies the Agent of its Applicable Lending Office and the amount of its Letter of Credit Commitment (which information shall be recorded by the Agent in the Register), for so long as such initial Issuing Bank or Eligible Assignee, as the case may be, shall have a Letter of Credit Commitment.

"Joint Venture Debt" has the meaning specified in Section 5.02(a)(x)(x).

"JPMCB" means JPMorgan Chase Bank, a New York banking corporation.

"JV Subsidiary" means each Subsidiary of the Borrower (a) that, at any time, directly holds an Equity Interest in any joint venture (not a Subsidiary) and (b) that has no other material assets.

"L/C Cash Collateral Account" means the l/c cash collateral deposit account, Account No. _____, with Citibank, as securities intermediary and depository bank, at its office at One Penns Way, 2nd Floor, New Castle, Delaware 19720, in the name of the Borrower but under the sole control and dominion of the Agent and subject to the terms of this Agreement.

"L/C Related Documents" has the meaning specified in Section 2.06(b)(ii)(A).

"LC Agent" means CNAI, in its capacity as agent under Master LC Facility Agreement.

"LC Banks" means the Banks under and as defined in the Master LC Facility Agreement.

"Letter of Credit" has the meaning set forth in Section 2.01(b).

"Letter of Credit Advance" means an Advance made by any Issuing Bank or any Bank pursuant to Section 2.03(c).

"Letter of Credit Agreement" has the meaning specified in Section 2.03(a).

"Letter of Credit Commitment" of any Issuing Bank means, at any time, the amount set opposite such Issuing Bank's name on Schedule I under the heading "Letter of Credit Commitments" or as reflected for such Issuing Bank in the relevant Assignment and Acceptance to which it is a party, as such amount may be terminated, reduced or increased pursuant to Section 2.05, Section 6.01 or Section 8.08.

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor, a statutory deemed trust and any easement, right of way or other encumbrance on title to real property; provided, however, that for the avoidance of doubt, the interest of a Person as owner or lessor under charters or leases of property and the rights of setoff of banks shall not constitute a "Lien" on or in respect of the relevant property.

"Loan Documents" means this Agreement, the Notes, the Subsidiary Guaranty, and the Collateral Documents.

"Loan Party" means, (i) at any time prior the Collateral Release Date, each of the Borrower and each Subsidiary Guarantor and (ii) from and after the Collateral Release Date, the Borrower.

"March 2004 10-Q" means the Borrower's Form 10-Q filing with the SEC for the quarter ended on March 31, 2004.

"Master LC Facility Agreement" means the senior secured master letter of credit facility agreement, dated as of October 31, 2003, among the Borrower, the Borrower's subsidiaries party thereto, the banks party thereto and CNAI, as agent, as amended from time to time.

"Material Adverse Effect" means a material adverse effect on (a) the business, condition (financial or otherwise), operations, performance or properties of the Borrower and its Subsidiaries, taken as a whole, (b) the rights and remedies of the Agent or any Bank under any Loan Document or (c) the ability of the Borrower and any material Subsidiary which is a Loan Party to perform its Obligations under any Loan Document to which it is or is to be a party; provided, however, the filing of the Chapter 11 Cases shall not be deemed to constitute a Material Adverse Effect.

"Moody's" means Moody's Investors Service, Inc. or any successor to its debt ratings business.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and at least one Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Net Asbestos and Silica Liability" means (a) estimated asbestos litigation claims and silica litigation claims minus (b) estimated insurance for asbestos litigation claims and silica litigation claims, in each case as reflected in the financial statements most recently delivered pursuant to Section 5.01(d)(i) and 5.01(d)(ii) (or, prior to such date, financial statements as filed in the March 2004 10-Q), to the extent that such liability is greater than zero.

"Net Cash Proceeds" means, with respect to any sale, lease, transfer or other disposition of any Collateral, the aggregate amount of cash received from time to time (whether as initial consideration or through payment or disposition of deferred consideration) by or on behalf of such Person in connection with such transaction after deducting therefrom only (without duplication) (a) reasonable and customary brokerage commissions, underwriting fees and discounts, legal fees, finder's fees and other similar fees and commissions and (b) the amount of taxes payable in connection with or as a result of such transaction, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid to a Person that is not an Affiliate of such Person or any Loan Party or any Affiliate of any Loan Party and are properly attributable to such transaction or to the asset that is the subject thereof.

"Net Income" means, for any period, the Borrower's net income for such period, as determined in accordance with GAAP.

"Note" means a promissory note of the Borrower payable to the order of any Bank, in substantially the form of Exhibit A hereto, evidencing the aggregate indebtedness of the Borrower to such Bank resulting from the Advances owing to such Bank.

"Notes Agreements" has the meaning set forth in the Pledge Agreement.

"Notice of Issuance and Application for Letter of Credit" has the meaning specified in Section 2.03(a).

"Notice of Revolving Credit Borrowing" has the meaning specified in Section 2.02(a).

"Obligation" means, with respect to any Person, any payment, performance or other obligation of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed or otherwise affected by any proceeding referred to in Section 6.01(f). Without limiting the generality of the foregoing, the Obligations of any Loan Party under the Loan Documents include (a) the obligation to pay principal, interest, Letter of Credit commissions, charges, expenses, fees, attorneys' fees and disbursements, indemnities and other amounts payable by such Loan Party under any Loan Document and (b) the obligation of such Loan Party to reimburse any amount in respect of any of the foregoing that any Bank, in its sole discretion, may elect to pay or advance on behalf of such Loan Party.

"Order Entry" means the date on which (i) a final, non-appealable order shall have been entered in the Chapter 11 Cases approving the establishment of a trust pursuant to Section 524(g) of the Bankruptcy Code in order to dispose of the present asbestos claims and future demands against any of the Borrower's subsidiaries identified on Schedule 4.01(h) hereto arising out of exposure to asbestos and/or asbestos-related products prior to the date of entry of such order, which order (A) enjoins the assertion of such asbestos claims against the Borrower and such subsidiaries, (B) contains an injunction which is reasonably satisfactory in scope, nature and extent to the Co-Lead Arrangers and (C) incorporates the terms of the Plan of Reorganization and (ii) a final, non-appealable order reasonably satisfactory to the Co-Lead Arrangers shall have been entered in the Chapter 11 Cases approving the establishment of a trust pursuant to Section 105(a) of the Bankruptcy Code in order to dispose of the present silica claims and future demands against any of the Borrower's subsidiaries identified on Schedule 4.01(h) hereto arising out of exposure to silica and/or silica-related products prior to the date of entry of such order, which order (A) enjoins the assertion of such silica claims against the Borrower and such subsidiaries, (B) contains an injunction which is reasonably satisfactory in scope, nature and extent to the Co-Lead Arrangers and (C) incorporates the terms of the Plan of Reorganization.

"Other Taxes" has the meaning specified in Section 2.13(b).

"Patriot Act" shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. 107-56, signed into law October 26, 2001.

"Performance Letter of Credit" means a letter of credit qualifying as a "performance-based standby letter of credit" under 12 C.F.R. Part 3, Appendix A, Section 3(b)(2)(i) or any successor U.S. Comptroller of the Currency regulation.

"Permitted Liens" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced or, if commenced, have been stayed: (a) Liens for taxes, assessments and governmental charges or levies to the extent not required to be paid under Section 5.01(c); (b) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business securing obligations that individually or together with all other Permitted Liens outstanding on any date of determination do not materially adversely affect the use of the property to which they relate; (c) pledges or deposits to secure obligations under workers' compensation laws or similar legislation or to secure public or statutory obligations; (d) easements, rights of way and other encumbrances on title to real property that do not render title to the property encumbered thereby unmarketable or materially adversely affect the use of such property for its present purposes; (e) Liens to secure the performance of bids, trade

contracts (other than for Indebtedness), leases (including permitted capitalized leases), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business; and (f) Liens with respect to joint ventures or other similar arrangements to secure the obligations of one joint venture party to another, provided that such Liens do not secure Indebtedness.

"Permitted Non-Recourse Indebtedness" means Indebtedness and other obligations of the Borrower or any Subsidiary incurred in connection with the acquisition or construction by the Borrower or such Subsidiary of any property with respect to which:

(a) the holders of such Indebtedness and other obligations agree that they will look solely to the property so acquired or constructed and securing such Indebtedness and other obligations, and neither the Borrower nor any Subsidiary (i) provides any direct or indirect credit support, including any undertaking, agreement or instrument that would constitute Indebtedness or (ii) is directly or indirectly liable for such Indebtedness; and

(b) no default with respect to such Indebtedness or obligations would cause, or permit (after notice or passage of time or otherwise), according to the terms thereof, any holder (or any representative of any such holder) of any other Indebtedness of the Borrower or such Subsidiary to declare a default on such Indebtedness or cause the payment, repurchase, redemption, defeasance or other acquisition or retirement for value thereof to be accelerated or payable prior to any scheduled principal payment, scheduled sinking fund or maturity.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof or any trustee, receiver, custodian or similar official.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Plan of Reorganization" means the plan of reorganization in the form attached as Exhibit B to the Disclosure Statement.

"Pledge Agreement" has the meaning specified in Section 3.01(d)(ii).

"Pledged Equity" has the meaning specified in the Pledge Agreement.

"Pre-Closing Information" has the meaning specified in clause (ii) of the definition of "Collateral Release Date".

"Pro Rata Share" of any amount means, with respect to any Bank at any time, such amount times a fraction the numerator of which is the amount of such Bank's Revolving Credit Commitment at such time (or, if the Commitments shall have been terminated pursuant to Section 2.05 or 6.01, such Revolving Credit Commitment as in effect immediately prior to such termination) and the denominator of which is the Revolving Credit Facility at such time (or, if the Commitments shall have been terminated pursuant to Section 2.05 or 6.01, the Revolving Credit Facility as in effect immediately prior to such termination).

"Project Financing" means Indebtedness and other obligations that (a) are incurred by a Project Finance Subsidiary, (b) are secured by a Lien of the type permitted under clause (v) of Section 5.02(a) and (c) constitute Permitted Non-Recourse Indebtedness (other than recourse to the assets of, and Equity Interests in, any Project Finance Subsidiary).

"Project Finance Subsidiary" means a Subsidiary that is a special-purpose entity created solely to (i) construct or acquire any asset or project that will be or is financed solely with Project Financing for such asset or project and related equity investments in, loans to, or capital contributions in, such Subsidiary that are not prohibited hereby and/or (ii) own an interest in any such asset or project.

"Property" or "asset" (in each case, whether or not capitalized) means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Ratings Event" means at any time (a) the senior unsecured long-term debt of the Borrower (i) is rated lower than BBB- by S&P or (ii) is rated lower than Baa3 by Moody's or (b) either S&P or Moody's ceases to rate such senior unsecured long-term debt.

"Receivables Subsidiary" means (i) Oilfield Services Receivables Corporation, a Delaware corporation, and any other transferor under the transaction referred to in Section 5.02(a)(iii), including any replacement transaction and (ii) any other special purpose entity created in connection with a Securitization Transaction.

"Reduced Amounts" has the meaning specified in Section 2.01(c).

"Register" has the meaning specified in Section 8.08(c).

"Regulation U" means Regulation U of the Federal Reserve Board, as the same is from time to time in effect, and all official rulings and interpretations thereunder or thereof.

"Required Banks" means at any time Banks owed or holding at least a majority in interest of the sum of (i) the aggregate principal amount of the Advances outstanding at such time; (ii) the Available Amount of all Letters of Credit outstanding at such time (calculated by reference to each Bank's Pro Rata Share) and (iii) the aggregate Unused Revolving Credit Commitments at such time.

"Responsible Officer" means each of the chairman and chief executive officer, the president, the chief financial officer, the treasurer, the secretary or any vice president (whether or not further described by other terms, such as, for example, senior vice president or vice president-operations) of the Borrower or, if any such office is vacant, any Person performing any of the functions of such office.

"Revolving Credit Advance" means an Advance by a Bank to the Borrower pursuant to Section 2.01 and refers to a Base Rate Advance or a Eurodollar Rate Advance (each of which shall be a "Type" of Revolving Credit Advance).

"Revolving Credit Borrowing" means a borrowing consisting of simultaneous Revolving Credit Advances of the same Type made by the Banks.

"Revolving Credit Commitment" means, with respect to any Bank at any time, the amount set forth opposite such Bank's name on Schedule I hereto under the caption "Revolving Credit Commitment" or, if such Bank has entered into one or more Assignment and Acceptances, set forth for such Bank in the Register maintained by the Agent pursuant to Section 8.08(c) as such Bank's "Revolving Credit Commitment", as such amount may be reduced at or prior to such time pursuant to Section 2.05.

"Revolving Credit Facility" means, at any time, the aggregate amount of the Banks' Revolving Credit Commitments at such time.

"S&P" means Standard & Poor's Ratings Service Group, a division of The McGraw-Hill Companies, Inc. on the date hereof, or any successor to its debt ratings business.

"SEC" means the Securities and Exchange Commission or any successor thereof.

"Securitization Transaction" means any transfer by the Borrower or any Subsidiary of accounts receivable or interests therein (including, without limitation, all collateral securing such accounts receivable, all contracts and guarantees or other obligations in respect of such accounts receivable, the proceeds of such receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitizations involving accounts receivable), or grant of a security interest therein, (a) to a trust, in part, directly or indirectly, by the incurrence or issuance by the transferee or any successor transferee of Indebtedness or securities that are to receive payments from, or that represent interests in, the cash flow derived from such accounts receivable or interests, or (b) directly to one or more investors or other purchasers.

"Secured Holders" has the meaning specified in the Collateral Trust Agreement.

"Senior Unsecured Credit Facility Agreement" means the credit agreement dated as of November 4, 2003 among the Borrower, the lenders party thereto, CNAI, as administrative agent, JPMCB, as syndication agent and ABN AMRO Bank, N.V., as documentation agent.

"Settlement Payments" means payments by the Borrower of approximately $2.775 billion to asbestos and silica claimants as described in the Disclosure Statement.

"Shared Collateral Account" means the account of the Borrower with Citibank at its office at 111 Wall Street, New York, New York 10005, Account No. 795451, Attention: Halliburton Account Officer, in the name of the Collateral Agent and under the sole dominion and control of the Collateral Agent and subject to the terms of the Pledge Agreement and the Collateral Trust Agreement.

"Shared Collateral Obligations" has the meaning specified in the Collateral Trust Agreement.

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and no Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"Stock Agreement" means the Stock Agreement among DII Industries, LLC, HESI and the Borrower, as amended from time to time.

"Subsidiary" of any Person means any corporation (including a business trust), partnership, joint stock company, trust, unincorporated association, joint venture or other entity of which more than 50% of the outstanding capital stock, securities or other ownership interests having ordinary voting power to elect directors of such corporation or, in the case of any other entity, others performing similar functions (irrespective of whether or not at the time capital stock, securities or other ownership interests of any other class or classes of such corporation or such other entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person, by such Person and one or more other Subsidiaries of such Person or by one or more other Subsidiaries of such Person.

"Subsidiary Guarantor" means, during such time as such Subsidiary is a party to the Subsidiary Guaranty or a Guaranty Supplement, each of the Subsidiaries of the Borrower listed on Schedule IV

hereto and each other Subsidiary of the Borrower that shall be required to execute and deliver a Guaranty Supplement pursuant to Section 5.01(i) and each other Subsidiary of the Borrower which voluntarily executes and delivers a Guaranty Supplement.

"Subsidiary Guaranty" has the meaning specified in Section 3.01(d)(iii).

"Syndication Agent" means ABN Amro Bank, N.V., solely in its capacity as syndication agent under the Agreement.

"Taxes" has the meaning specified in Section 2.13(a).

"Termination Date" means July 13, 2005, or the earlier date of termination in whole of the Commitments pursuant to Section 2.05 or Section 6.01.

"Three-Year Agent" means CNAI, in its capacity as agent under the Three-Year Revolving Credit Agreement.

"Three-Year Banks" means the Banks under and as defined in the Three-Year Revolving Credit Agreement.

"Three-Year Revolving Credit Agreement" means the 3-Year Revolving Credit Agreement, dated as of October 31, 2003, among the Borrower, the banks party thereto, and CNAI, as agent, as amended from time to time.

"Transaction" means the consummation of the Plan of Reorganization, the creation of the Trusts, the Settlement Payments and related transactions.

"Trusts" means the trusts to be organized pursuant to Section 524(g) and 105(a) of the Bankruptcy Code as provided in the Plan of Reorganization.

"Type" has the meaning specified in the definition of Revolving Credit Advance.

"Unrestricted Cash" means cash not subject to a security interest granted by a Person to a third party (other than the Collateral Agent for the benefit of the Secured Holders). For the avoidance of doubt, contractual and statutory offset rights are not considered to be security interests for the purposes of this definition.

"Unused Revolving Credit Commitment" means, with respect to any Bank at any time, (a) such Bank's Revolving Credit Commitment at such time minus (b) the sum of (i) the aggregate principal amount of all Revolving Credit Advances and Letter of Credit Advances made by such Bank and outstanding at such time plus (ii) such Bank's Pro Rata Share of (A) the aggregate Available Amount of all Letters of Credit outstanding at such time and (B) the aggregate principal amount of all Letter of Credit Advances made by the Issuing Banks pursuant to Section 2.03(c) and outstanding at such time.

Section 1.02 Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

Section 1.03 Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Agent that the Borrower requests an amendment

to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Agent notifies the Borrower that the Required Banks request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

Section 1.04 Miscellaneous. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Article, Section, Schedule and Exhibit references are to Articles and Sections of and Schedules and Exhibits to this Agreement, unless otherwise specified.

Section 1.05 Ratings. A rating, whether public or private, by S&P or Moody's shall be deemed to be in effect on the date of announcement or publication by S&P or Moody's, as the case may be, of such rating or, in the absence of such announcement or publication, on the effective date of such rating and will remain in effect until the announcement or publication of, or (in the absence of such announcement or publication) the effective date of, any change in such rating. In the event the standards for any rating by Moody's or S&P are revised, or such rating is designated differently (such as by changing letter designations to numerical designations), then the references herein to such rating shall be deemed to refer to the revised or redesignated rating for which the standards are closest to, but not lower than, the standards at the date hereof for the rating which has been revised or redesignated, all as determined by the Required Banks in good faith. Long-term debt supported by a letter of credit, guaranty or other similar credit enhancement mechanism shall not be considered as senior unsecured long-term debt. If either Moody's or S&P has at any time more than one rating applicable to senior unsecured long-term debt of any Person, the lowest such rating shall be applicable for purposes hereof. For example, if Moody's rates some senior unsecured long-term debt of the Borrower Baa1 and other such debt of the Borrower Baa2, the senior unsecured long-term debt of the Borrower shall be deemed to be rated Baa2 by Moody's.

ARTICLE II

AMOUNTS AND TERMS OF THE REVOLVING CREDIT ADVANCES

Section 2.01 The Revolving Credit Advances. (a) Each Bank severally agrees, on the terms and conditions hereinafter set forth, to make Revolving Credit Advances in Dollars to the Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an aggregate amount not to exceed such Bank's Unused Revolving Credit Commitment (and subject to Section 2.01(c)) at such time; provided that no Revolving Credit Advance shall be required to be made, except as a part of a Revolving Credit Borrowing that is in an aggregate amount not less than $10,000,000 in the case of Eurodollar Rate Advances and $5,000,000 in the case of Base Rate Advances and in an integral multiple of $1,000,000, and each Revolving Credit Borrowing shall consist of Revolving Credit Advances of the same Type made on the same day by the Banks ratably according to their respective Revolving Credit Commitments. Within the limits of each Bank's Unused Revolving Credit Commitment (and subject to Section 2.01(c)) in effect from time to time, the Borrower may borrow, prepay pursuant to Section 2.10 and reborrow under this Section 2.01. The Borrower agrees to give a Notice of Revolving Credit Borrowing in accordance with Section 2.02(a) as to each Revolving Credit Advance.

(b) Letters of Credit. Each Issuing Bank agrees, on the terms and conditions hereinafter set forth, to issue letters of credit (collectively, the "Letters of Credit", and each a "Letter of Credit") for the account of the Borrower (such issuance, and any funding of a draw thereunder, to be made by the

Issuing Banks in reliance on the agreements of the other Banks pursuant to Section 2.03) from time to time on any Business Day during the period from the Effective Date until 10 days prior to the Termination Date in an aggregate Available Amount (i) for all Letters of Credit issued by the Issuing Banks not to exceed at any time the lesser of (A) the aggregate Letter of Credit Commitments at such time and (B) the Letter of Credit Commitment of such Issuing Bank at such time and (ii) for each such Letter of Credit not to exceed an amount equal to the Unused Revolving Credit Commitments of the Banks (and subject to Section 2.01(c)) at such time. No Letters of Credit shall have expiration dates later than 10 Business Days prior to the Termination Date. Within the limits referred to above, the Borrower may request the issuance of Letters of Credit under this Section 2.01(b), repay any Letter of Credit Advances resulting from drawings thereunder pursuant to Section 2.03(a) and request the issuance of additional Letters of Credit under this Section 2.01(b).

(c) Availability of Unused Commitments. Prior to the Collateral Release Date, in the event of any issuance after the Effective Date of Future Notes (as defined in the Collateral Trust Agreement), (i) the aggregate Unused Revolving Credit Commitments of the Banks available for the making of Revolving Credit Advances and the issuance of Letters of Credit shall be reduced dollar for dollar by an amount, if positive (the "Reduced Amount"), equal to the aggregate outstanding principal amount of each such issuance of Future Notes, less the aggregate outstanding principal amount of all Existing Notes (as defined in the Collateral Trust Agreement) which have been repaid, redeemed or defeased, (ii) the Revolving Credit Advances to be made by any Bank at any time under Section 2.01(a) shall not exceed such Bank's Unused Revolving Credit Commitment at such time, minus such Bank's Pro Rata Share of the aggregate Reduced Amounts at such time and (iii) no Letter of Credit may be issued at any time under Section 2.01(b) with an Available Amount that exceeds the aggregate Unused Revolving Credit Commitments at such time, minus the aggregate Reduced Amounts at such time. Upon the occurrence of the Collateral Release Date, the Reduced Amount shall no longer have any effect on the availability of the Unused Revolving Credit Commitments described in the immediately preceding sentence.

Section 2.02 Making the Revolving Credit Advances. (a) Each Revolving Credit Borrowing shall be made on notice in the form of Exhibit B-1 (a "Notice of Revolving Credit Borrowing"), given not later than 11:00 A.M. (New York City time) (i) on the date of a proposed Revolving Credit Borrowing comprised of Base Rate Advances and (ii) on the third Business Day prior to the date of a proposed Revolving Credit Borrowing comprised of Eurodollar Rate Advances, by the Borrower to the Agent, which shall give to each Bank prompt notice thereof by facsimile. Each Notice of Revolving Credit Borrowing shall be by facsimile, confirmed immediately in writing, in substantially the form of Exhibit B-1, specifying therein the requested (i) date of such Revolving Credit Borrowing, (ii) Type of Revolving Credit Advances comprising such Revolving Credit Borrowing, (iii) aggregate amount of such Revolving Credit Borrowing, and (iv) if such Revolving Credit Borrowing is to be comprised of Eurodollar Rate Advances, the initial Interest Period for each such Revolving Credit Advance. Each Bank shall, before 2:00 p.m. (New York City time) on the date of such Revolving Credit Borrowing, make available for the account of its Applicable Lending Office to the Agent at its address referred to in Section 8.02, in same day funds, such Bank's ratable portion of such Revolving Credit Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower at the Agent's aforesaid address.

(b) Notwithstanding any other provision in this Agreement, at no time shall there be more than ten Revolving Credit Borrowings outstanding; provided that for purposes of the limitation set forth in this sentence, all Revolving Credit Borrowings consisting of Base Rate Advances shall constitute a single Revolving Credit Borrowing.

(c) Each Notice of Revolving Credit Borrowing shall be irrevocable and binding on the Borrower. In the case of any Revolving Credit Borrowing that the related Notice of Revolving Credit Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower shall indemnify each Bank against any loss, cost or expense incurred by such Bank as a result of any failure to fulfill on or before the date specified in such Notice of Revolving Credit Borrowing for such Revolving Credit Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund the Revolving Credit Advance to be made by such Bank as part of such Revolving Credit Borrowing when such Revolving Credit Advance, as a result of such failure, is not made on such date.

(d) Unless the Agent shall have received notice from a Bank prior to the time of any Revolving Credit Borrowing that such Bank will not make available to the Agent such Bank's ratable portion of such Revolving Credit Borrowing, the Agent may assume that such Bank has made such portion available to the Agent on the date of such Revolving Credit Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such ratable portion available to the Agent, such Bank and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to Revolving Credit Advances comprising such Revolving Credit Borrowing and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Bank's Revolving Credit Advance as part of such Revolving Credit Borrowing for all purposes.

(e) The failure of any Bank to make the Revolving Credit Advance to be made by it as part of any Revolving Credit Borrowing shall not relieve any other Bank of its obligation, if any, hereunder to make its Revolving Credit Advance on the date of such Revolving Credit Borrowing, but no Bank shall be responsible for the failure of any other Bank to make the Revolving Credit Advance to be made by such other Bank on the date of any Revolving Credit Borrowing.

Section 2.03 Issuance of and Drawings and Reimbursement Under Letters of Credit. (a) Request for Issuance. Each Letter of Credit shall be issued upon notice and application, given not later than 11:00 A.M. (New York City time) on the third Business Day (or a later day, if acceptable to the relevant Issuing Bank in its sole discretion, but in no event later than the first Business Day) prior to the date of the proposed issuance of such Letter of Credit, by the Borrower to any Issuing Bank, which shall give to the Agent prompt notice thereof by telex or facsimile. Each such notice of issuance of a Letter of Credit (a "Notice of Issuance and Application for Letter of Credit") shall be by telephone, confirmed immediately in writing, or telex or facsimile, in the form of Exhibit B-2, specifying therein the requested (A) date of such issuance (which shall be a Business Day), (B) Available Amount of such Letter of Credit, (C) expiration date of such Letter of Credit, (D) name and address of the beneficiary of such Letter of Credit, (E) form of such Letter of Credit and (F) the requested currency of such Letter of Credit, if other than Dollars. If the requested form of such Letter of Credit is acceptable to such Issuing Bank in its sole discretion, such Issuing Bank will, upon fulfillment of the applicable conditions set forth in Article III, make such Letter of Credit available to the Borrower at its office referred to in Section 8.02 or as otherwise agreed with the Borrower in connection with such issuance; provided that no Issuing Bank shall be obligated to issue any Letter of Credit in a Foreign Currency, but each Issuing Bank shall be permitted to do so in its sole discretion if requested by the Borrower; provided, further that no Issuing Bank shall be required to issue any Letter of Credit if after giving effect to such issuance the aggregate face amount of all outstanding letters of credit issued under this Agreement and the Three-Year Revolving Credit

Agreement by such Issuing Bank would exceed $250,000,000, unless such Issuing Bank shall have otherwise agreed.

(b) Letter of Credit Reports. Each Issuing Bank shall furnish (A) to the Agent on the first Business Day of each week a written report summarizing issuance and expiration dates of Letters of Credit issued by such Issuing Bank during the previous week and drawings during such week under all Letters of Credit issued by such Issuing Bank, (B) to the Agent on the first Business Day of each month a written report summarizing issuance and expiration dates of Letters of Credit issued by such Issuing Bank during the preceding month and drawings during such month under all Letters of Credit issued by such Issuing Bank and (C) to the Agent on the first Business Day of each calendar quarter a written report setting forth the average daily aggregate Available Amount during the preceding calendar quarter of all Letters of Credit issued by such Issuing Bank.

(c) Drawing and Reimbursement. The payment by any Issuing Bank of a draft drawn under any Letter of Credit shall constitute for all purposes of this Agreement the making by such Issuing Bank of a Letter of Credit Advance, which shall be a Base Rate Advance, in the Dollar Equivalent amount of such draft. Upon written demand by any Issuing Bank with an outstanding Letter of Credit Advance, with a copy of such demand to the Agent, each Bank shall purchase from such Issuing Bank, and such Issuing Bank shall sell and assign to each such Bank, such Bank's Pro Rata Share of such outstanding Letter of Credit Advance as of the date of such purchase, by making available for the account of its Applicable Lending Office to the Agent for the account of such Issuing Bank, by deposit to the Agent's Account, in same day funds, an amount equal to the portion of the outstanding principal amount of such Letter of Credit Advance to be purchased by such Bank. Promptly after receipt thereof, the Agent shall transfer such funds to such Issuing Bank. The Borrower hereby agrees to each such sale and assignment. Each Bank agrees to purchase its Pro Rata Share of an outstanding Letter of Credit Advance on (i) the Business Day on which demand therefor is made by the Issuing Bank which made such Advance, provided that notice of such demand is given not later than 11:00 A.M. (New York City time) on such Business Day, or (ii) the first Business Day next succeeding such demand if notice of such demand is given after such time. Upon any such assignment by an Issuing Bank to any Bank of a portion of a Letter of Credit Advance, such Issuing Bank represents and warrants to such other Bank that such Issuing Bank is the legal and beneficial owner of such interest being assigned by it, free and clear of any liens, but makes no other representation or warranty and assumes no responsibility with respect to such Letter of Credit Advance, the Loan Documents or any Loan Party. If and to the extent that any Bank shall not have so made the amount of such Letter of Credit Advance available to the Agent, such Bank agrees to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by Issuing Bank until the date such amount is paid to the Agent, at the Federal Funds Rate for its account or the account of Issuing Bank, as applicable. If such Bank shall pay to the Agent such amount for the account of Issuing Bank on any Business Day, such amount so paid in respect of principal shall constitute a Letter of Credit Advance made by such Bank on such Business Day for purposes of this Agreement, and the outstanding principal amount of the Letter of Credit Advance made by Issuing Bank shall be reduced by such amount on such Business Day.

(d) Failure to Make Letter of Credit Advances. The failure of any Bank to make the Letter of Credit Advance to be made by it on the date specified in Section 2.03(c) shall not relieve any other Bank of its obligation hereunder to make its Letter of Credit Advance on such date, but no Bank shall be responsible for the failure of any other Bank to make the Letter of Credit Advance to be made by such other Bank on such date.

Section 2.04 Fees. (a) Commitment Fees. The Borrower agrees to pay to the Agent for the account of each Bank a commitment fee through the Termination Date on the amount of such Bank's Unused Revolving Credit Commitment, (i) from the date of this Agreement in the case of each Bank

listed on the signature pages hereof or (ii) from the effective date specified in the Assignment and Acceptance pursuant to which it became a Bank, payable quarterly in arrears (within three Business Days after receipt from the Agent of an invoice therefor) for each period ending on the last day of each March, June, September and December hereafter, commencing September 30, 2004, and on the Termination Date, at a rate per annum equal to the Applicable Commitment Fee Rate in effect from time to time (the "Commitment Fee").

(b) Letter of Credit Fees, Etc. (i) The Borrower shall pay to the Agent for the account of each Bank a commission, payable in arrears quarterly (within three Business Days after receipt from the Agent of an invoice therefor) for each period ending on the last day of each March, June, September and December, commencing September 30, 2004 and on the Termination Date, on such Bank's Pro Rata Share of the average daily aggregate Available Amount during such quarter of all Letters of Credit then outstanding at a rate equal to the Applicable Margin on Eurodollar Rate Advances in effect from time to time.

(ii) The Borrower shall pay to each Issuing Bank, for its own account, (A) an issuance fee for each Letter of Credit issued by such Issuing Bank in an amount equal to 0.125% of the Available Amount of such Letter of Credit on the date of issuance of such Letter of Credit, payable on such date and (B) such other commissions, fronting fees, transfer fees and other fees and charges in connection with the issuance or administration of each Letter of Credit as the Borrower and Issuing Bank shall agree.

(c) Other Fees. The Borrower agrees to pay to the Agent, the Co-Lead Arrangers, and the Banks such other fees as may be separately agreed to in writing.

Section 2.05 Reduction of Commitments. The Borrower shall have the right, upon at least three Business Days' notice to the Agent, to terminate in whole or reduce ratably in part the Unused Revolving Credit Commitments; provided that each partial reduction shall be in the minimum aggregate amount of $10,000,000 and in an integral multiple of $5,000,000. Any termination or reduction of any of the Commitments shall be permanent.

Section 2.06 Repayment of Advances; Required Cash Collateral. (a) Revolving Credit Advances. The Borrower shall repay the principal amount of each Revolving Credit Advance owing to each Bank on the Termination Date or on such earlier date as may be applicable pursuant hereto.

(b) Letter of Credit Advances. (i) The Borrower shall repay to the Agent for the account of each Issuing Bank and each other Bank that has made a Letter of Credit Advance on the earlier of the third Business Day following the date on which such Letter of Credit Advance is made and the Termination Date the outstanding principal amount of each Letter of Credit Advance made by each of them.

(ii) The Obligations of the Borrower under this Agreement, any Letter of Credit Agreement and any other agreement or instrument, in each case relating to any Letter of Credit, shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement, such Letter of Credit Agreement and such other agreement or instrument under all circumstances, including, without limitation, the following circumstances (it being understood that any such payment by the Borrower is without prejudice to, and does not constitute a waiver of, any rights the Borrower might have or might acquire as a result of the payment by any Issuing Bank of any draft or the reimbursement by the Borrower thereof):

(A) any lack of validity or enforceability of any Loan Document, any Letter of Credit Agreement, any Letter of Credit or any other agreement or instrument relating thereto (all of the foregoing being, collectively, the "L/C Related Documents");

(B) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations of the Borrower in respect of any L/C Related Document or any other amendment or waiver of or any consent to departure from all or any of the L/C Related Documents;

(C) the existence of any claim, set-off, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of a Letter of Credit (or any Persons for which any such beneficiary or any such transferee may be acting), any Issuing Bank or any other Person, whether in connection with the transactions contemplated by the L/C Related Documents or any unrelated transaction;

(D) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(E) payment by any Issuing Bank under a Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit;

(F) any exchange, release or non-perfection of any Collateral or other collateral, or any release or amendment or waiver of or consent to departure from the Subsidiary Guaranty or any other guarantee, for all or any of the Obligations of the Borrower in respect of the L/C Related Documents; or

(G) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including, without limitation, any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or a guarantor.

(c) Cash Collateral. (i) Prior to the Collateral Release Date, (x) so long as no Ratings Event shall have occurred, 100% of the Net Cash Proceeds received by the Borrower or any of its Subsidiaries (or, in the case of a non-wholly-owned Subsidiary, the pro rata share attributable to the Borrower's (direct or indirect) percentage ownership interest in such Subsidiary) from dispositions of Collateral and (y) from and after the occurrence of a Ratings Event and the granting and perfection of additional security pursuant to Section 5.01(i)(ii), 100% of the Net Cash Proceeds from dispositions of Collateral (other than (A) proceeds from any Excluded Disposition or (B) proceeds which do not exceed $5,000,000 in any single transaction or any series of related transactions) shall be in each case deposited in the Shared Collateral Account as collateral for the Shared Collateral Obligations; provided, that an aggregate amount of up to $150,000,000 of such Net Cash Proceeds referred to in clause (y) which would otherwise be required to be deposited to the Shared Collateral Account may be retained by the Borrower and its Subsidiaries. Upon the Collateral Release Date, such Collateral shall be released on the terms set forth in Section 8.09(b). For purposes of this Section 2.06(c), if the Borrower's (direct or indirect) percentage ownership in any consolidated Subsidiary whose Equity Interests constitute part of the Collateral is reduced (whether due to an issuance of equity by such Person or otherwise) then the portion of the net cash proceeds received by such Person attributable to such reduction shall be deemed to be proceeds received by the Borrower or one of its Subsidiaries from a disposition of Collateral pursuant to this Section and shall be subject to the prepayment provisions hereof.

(ii) If on any date the sum of the aggregate Available Amount of all Letters of Credit outstanding on such date plus the aggregate principal amount of Advances outstanding on such date exceeds the aggregate Commitments on such date, the Borrower shall, within three Business Days thereafter, pay to the Agent in same day funds at the Agent's office, for deposit in the L/C Cash Collateral Account, an amount equal to such excess, which amount shall be released within three Business Days after notice from the Borrower to the Agent that the sum of the aggregate Available Amount of all Letters of Credit plus the aggregate principal amount of Advances outstanding on such date no longer exceeds the aggregate Commitments.

(d) At any time that the Advances have been paid in full, the Available Amount of Letters of Credit has been cash collateralized and the Commitments have been terminated, if at such time the Collateral Release Date has not occurred, the Agent agrees to provide to the Collateral Agent a written notification to such effect.

Section 2.07 Interest. The Borrower shall pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(a) During such periods as such Advance is a Base Rate Advance, a rate per annum equal at all times to the Base Rate in effect from time to time plus the Applicable Margin in effect from time to time, payable quarterly in arrears on the last day of each March, June, September and December and on the date such Base Rate Advance shall be Converted or paid in full; provided, that any amount of principal of a Base Rate Advance which is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest, from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to the sum of the rate otherwise payable thereon plus 2%.

(b) During such periods as such Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of the Eurodollar Rate for such Interest Period plus the Applicable Margin in effect from time to time, payable on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Revolving Credit Advance shall be Converted or paid in full; provided, that any amount of principal of a Eurodollar Rate Advance which is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest, payable on demand, (i) from the date on which such amount is due until the end of the Interest Period for such Revolving Credit Advance, at a rate per annum equal at all times to the sum of the Eurodollar Rate for such Interest Period plus the Applicable Margin in effect from time to time plus 2%, and (ii) from the end of such Interest Period until such amount is paid in full, at a rate per annum equal at all times to the sum of the rate of interest in effect from time to time for Base Rate Advances plus 2%.

(c) Upon the occurrence and during the continuance of an Event of Default under Section 6.01(a), the Borrower shall pay simple interest, to the fullest extent permitted by law, on the amount of any interest, fee or other amount (other than principal of Advances which is covered by Sections 2.07(a) and 2.07(b)) payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to the sum of the rate of interest in effect from time to time for Base Rate Advances plus 2% per annum.

Section 2.08 Additional Interest on Eurodollar Rate Advances. The Borrower shall pay to each Bank, so long as such Bank shall be required under regulations of the Federal Reserve Board to maintain

reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Advance of such Bank during such periods as such Advance is a Eurodollar Rate Advance, from the date of such Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the Eurodollar Rate for the Interest Period then in effect for such Eurodollar Rate Advance from (ii) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Bank for such Interest Period, payable on each date on which interest is payable on such Eurodollar Rate Advance. Such additional interest shall be determined by such Bank and notified to the Borrower through the Agent.

Section 2.09 Interest Rate Determination. (a) The Agent shall give prompt notice to the Borrower and the Banks of the applicable interest rate determined by the Agent for purposes of Section 2.07(b).

(b) If the Agent is unable to determine the Eurodollar Rate for any Eurodollar Rate Advances:

(i) the Agent shall forthwith notify the Borrower and the Banks that the interest rate cannot be determined for such Eurodollar Rate Advances,

(ii) each such Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance (or if such Advance is then a Base Rate Advance, will continue as a Base Rate Advance), and

(iii) the obligation of the Banks to make Eurodollar Rate Advances or to Convert Revolving Credit Advances into Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Banks that the circumstances causing such suspension no longer exist.

(c) If, with respect to any Eurodollar Rate Advances, the Required Banks notify the Agent (A) that the Eurodollar Rate for any Interest Period for such Advances will not adequately reflect the cost to such Required Banks of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period or (B) that Dollar deposits for the relevant amounts and Interest Period for their respective Advances are not available to them in the London interbank market, the Agent shall forthwith so notify the Borrower and the Banks, whereupon

(i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance, and

(ii) the obligation of the Banks to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Banks that the circumstances causing such suspension no longer exist.

(d) If the Borrower shall fail to select the duration of any Interest Period for any Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify the Borrower and the Banks and such Revolving Credit Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances (or if such Advances are then Base Rate Advances, will continue as Base Rate Advances).

(e) On the date on which the aggregate unpaid principal amount of Eurodollar Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than $10,000,000, such Advances shall automatically Convert into Base Rate Advances, and on and after such date the right of the Borrower to Convert such Advances into Eurodollar Rate Advances shall terminate.

(f) Upon the occurrence and during the continuance of any Event of Default under Section 6.01(a), (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance and (ii) the obligation of the Banks to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended.

Section 2.10 Optional and Mandatory Prepayments; Required Cash Collateral. (a) The Borrower shall have no right to prepay any principal amount of any Advance other than as provided in this Section 2.10. The Borrower may, upon notice given to the Agent before 11:00 A.M. (New York City time) on the first Business Day prior to the date of prepayment in the case of Base Rate Advances or upon at least three Business Days' notice to the Agent in the case of Eurodollar Rate Advances, in each case stating the proposed date (which shall be a Business Day) and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amounts of the Advances comprising part of the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (x) each partial prepayment shall be in an aggregate principal amount not less than $10,000,000 in the case of Eurodollar Rate Advances and $5,000,000 in the case of Base Rate Advances and in integral multiples of $1,000,000, and after giving effect thereto no Borrowing then outstanding shall have a principal amount of less than $5,000,000; and (y) in the case of any such prepayment of a Eurodollar Rate Advance, the Borrower shall be obligated to reimburse the Banks in respect thereof pursuant to Section 8.04(b).

(b) At any time prior to the Collateral Release Date, if the aggregate Unused Revolving Credit Commitments of the Banks at such time would be less than the aggregate Reduced Amounts at such time, the outstanding principal amounts of the Advances shall be prepaid (and the outstanding Letters of Credit shall be cash collateralized, if necessary, by a deposit in the L/C Cash Collateral Account) at such time to the extent necessary to eliminate such difference. Any prepayment of the Advances under this Section 2.10(b) shall be made together with (i) accrued interest to the date of such prepayment on the principal amount prepaid and (ii) in the case of any such prepayment of a Eurodollar Rate Advance, the Borrower shall be obligated to reimburse the Banks in respect thereof pursuant to Section 8.04(b).

Section 2.11 Payments and Computations. (a) The Borrower shall make each payment hereunder and under the Notes not later than 11:00 A.M. (New York City time) on the day when due in Dollars to the Agent (except that payments under Section 2.08 shall be paid directly to the Bank entitled thereto) at Two Penns Way, Suite 200, New Castle, Delaware 19720, in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, Commitment Fees or Letter of Credit Fees ratably (except amounts payable pursuant to Section 2.12 or Section 2.13 and except that any Bank may receive less than its ratable share of interest to the extent Section 8.06 is applicable to it) to the Banks for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Bank to such Bank for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.08(c), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Bank assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to

such effective date directly between themselves. At the time of each payment of any principal of or interest on any Borrowing to the Agent, the Borrower shall notify the Agent of the Borrowing to which such payment shall apply. In the absence of such notice the Agent may specify the Borrowing to which such payment shall apply.

(b) All computations of interest based on the Base Rate (except during such times as the Base Rate is determined pursuant to clause (c) of the definition thereof), of Commitment Fees and of Letter of Credit Fees shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate, the Federal Funds Rate or, during such times as the Base Rate is determined pursuant to clause (c) of the definition thereof, the Base Rate shall be made by the Agent, and all computations of interest pursuant to Section 2.07 shall be made by a Bank, on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Agent (or in the case of Section 2.07, by a Bank) of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest, Commitment Fees and Letter of Credit Fees, as the case may be; provided, however, if such extension would cause payment of interest on or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Borrower shall not have so made such payment in full to the Agent, each Bank shall repay to the Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent, at the Federal Funds Rate.

Section 2.12 Increased Costs and Capital Requirements. (a) If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements included in the Eurodollar Rate Reserve Percentage) in or in the interpretation of any law or regulation by any governmental authority charged with the interpretation or administration thereof or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Bank of agreeing to make or making, funding or maintaining any Eurodollar Rate Advance or of agreeing to issue or of issuing or maintaining or participating in Letters of Credit or of agreeing to make or of making or maintaining Letter of Credit Advances (excluding, for purposes of this Section 2.12, any such increased costs resulting from (x) Taxes or Other Taxes (as to which Section 2.13 shall govern) and (y) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Bank is organized or has its Applicable Lending Office or any political subdivision thereof), then the Borrower shall from time to time, within 15 days after demand by such Bank (with a copy of such demand to the Agent), pay to the Agent for the account of such Bank additional amounts sufficient to compensate such Bank for such increased cost; provided, however, that the Borrower shall not be required to pay to such Bank any portion of such additional amounts that are incurred more than 90 days prior to any such demand, unless such additional amounts had not been imposed or were not determinable on the date that is 90 days prior to such demand. A certificate setting

forth in reasonable detail the amount of such increased cost, submitted to the Borrower and the Agent by such Bank, shall be conclusive and binding for all purposes, absent manifest error.

(b) If following the introduction of or any change in any applicable law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) any Bank determines that compliance by such Bank with any such law or regulation or guideline or request regarding capital adequacy affects or would affect the amount of capital required or expected to be maintained by such Bank or any Person controlling such Bank and that the amount of such capital is increased by or based upon the existence of such Bank's commitment to lend or to issue or participate in Letters of Credit hereunder and other commitments of such type or the issuance or maintenance of or participation in Letters of Credit (or similar contingent obligations), then, within 15 days after demand by such Bank (with a copy of such demand to the Agent), the Borrower shall pay to the Agent for the account of such Bank, from time to time as specified by such Bank, additional amounts sufficient to compensate such Bank or such Person in the light of such circumstances, to the extent that such Bank reasonably determines such increase in capital to be allocable to the existence of such Bank's commitment to lend or to issue or participate in Letters of Credit hereunder or to the issuance of or participation in any Letters of Credit; provided, however, that the Borrower shall not be required to pay to such Bank any portion of such additional amounts that are incurred more than 90 days prior to any such demand, unless such additional amounts had not been imposed or were not determinable on the date that is 90 days prior to such demand. A certificate setting forth in reasonable detail such amounts submitted to the Borrower and the Agent by such Bank shall be conclusive and binding for all purposes, absent manifest error.

(c) Each Bank shall make reasonable efforts (consistent with its internal policies and legal and regulatory restrictions) to select a jurisdiction for its Applicable Lending Office or change the jurisdiction of its Applicable Lending Office, as the case may be, so as to avoid the imposition of any increased costs under this Section 2.12 or to eliminate the amount of any such increased cost which may thereafter accrue; provided that no such selection or change of the jurisdiction for its Applicable Lending Office shall be made if, in the reasonable judgment of such Bank, such selection or change would be disadvantageous to such Bank.

Section 2.13 Taxes. (a) Any and all payments by the Borrower hereunder or under the Notes shall be made, in accordance with Section 2.11, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges and withholdings, and all liabilities with respect thereto, excluding, in the case of each Bank and the Agent, taxes imposed on its overall net income (including branch profits), and franchise taxes imposed on or measured by net income, by the jurisdiction under the laws of which such Bank or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Bank, taxes imposed on its overall net income(including branch profits), and franchise taxes imposed on or measured by net income, by the jurisdiction of such Bank's Applicable Lending Office or principal executive office or any political subdivision thereof, and all liabilities with respect thereto (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"), except as may otherwise be required by law. If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Bank or the Agent, (i) the sum payable shall be increased by such amount (an "Additional Amount") as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.13) such Bank or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. Any such payment by the Borrower shall be made in the name of the relevant Bank or the Agent (as the case may be).

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement or any of the Notes (hereinafter referred to as "Other Taxes").

(c) The Borrower will indemnify each Bank and the Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.13) imposed on or paid by such Bank or the Agent (as the case may be) and any liability (including penalties, interest and reasonable expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Payments under any indemnification provided for in this Section 2.13(c) shall be made within 30 days from the date such Bank or the Agent (as the case may be) makes written demand therefor describing such Taxes or Other Taxes in reasonable detail.

(d) If the Agent or a Bank reasonably determines that it has finally and irrevocably received a refund in respect of any Taxes or Other Taxes as to which it has been indemnified by the Borrower, or with respect to which the Borrower has paid Additional Amounts, pursuant to this Section 2.13, it shall within 30 days from the date of such receipt pay over such refund to the Borrower (but only to the extent such refund is attributable, as reasonably determined by such Agent or Bank, to such indemnity payments made, or Additional Amounts paid, by the Borrower under this Section 2.13 with respect to the Taxes or Other Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses of the Agent or Bank and without interest (other than interest paid by the relevant taxation authority with respect to such refund); provided, however, that the Borrower, upon the request of the Agent or Bank, agrees to repay the amount paid over to the Borrower (plus penalties, interest or other charges, if any, imposed by the relevant taxation authority in respect of such repayment) to the Agent or Bank in the event the Agent or Bank is required to repay such refund to the applicable taxation authority. Nothing contained in this Section 2.13(d) shall interfere with the right of the Agent or any Bank to arrange its tax affairs in whatever manner it determines appropriate nor oblige the Agent or any Bank to claim any tax credit or to disclose any information relating to its tax affairs or any computations in respect thereof or require the Agent or any Bank to do anything that would prejudice its ability to benefit from any other tax relief to which it may be entitled.

(e) Within 30 days after the date of any payment of Taxes, the Borrower will furnish to the Agent, at its address referred to in Section 8.02, the original or a certified copy of a receipt evidencing payment thereof (or other evidence of payment reasonably satisfactory to the Agent). In the case of any payment hereunder or under the Notes by or on behalf of the Borrower through an account or branch outside the United States or by or on behalf of the Borrower by a payor that is not a United States person, if the Borrower determines that no Taxes are payable in respect thereof, the Borrower shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel reasonably acceptable to the Agent stating that such payment is exempt from Taxes imposed by the jurisdiction from which such payment is made. For purposes of this Section 2.13(e) and Section 2.13(f), the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Code.

(f) Each Bank organized under the laws of a jurisdiction outside the United States, (i) on or prior to the date of the Initial Extension of Credit in the case of each such Bank listed on the signature pages hereof, (ii) on the date of the Assignment and Acceptance pursuant to which it becomes a Bank, (iii) on or before the date, if any, it changes its Applicable Lending Office, and (iv) from time to time thereafter if reasonably requested in writing by the Borrower or the Agent or promptly upon the obsolescence or invalidity of any form previously delivered by such Bank (but only so long as such Bank remains lawfully able to do so), shall provide the Agent and the Borrower with two original Internal Revenue Service Forms W-8BEN or W-8ECI (or, in the case of a Bank that is entitled to claim exemption

from withholding of United States federal income tax under Section 871(h) or 881(c) of the Code, (A) a certificate representing that such Bank is not a "bank" for purposes of Section 881(c) of the Code, is not a 10-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of the Borrower and is not a controlled foreign corporation related to the Borrower (within the meaning of Section 864(d)(4) of the Code) and (B) Internal Revenue Service Form W-8BEN), as appropriate, or any successor or other form prescribed by the Internal Revenue Service, properly completed and duly executed by such Bank, certifying that such Bank is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or the Notes (or, in the case of a Bank providing the certificate described in clause (A), certifying that such Bank is a foreign corporation, partnership, estate or trust). If the forms provided by a Bank at the time such Bank first becomes a party to this Agreement indicate or require a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes for purposes of this Section 2.13 unless and until such Bank provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such forms; provided, however, that if, at the effective date of the Assignment and Acceptance pursuant to which a Bank becomes a party to this Agreement (or the date, if any, a Bank changes its Applicable Lending Office), the Bank assignor (or such Bank) was entitled to payments under subsection (a) of this Section 2.13 in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes, subject to the provisions of this subsection (f)) United States withholding tax, if any, applicable with respect to the Bank assignee (or such Bank) on such date.

(g) For any period with respect to which a Bank has failed to provide the Borrower with the appropriate form described in subsection (f) above (other than if such failure is due to a change in law, or in the interpretation or application thereof by any governmental authority charged with the interpretation or application thereof, occurring after the date on which a form originally was required to be provided or if such form otherwise is not required under subsection (f) above), such Bank shall not be entitled to indemnification or payment of an Additional Amount under subsection (a) or (c) of this Section 2.13 with respect to Taxes imposed by the United States to the extent such United States Taxes exceed the United States Taxes that would have been imposed had such form been provided; provided, however, that should a Bank become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Bank shall reasonably request to assist such Bank to recover such Taxes.

(h) Any Bank claiming any indemnity payment or Additional Amounts payable pursuant to this Section 2.13 shall use commercially reasonable efforts (consistent with its generally applicable internal policy and legal and regulatory restrictions) to file any certificate or document reasonably requested in writing by the Borrower or to designate a different Applicable Lending Office following the reasonable request in writing of the Borrower if the making of such a filing or change would avoid the need for or reduce the amount of any such indemnity payment or Additional Amounts that may thereafter accrue and would not, in the sole determination of such Bank, require the disclosure of information that the Bank reasonably considers confidential, or be otherwise disadvantageous to such Bank.

Section 2.14 Sharing of Payments, Etc. If any Bank shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the principal of or interest on the Advances owing to it (except amounts payable pursuant to Sections 2.08, 2.12 or 2.13, and except that any Bank may receive less than its ratable share of interest to the extent Section 8.06 is applicable to it) in excess of its ratable share of payments on account of the principal of or interest on the Advances obtained by all the Banks, such Bank shall forthwith purchase from the other Banks such participations in the Advances owing to them as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them, provided, however, that if all or any portion

of such excess payment is thereafter recovered from such purchasing Bank, such purchase from each Bank shall be rescinded and such Bank shall repay to the purchasing Bank the purchase price to the extent of such Bank's ratable share (according to the proportion of (i) the amount of the participation purchased from such Bank as a result of such excess payment to (ii) the total amount of such excess payment) of such recovery together with an amount equal to such Bank's ratable share (according to the proportion of (i) the amount of such Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 2.14 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation.

Section 2.15 Illegality. Notwithstanding any other provision of this Agreement, if any Bank ("Affected Bank") shall notify the Borrower and the Agent that the introduction of or any change in any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for any Bank, or its Eurodollar Lending Office, to perform its obligations hereunder to make Eurodollar Rate Advances or to fund or maintain Eurodollar Rate Advances hereunder, (i) the obligation of the Affected Bank to make, or to Convert Advances into, Eurodollar Rate Advances shall forthwith be suspended (and any request by the Borrower for a Borrowing comprised of Eurodollar Rate Advances shall, as to each Affected Bank, be deemed a request for a Base Rate Advance to be made on the same day as the Eurodollar Rate Advances of the Banks that are not Affected Banks and such Base Rate Advance shall be considered as part of such Borrowing) until the Affected Bank shall notify the Borrower, the Banks and the Agent that the circumstances causing such suspension no longer exist and (ii) forthwith after such notice from an Affected Bank to the Agent and the Borrower, all Eurodollar Rate Advances of such Affected Bank shall be deemed to be Converted to Base Rate Advances (but will otherwise continue to be considered as a part of the respective Borrowings that they were a part of prior to such Conversion); provided, however, that, before making any such demand, such Bank agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Eurodollar Lending Office if the making of such a designation would allow such Bank or its Eurodollar Lending Office to continue to perform its obligations to make Eurodollar Rate Advances or to continue to fund or maintain Eurodollar Rate Advances and would not, in the judgment of such Bank, be otherwise materially disadvantageous to such Bank. In the event any Bank shall notify the Agent of the occurrence of any circumstance contemplated under this Section 2.15, all payments and prepayments of principal that would otherwise have been applied to repay the Eurodollar Rate Advances that would have been made by such Bank or the Converted Eurodollar Rate Advances shall instead be applied to repay the Base Rate Advances made by such Bank in lieu of such Eurodollar Rate Advances or resulting from the Conversion of such Eurodollar Rate Advances and shall be made at the time that payments on the Eurodollar Rate Advances of the Banks that are not Affected Banks are made. Each Bank that has delivered a notice of illegality pursuant to this Section 2.15 above agrees that it will notify the Borrower as soon as practicable if the conditions giving rise to the illegality cease to exist.

Section 2.16 Conversion of Advances. The Borrower may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.02(b), 2.09 and 2.15, Convert all Advances of one Type comprising the same Borrowing into Advances of the other Type; provided, however, that (i) any Conversion of any Eurodollar Rate Advances into Base Rate Advances shall be made on, and only on, the last day of an Interest Period for such Eurodollar Rate Advances, except as provided in Section 2.15, and (ii) Advances comprising a Borrowing may not be Converted into Eurodollar Rate Advances if the outstanding principal amount of such Borrowing is less than $10,000,000 or if any Event of Default under Section 6.01(a) shall have occurred and be continuing on the date the related notice of Conversion would otherwise be given pursuant to this Section 2.16. Each such notice of

a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Advances to be Converted, and (iii) if such Conversion is into Eurodollar Rate Advances, the duration of the initial Interest Period for each such Advance. Each notice of Conversion shall be irrevocable and binding on the Borrower. If any Event of Default under Section 6.01(a) shall have occurred and be continuing on the third Business Day prior to the last day of any Interest Period for any Eurodollar Rate Advances, the Borrower agrees to Convert all such Advances into Base Rate Advances on the last day of such Interest Period.

Section 2.17 Replacement or Removal of Bank. In the event that any Bank shall claim payment of any increased costs pursuant to Section 2.12 or any additional amounts pursuant to Section 2.13, or exercises its rights under Section 2.15, the Borrower shall have the right, if no Default or Event of Default then exists, to (a) replace such Bank with an Eligible Assignee in accordance with Section 8.08(a), (b) and (d) (including execution of an appropriate Assignment and Acceptance); provided that such Eligible Assignee (i) shall unconditionally offer in writing (with a copy to the Agent) to purchase on a date therein specified all of such Bank's rights hereunder and interest in the Advances owing to such Bank and the Note held by such Bank without recourse at the principal amount of such Note plus interest, Commitment Fees and Letter of Credit Fees accrued thereon to the date of such purchase, and (ii) shall execute and deliver to the Agent an Assignment and Acceptance, as assignee, pursuant to which such Eligible Assignee becomes a party hereto with a Commitment equal to that of the Bank being replaced (plus, if such Eligible Assignee is already a Bank, the amount of its Commitment prior to such replacement), provided, further, that no Bank or other Person shall have any obligation to increase its Commitment or otherwise to replace, in whole or in part, any Bank or (b) remove such Bank without replacing it; provided that the Borrower may not remove a Bank pursuant to this clause (b) if the aggregate Commitments of all Banks so removed would exceed $100,000,000. Upon satisfaction of the requirements set forth in the first sentence of this Section 2.17, acceptance of such offer to purchase by the Bank to be replaced, payment to such Bank of the purchase price in immediately available funds by the Eligible Assignee replacing such Bank, execution of such Assignment and Acceptance by such Bank, such Eligible Assignee and the Agent, the payment by the Borrower of all requested costs accruing to the date of purchase which the Borrower is obligated to pay under Section 8.04 and all other amounts owed by the Borrower to such Bank (other than Commitment Fees and Letter of Credit Fees accrued for the account of such Bank and the principal of and interest on the Advances of such Bank purchased by such Eligible Assignee) and notice by the Borrower to the Agent that such payment has been made, such Eligible Assignee shall constitute a "Bank" hereunder with a Commitment as so specified and the Bank being so replaced shall no longer constitute a "Bank" hereunder except that the rights under Sections 2.07, 2.12, 2.13 and 8.04 of the Bank being so replaced shall continue with respect to events and occurrences before or concurrently with its ceasing to be a "Bank" hereunder. If, however, (x) a Bank accepts such an offer and such Eligible Assignee fails to purchase such rights and interest on such specified date in accordance with the terms of such offer or such Eligible Assignee or the Agent fails to execute the relevant Assignment and Acceptance, the Borrower shall continue to be obligated to pay the increased costs to such Bank pursuant to Section 2.12 or the additional amounts pursuant to Section 2.13, as the case may be, or (y) the Bank proposed to be replaced fails to accept such purchase offer or to execute the relevant Assignment and Acceptance, the Borrower shall not be obligated to pay to such Bank such increased costs or additional amounts incurred or accrued from and after the date of such purchase offer.

Section 2.18 Evidence of Indebtedness. Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Bank resulting from each Advance owing to such Bank from time to time, including the amounts of principal and interest payable and paid to such Bank from time to time hereunder. The Borrower agrees that upon notice by any Bank to the Borrower (with a copy of such notice to the Agent) to the effect that a promissory note or other evidence of indebtedness is required or appropriate in order for such Bank to evidence (whether for purposes of pledge, enforcement or otherwise) the Advances owing to, or to be made by, such Bank, the

Borrower shall promptly execute and deliver to such Bank, with a copy to the Agent, a Note in substantially the form of Exhibit A hereto, payable to the order of such Bank in a principal amount equal to the Revolving Credit Commitment of such Bank. All references to Notes in the Loan Documents shall mean Notes, if any, to the extent issued hereunder.

ARTICLE III
CONDITIONS OF LENDING

Section 3.01 Conditions Precedent to Effectiveness. This Agreement shall become effective on and as of the first date (the "Effective Date") on which the Agent shall have received counterparts of this Agreement duly executed by the Borrower and all of the Banks and the following additional conditions precedent shall have been satisfied, except that Section 2.04(a) shall become effective as of the first date on which the Agent shall have received counterparts of this Agreement duly executed by the Borrower and all of the Banks:

(a) The Borrower shall have notified the Agent in writing as to the proposed Effective Date.

(b) Each of the Agent and the Co-Lead Arrangers shall be reasonably satisfied in all material respects with (i) the structure of the Plan of Reorganization and the other aspects of the Transaction (excluding the terms of the settlement contemplated thereby and the amount of the Settlement Payments to the extent, in each case, such terms and amount are not materially different from those set forth in the March 2004 10-Q) and all related tax, legal and accounting matters, (ii) the capitalization, corporate or organizational, and legal structure and equity ownership of the Borrower and its material Subsidiaries (including, without limitation, the charters and bylaws of each of the Borrower and its material Subsidiaries and each agreement or instrument relating thereto) after giving effect to the Transaction and (iii) the projected financial condition of the Borrower and its subsidiaries on a consolidated basis following the consummation of the Plan of Reorganization.

(c) Each of the Agent and the Co-Lead Arrangers shall be reasonably satisfied that there has been no material adverse change since June 10, 2004 (which shall not be deemed to refer to the contemplated restructurings disclosed to the Co-Lead Arrangers on or prior to such date) in either (i) the corporate and legal structure and capitalization of the Borrower and its material Subsidiaries, including, without limitation, the charters and bylaws of each of the Borrower and each of its material Subsidiaries and each agreement or instrument relating thereto or (ii) the projected financial condition of the Borrower and its Subsidiaries on a consolidated basis following the Order Entry.

(d) The Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance reasonably satisfactory to the Agent and (except for the Notes) in sufficient copies for each Bank:

(i) The Notes to the order of the Banks to the extent requested by any Bank pursuant to Section 2.18.

(ii) An amended and restated share pledge agreement in substantially the form of Exhibit F hereto (together with each other pledge agreement and pledge agreement supplement delivered pursuant to Section 5.01(i), in each case as amended, the "Pledge Agreement"), duly executed by the Borrower and HESI in favor of the Collateral Agent, together with (to the extent not heretofore provided):

(A) to the extent such Pledged Equity is certificated, certificates representing the Pledged Equity referred to therein accompanied by undated stock powers executed in blank;

(B) financing statements in proper form for filing under the Uniform Commercial Code of all jurisdictions that the Agent may deem necessary or desirable in order to perfect and protect the first priority liens and security interests created under the Pledge Agreement, covering the Collateral described in the Pledge Agreement;

(C) completed requests for information, dated on or before the date of the Initial Extension of Credit, listing all effective financing statements filed in the jurisdictions referred to in clause (B) above that name any Loan Party as debtor, together with copies of such other financing statements; and

(D) except for the filing of financing statements to occur after the Effective Date and except as otherwise permitted by the Loan Documents, evidence that all other action that the Agent may reasonably deem necessary or desirable in order to perfect and protect the first priority liens and security interests created under the Pledge Agreement has been taken.

(iii) An amended and restated subsidiary guaranty in substantially the form of Exhibit G hereto (together with each other subsidiary guaranty and subsidiary agreement supplement delivered by a Subsidiary Guarantor pursuant to Section 5.01(i), in each case as amended, the "Subsidiary Guaranty"), duly executed by each Subsidiary Guarantor in favor of the Agent, the Banks, the Three-Year Agent, the Three-Year Banks, the LC Agent and the LC Banks.

(iv) An amended and restated collateral trust agreement in substantially the form of Exhibit H hereto (together with each other collateral trust agreement supplement delivered by a Loan Party pursuant to Section 5.01(i), in each case as amended, the "Collateral Trust Agreement"), duly executed by the Borrower, HESI and the Collateral Agent.

(v) Certified copies of the resolutions of the Board of Directors, members or partners of each Loan Party approving each Loan Document to which such Loan Party is or is to be a party, and of all documents evidencing other necessary corporate or organizational action and governmental approvals, if any, with respect to each Loan Document to which such Loan Party is or is to be a party.

(vi) A certificate of the Secretary or an Assistant Secretary of each Loan Party certifying the names and true signatures of the officers of such Loan Party authorized to sign each Loan Document to which such Loan Party is or is to be a party and the other documents to be delivered by such Loan Party hereunder.

(vii) A certificate of an officer of the Borrower stating the respective ratings by each of S&P and Moody's, respectively, of the senior unsecured long-term debt of the Borrower as in effect on the Effective Date.

(viii) A letter addressed to the Agent from the Borrower with respect to the Senior Unsecured Credit Facility Agreement stating that (i) all the "Commitments" (as

defined in the Senior Unsecured Credit Facility Agreement) of the "Banks" (as defined in the Senior Unsecured Credit Facility Agreement) have been terminated, (ii) no "Advances" (as defined in the Senior Unsecured Credit Facility Agreement) are outstanding under the Senior Unsecured Credit Facility Agreement, and (iii) all fees and other amounts known by the Borrower to be payable under the Senior Unsecured Credit Facility Agreement have been paid in full.

(ix) A favorable opinion of Bruce A. Metzinger, Assistant Secretary and Assistant General Counsel for the Borrower, in substantially the form of Exhibit C-1 hereto.

(x) A favorable opinion of Baker Botts LLP, counsel for the Loan Parties, in substantially the form of Exhibit C-2 hereto.

(xi) A favorable opinion of Shearman & Sterling LLP, counsel for the Agent, in form and substance satisfactory to the Agent.

(e) There shall exist no action, suit, investigation, litigation or proceeding pending or threatened in any court or before any arbitrator or governmental instrumentality that (i) could reasonably be expected to have a Material Adverse Effect other than the Disclosed Litigation or (ii) purports to affect the legality, validity or enforceability of the Borrower's or any Subsidiary Guarantor's obligations or the rights and remedies of the Banks relating to the Agreement and the other Loan Documents, and except as set forth in Schedule 4.01(f) to this Agreement, there shall have been no material adverse change in the status, or financial effect on the Borrower and its subsidiaries on a consolidated basis, of the Disclosed Litigation from that described to the Agent on or prior to June 10, 2004.

(f) There shall have occurred no material adverse change (which term shall not be deemed to refer to the commencement of the Chapter 11 Cases) in the business, condition (financial or otherwise), operations, performance or properties of the Borrower and its subsidiaries, on a consolidated basis, since December 31, 2003, except as disclosed in the March 2004 10-Q, except as disclosed to the Agent, the Co-Lead Arrangers and the Banks on the Banks' conference calls on June 15, 2004 and June 29, 2004 and except for the accounting charges taken and to be taken by the Borrower directly in connection with the Settlement Payments and except as set forth in Schedule 4.01(f) to this Agreement, and the Agent shall have received a certificate signed by a Responsible Officer of the Borrower stating that the condition in this Section 3.01(f) has been satisfied as of the Effective Date.

(g) Each of the Agent and the Co-Lead Arrangers shall be satisfied that the Borrower and its subsidiaries are not subject to material contractual or other restrictions that would be violated by the Transaction, including the incurrence of indebtedness under this Agreement, the granting of guarantees and collateral and the payment of dividends by subsidiaries.

(h) Except as otherwise permitted by the Loan Documents, all governmental and third party consents and approvals necessary in connection with the transactions contemplated hereby shall have been obtained (without the imposition of any conditions that are not reasonably acceptable to the Agent and the Co-Lead Arrangers) and shall remain in effect, and no law or regulation shall be applicable in the reasonable judgment of the Agent and the Co-Lead Arrangers that restrains, prevents or imposes materially adverse conditions upon the transactions contemplated hereby.

(i) On the Effective Date, the following statements shall be true and the Agent shall have received a certificate signed by a duly authorized officer of the Borrower, dated the Effective Date, stating that:

(i) The representations and warranties contained in Section 4.01 are correct on and as of the Effective Date,

(ii) No event has occurred and is continuing that constitutes a Default,

(iii) Any default under the Borrower's or any of its material Subsidiaries' material debt instruments that would be triggered by the filing of the Chapter 11 Cases and related transactions has been permanently waived or amended,

(iv) The Borrower has disclosed to the Agent (A) all material potential cash collateral and/or reimbursement obligations under letters of credit and (B) all material potential liabilities with respect to sureties, in each case, existing prior to the date hereof, that might arise as a result of the filing of the Chapter 11 Cases and related transactions, and

(v) To the Borrower's knowledge, the Borrower will not be required for any reason due to events or circumstances existing prior to the Effective Date to cause its consolidated financial statements for fiscal year 2001 or 2002 to be reaudited or restated after the Effective Date, except in order to reflect changes in the Borrower's segment reporting.

(j) All accrued fees and reasonable out-of-pocket expenses of the Co-Lead Arrangers (including the reasonable fees and expenses of counsel to the Co-Lead Arrangers for which invoices have been submitted) shall have been paid.

(k) The Borrower shall have paid all accrued fees and reasonable out-of-pocket expenses of the Agent (including reasonable fees and expenses of counsel for which invoices have been submitted).

Section 3.02 Conditions Precedent to Each Revolving Credit Advance and Each Issuance and Renewal of Each Letter of Credit. The obligation of each Bank to make an Advance (other than a Letter of Credit Advance made by an Issuing Bank or a Revolving Credit Bank pursuant to Section 2.03(c)) (including, without limitation, the initial Revolving Credit Advance) and each Issuing Bank to issue or renew Letters of Credit (including the initial Letter of Credit) shall be subject to the conditions precedent that on the date of such Advance or such issuance of a Letter of Credit, the following statements shall be true (and each of the giving of the applicable Notice of Revolving Credit Borrowing or Notice of Issuance and Application for Letter of Credit and the acceptance by the Borrower of the proceeds of the Borrowing of which such Advance or of such Letter of Credit or of the renewal of such Letter of Credit is a part shall constitute a representation and warranty by the Borrower that on the date of such Advance or such issuance or renewal such statements are true):

(i) the representations and warranties contained in Section 4.01 (other than, in the case of a Revolving Credit Borrowing, if the Borrower specifies in the Notice of Revolving Credit Borrowing that the proceeds of the related Revolving Credit Advance shall be used to repay the Borrower's Obligations under one of the Borrower's commercial paper programs, those representations and warranties contained in Section 4.01(f) and 4.01(g)) are correct on and as of the date of such Revolving Credit Advance

or such Letter of Credit (other than those representations and warranties that expressly relate solely to a specific earlier date, which shall remain correct as of such earlier date), before and after giving effect to such Borrowing or issuance or renewal and to the application of the proceeds therefrom, as though made on and as of such date.

(ii) no event has occurred and is continuing, or would result from such Borrowing or such issuance or renewal or from the application of the proceeds therefrom, which constitutes a Default or an Event of Default, and

(iii) there exists no request or directive issued by any governmental authority, central bank or comparable agency, injunction, stay, order, litigation or proceeding purporting to affect or calling into question the legality, validity or enforceability of any Loan Document or the consummation of any transaction (including any Advance or proposed Advance or issuance or renewal of a Letter of Credit or proposed Letter of Credit) contemplated hereby.

Section 3.03 Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, the Agent, the Co-Lead Arrangers and each Bank shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to such Persons unless an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Person prior to the date that the Borrower, by notice to the Agent, designates as the proposed Effective Date, specifying its objection thereto. The Agent shall promptly notify the Banks and the Borrower of the occurrence of the Effective Date, which notice shall be conclusive and binding.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

Section 4.01 Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) Each Loan Party and each of its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite organizational power and authority to own its properties, to conduct its business as now being conducted and to execute, deliver and perform each Loan Document to which it is or is to be a party, except for any failures to be so organized, existing, qualified to do business or in good standing or to have such power and authority as would not, individually or in the aggregate, have a Material Adverse Effect.

(b) The execution, delivery and performance by each Loan Party of each Loan Document to which it is or is to be a party and the consummation of the transactions contemplated hereby (including, without limitation, the Transaction, each Revolving Credit Borrowing and issuance or renewal of a Letter of Credit hereunder and the use of the proceeds thereof) and the transactions contemplated thereby (i) are within such Loan Party's organizational power, (ii) have been duly authorized by all necessary organizational action, and (iii) do not contravene (A) such Loan Party's certificate of organization or by-laws, (B) any law, rule, regulation, order, writ, injunction or decree, or (C) any contractual restriction under any material agreements binding on or affecting such Loan Party or any Subsidiary of such Loan Party or any other contractual restriction the contravention of which would have a Material Adverse Effect.

(c) No authorization, approval, consent, license or other action by, and no notice to or filing with, any governmental authority, regulatory body or other Person is required for the due execution, delivery and performance by each Loan Party of each Loan Document to which it is or is to be a party, or for the consummation of the transactions contemplated hereby (including, without limitation, the Transaction (other than the Order Entry), each Revolving Credit Borrowing and issuance or renewal of a Letter of Credit hereunder and the use of the proceeds thereof) and the transactions contemplated thereby, except (i) consents, authorizations, filings and notices which have been obtained or made and are in full force and effect, (ii) the UCC filings referred to in Section 3.01, (iii) approvals that would be required under agreements that are not material agreements and (iv) as otherwise permitted by the Loan Documents.

(d) This Agreement has been, and each other Loan Document when delivered hereunder will have been, duly executed and delivered by each Loan Party thereto and constitute legal, valid and binding obligations of such Loan Party enforceable against such Loan Party in accordance with their respective terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally.

(e) The Financial Statements have been reported on by KPMG LLP and fairly present the consolidated financial position of the Borrower and its consolidated subsidiaries as at such date and the consolidated results of their operations and cash flows for the year then ended, all in accordance with GAAP. The unaudited consolidated balance sheet of the Borrower and its consolidated subsidiaries as at March 31, 2004 and the related unaudited consolidated statements of income and cash flows of the Borrower and its consolidated subsidiaries for the three months then ended, included in the Borrower's March 2004 10-Q, fairly present, subject to year-end audit adjustments, the consolidated financial position of the Borrower and its consolidated subsidiaries as at such date and the consolidated results of their operations and cash flows for the three months ended on such date, all in accordance with GAAP. Since December 31, 2003 through the date hereof there has been no material adverse change (which shall not be deemed to refer to the filing of the Chapter 11 Cases or to the accounting charge taken and to be taken by the Borrower directly in connection with the Settlement Payments) in the condition (financial or otherwise), operations or business of the Borrower and its Subsidiaries, taken as a whole, except as disclosed in the March 2004 10-Q and Schedule 4.01(f) to this Agreement and except as disclosed to the Agent, the Co-Lead Arrangers and the Banks on the Banks' conference calls on June 15, 2004 and June 29, 2004.

(f) Except as set forth in the Borrower's Form 10-K/A for the year ended December 31, 2003, the March 2004 10-Q, Schedule 4.01(f) to this Agreement and, from and after the occurrence of the Collateral Release Date, except for litigation, investigations and proceedings arising after the date hereof that are described in reasonable detail in a notice from the Borrower to the Agent, there is no litigation, investigation or proceeding pending or, to the Borrower's knowledge, threatened against or affecting the Borrower, any of its Subsidiaries or any of its or their respective rights or properties before any court or by or before any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, (i) that could reasonably be expected to have a Material Adverse Effect or (ii) that in any manner draws into question or purports to affect (A) prior to the Collateral Release Date, the Transaction (other than objections to the Plan of Reorganization and appeals of the confirmation order entered by the Bankruptcy Court in connection therewith) or (B) any other transaction contemplated hereby or the legality, validity, binding effect or enforceability of any Loan Document.

(g) Schedule 4.01(g) hereto constitutes a complete and accurate list of all pending non-US lawsuits as of the date hereof against the Borrower and its Subsidiaries (including, without limitation, claims arising through a Subsidiary not listed on Schedule II hereto) asserting exposure to asbestos, asbestos-related products, silica and/or silica-related products and, except as set forth in such Schedule 4.01(g) and other non-material asbestos or silica claims disclosed to the Co-Lead Arrangers in writing on or prior to the date hereof, the Borrower has not been notified of (A) any claims against the Borrower and its Subsidiaries asserting exposure to asbestos, asbestos-related products, silica and/or silica-related products which will not be resolved pursuant to the Order Entry or (B) any adoption or change of any statute, rule or regulation affecting such claims or future claims against the Borrower and its Subsidiaries asserting exposure to asbestos, asbestos-related products, silica and/or silica-related products, in each case, which could be reasonably expected to have a Material Adverse Effect.

(h) Schedule 4.01(h) hereto lists all of the Borrower's domestic Subsidiaries as of the date hereof.

(i) Neither any Loan Party nor any Subsidiary of a Loan Party is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U). Following the application of the proceeds of each Advance and each Letter of Credit, (i) not more than 25% of the value of the assets of the Borrower that are subject to any arrangement with the Agent or any Bank (herein or otherwise) whereby the Borrower's right or ability to sell, pledge or otherwise dispose of assets is in any way restricted (or pursuant to which the exercise of any such right is or may be cause for accelerating the maturity of all or any portion of the Advances or any other amount payable hereunder or under any such other arrangement), will be margin stock (within the meaning of Regulation U); and (ii) not more than 25% of the value of the assets of the Borrower and its Subsidiaries that are subject to any arrangement with the Agent or any Bank (herein or otherwise) whereby the right or ability of the Borrower or any of its Subsidiaries to sell, pledge or otherwise dispose of assets is in any way restricted (or pursuant to which the exercise of any such right is or may be cause for accelerating the maturity of all or any portion of the Advances or any other amount payable hereunder or under any such other arrangement), will be any such margin stock. No proceeds of any Advance or any Letter of Credit will be used in any manner that is not permitted by Section 5.02.

(j) No Loan Party is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(k) Neither any Loan Party nor any of its Subsidiaries is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

(l) No statement or information contained in this Agreement or any other document, certificate or statement furnished to the Agent or the Banks by or on behalf of the Borrower for use in connection with the transactions contemplated by this Agreement or the Notes (as modified or supplemented by other information furnished) contains as of the date such statement, information, document or certificate was so furnished any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made; provided, however, that, with respect to any such information, exhibit or report consisting of statements, estimates, pro forma financial information, forward-looking statements and projections regarding the future performance of the Borrower or any of its Subsidiaries ("Projections"), no

representation or warranty is made other than that such Projections have been prepared in good faith based upon assumptions believed to be reasonable at the time.

(m) Neither the Borrower nor any of its Subsidiaries is in violation of any laws relating to terrorism or money laundering, including, without limitation, the Patriot Act, except to the extent such violation could not reasonably be expected to have a Material Adverse Effect.

ARTICLE V
COVENANTS OF THE BORROWER

Section 5.01 Affirmative Covenants. So long as any Advance or any other amount payable by any Loan Party hereunder or under any other Loan Document shall remain unpaid, any Letter of Credit shall be outstanding or any Bank shall have any Commitment hereunder, the Borrower will, unless the Required Banks shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, with all applicable law, rules, regulations and orders (including, without limitation, ERISA and environmental laws and permits) except to the extent that failure to so comply (in the aggregate for all such failures) could not reasonably be expected to have a Material Adverse Effect.

(b) Preservation of Corporate or Organizational Existence, Etc. (i) Preserve and maintain and cause each of its Subsidiaries to preserve and maintain (unless, in the case of any Subsidiary, (A) such Loan Party or Subsidiary determines that such preservation and maintenance is no longer necessary in the conduct of the business of the Borrower and its Subsidiaries, taken as a whole, and (B) the failure to so preserve and maintain would not impair the Collateral in any material respect), its corporate or organizational existence, rights (charter and statutory), franchises, permits, licenses, approvals and privileges in the jurisdiction of its organization; provided, however, that such Loan Party and its Subsidiaries may consummate any merger or consolidation permitted under Section 5.02(d) and provided further that neither such Loan Party nor any of its Subsidiaries shall be required to preserve any right, permit, license, approval, privilege or franchise the failure to do so would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and (ii) qualify and remain qualified and cause each of its Subsidiaries to qualify and remain qualified, as a foreign organization in each jurisdiction in which qualification is necessary or desirable in view of its business and operations or the ownership of its Properties, except where the failure to so qualify or remain qualified could not, individually or in the aggregate, reasonably be expected to give rise to a Material Adverse Effect.

(c) Payment of Taxes, Etc. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all taxes, assessments, charges and like levies levied or imposed upon it or upon its income, profits or Property prior to the date on which penalties attach thereto and (ii) all lawful claims that, if unpaid, might by law become a Lien upon its Property; provided that neither the Borrower nor any Subsidiary shall be required to pay and discharge any such tax, assessment, charge, levy or claim if the failure to do so (in the aggregate for all such failures) could not reasonably be expected to have a Material Adverse Effect.

(d) Reporting Requirements. Furnish to the Agent:

(i) not later than 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, (1) the consolidated and, prior to the Collateral Release

Date, consolidating (provided that such statements prepared on a consolidating basis need not be audited and shall only relate to each of the "Energy Services Group" and the "Engineering and Construction Group") balance sheets of the Borrower and its consolidated subsidiaries as at the end of such quarter and the consolidated and, prior to the Collateral Release Date, consolidating (with respect only to each of the "Energy Services Group" and the "Engineering and Construction Group") statements of income and cash flows of the Borrower and its consolidated subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, all in reasonable detail, and (2) a copy of the Borrower's Form 10-Q for such quarter as filed with the SEC and copies of each Form 8-K (other than press releases) filed by the Borrower with the SEC during such quarter;

(ii) not later than 120 days after the end of each fiscal year of the Borrower, (1) copies of the audited consolidated balance sheet and, prior to the Collateral Release Date, unaudited consolidating balance sheet (with respect only to each of the "Energy Services Group" and the "Engineering and Construction Group") of the Borrower and its consolidated subsidiaries as at the end of such fiscal year and audited consolidated statements and, prior to the Collateral Release Date, unaudited consolidating statements (provided that such statements prepared on a consolidating basis need not be audited and shall only relate to each of the "Energy Services Group" and the "Engineering and Construction Group") of income, retained earnings and cash flows of the Borrower and its consolidated subsidiaries for such fiscal year, and (2) a copy of the Borrower's Form 10-K for such year as filed with the SEC and copies of each Form 8-K filed by the Borrower with the SEC during such year (other than those Forms 8-K previously delivered to the Banks in accordance with Section 5.01(d)(i) and press releases);

(iii) within five Business Days after filing with the SEC, copies of all registration statements (other than on Form S-8), proxy statements and Schedules 13-D filed by, or in respect of, the Borrower or any of its Subsidiaries with the SEC;

(iv) as soon as possible, and in any event within ten days after any Responsible Officer has obtained knowledge of the occurrence of any Default or Event of Default, written notice thereof setting forth details of such Default or Event of Default and the actions that the Borrower has taken and proposes to take with respect thereto;

(v) promptly (and in any event within five Business Days) after any change in, or withdrawal or termination of, the rating of any senior unsecured long-term debt of the Borrower by S&P or Moody's, notice thereof;

(vi) promptly after the sending or filing thereof, copies of all reports that the Borrower sends to any of its holders of common stock;

(vii) prior to the Collateral Release Date, promptly after the receipt thereof, notice of all actions and proceedings before any court, governmental or agency or arbitrator affecting the Borrower or any of its Subsidiaries of the type described in Section 4.01(f); and

(viii) such other information as any Bank through the Agent may from time to time reasonably request.

Information required to be delivered pursuant to Sections 5.01(d)(i), 5.01(d)(ii), 5.01(d)(iii) or 5.01(d)(vi) shall be deemed to have been delivered on the date on which the Borrower provides notice to the Agent that such information has been posted on the Borrower's website on the Internet at www.halliburton.com, at sec.gov/edaux/searches.htm or at another website identified in such notice and accessible by the Banks without charge; provided that the Borrower shall deliver paper copies of the information referred to in such Sections to the Agent for distribution to (x) any Bank to which the above referenced websites are for any reason not available if such Bank has so notified the Borrower and (y) any Bank that has notified the Borrower that it desires paper copies of all such information; provided further that the Agent shall notify the Banks as provided in Section 8.02 of any materials delivered pursuant to this paragraph.

(e) Inspections. At any reasonable time and from time to time, in each case upon reasonable notice to the Borrower and subject to any applicable restrictions or limitations on access to any facility or information that is classified or restricted by contract or by law, regulation or governmental guidelines, permit each Bank to visit and inspect the properties of the Borrower or any Subsidiary of the Borrower, and to examine and make copies of and abstracts from the records and books of account of the Borrower and its Subsidiaries and discuss the affairs, finances and accounts of the Borrower and its Subsidiaries with its and their officers and independent accountants provided, however, that advance notice of any discussion with such independent public accountants shall be given to the Loan Parties, and the Loan Parties shall have the opportunity to be present at any such discussion.

(f) Keeping of Books. Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and each such Subsidiary in accordance with GAAP.

(g) Maintenance of Properties, Etc. Maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its material properties that are used or useful in the conduct of the business of the Borrower and its Subsidiaries, taken as a whole, in good working order and condition, ordinary wear and tear excepted.

(h) Transactions with Affiliates. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under this Agreement with any of their Affiliates on terms that are fair and reasonable and, if a comparable arm's-length transaction is known by the Borrower, no less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate; provided, however, that the foregoing restriction shall not apply to

(i) transactions between or among the Borrower and its subsidiaries;

(ii) transactions or payments pursuant to any employment arrangements or employee, officer or director benefit plans or arrangements entered into by the Borrower or any of its Subsidiaries in the ordinary course of business;

(iii) to the extent permitted by law, customary loans, advances, fees and compensation paid to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Borrower or any of its Subsidiaries;

(iv) any transactions pursuant to agreements among the Borrower and/or its Subsidiaries and the Trusts entered into in connection with the Plan of Reorganization;

(v) transactions pursuant to any contract or agreement in effect on the date hereof, as the same may be amended, modified or replaced from time to time, so long as any such contract or agreement as so amended, modified or replaced is, taken as a whole, no less favorable to the Borrower and its Subsidiaries in any material respect than the contract or agreement as in effect on the date hereof;

(vi) any transaction or series of transactions between the Borrower or any Subsidiary and any of their joint ventures, provided that (a) such transaction or series of transactions is in the ordinary course of business and consistent with past practices of the Borrower, and/or its Subsidiaries and their joint ventures and (b) such Affiliate transaction involves aggregate consideration paid to such Affiliate not in excess of $35 million; or

(vii) any payment, distribution or other transaction of the type described in 5.02(c) and permitted thereunder.

(i) Covenant to Guarantee Obligations and Give Security. (i) Subject to Section 5.01(i)(ii), upon the formation or acquisition after the date hereof and prior to the Collateral Release Date, of any new first-tier Subsidiaries by the Borrower or HESI, the Borrower shall, and, if applicable, shall cause HESI to, at the Borrower's or HESI's expense:

(A) within 20 days after such formation or acquisition, cause each such wholly-owned Subsidiary organized under the laws of a state of the United States, to duly execute and deliver to the Agent a Guaranty Supplement, guaranteeing the other Loan Parties' obligations under the Loan Documents; provided that no Project Finance Subsidiary, JV Subsidiary or Receivables Subsidiary shall be required to execute and deliver a Guaranty Supplement,

(B) within 20 days after such formation or acquisition, duly execute and deliver, to the Agent, Pledge Agreement supplements (together with certificates representing, in the case of such a Subsidiary organized under the laws of a state of the United States, 100% of the equity interests of such Subsidiary owned by the Borrower or HESI and, in the case of such a foreign Subsidiary, 66% of the equity interests of such foreign Subsidiary owned by the Borrower or HESI (excluding, in each case, the equity interests in any Project Finance Subsidiary or any Receivables Subsidiary), in each case accompanied by undated stock powers executed in blank), securing payment of all the Obligations of all Loan Parties under the Loan Documents and constituting Liens on all such properties,

(C) within 20 days after such formation or acquisition, take, and cause such Subsidiary to take whatever action (including, without limitation, the filing of Uniform Commercial Code financing statements and the giving of notices) may be necessary or advisable in the reasonable opinion of the Agent to vest in the Agent (or in any representative of the Agent designated by it) valid and subsisting Liens on the properties purported to be subject to the Pledge Agreement supplements delivered pursuant to this Section 5.01(i), enforceable against all third parties in accordance with their terms,

(D) within 60 days after such formation or acquisition, deliver to the Agent, upon the reasonable request of the Agent, a signed copy of a favorable opinion, addressed to the Agent and the other Secured Holders, of in-house

counsel of the Borrower or other counsel for the Loan Parties reasonably acceptable to the Agent as to the matters contained in clauses (A), (B) and (C) above, as to such Guaranty Supplements and Pledge Agreement supplements being legal, valid and binding obligations of each Loan Party party thereto enforceable in accordance with their terms, as to such recordings, filings, notices, endorsements and other actions being sufficient to create valid perfected Liens on such properties, and as to such other matters as the Agent may reasonably request, and

(E) at any time and from time to time, promptly execute and deliver any and all further instruments and documents and take all such other action as the Agent may reasonably deem necessary or desirable in obtaining the full benefits of, or in perfecting and preserving the Liens of, such guaranties and Pledge Agreement supplements.

(ii) Prior to the occurrence of the Collateral Release Date, upon (x) the occurrence of a Ratings Event or (y)(1) the formation or acquisition at any time after a Ratings Event of any new direct or indirect Specified Subsidiaries (as defined below) by any Loan Party or (2) the acquisition at any time after a Ratings Event of any property by any Loan Party, and such property, in the judgment of the Agent, shall not already be subject to a perfected first priority (subject to Liens permitted by Section 5.02(a)) security interest in favor of the Agent for the benefit of the Secured Holders, then the Borrower shall, and/or shall cause each Loan Party to, in each case at the Borrower's expense, and in each case subject to such reasonable and customary exceptions as the Agent may agree:

(A) in connection with the formation or acquisition of a domestic Subsidiary directly or indirectly wholly-owned by the Borrower or HESI (each such Subsidiary other than DII Industries LLC, Halliburton Affiliates LLC and each of their respective Subsidiaries, any Project Finance Subsidiary, any JV Subsidiary, any dormant Subsidiary and any Receivables Subsidiary being a "Specified Subsidiary"), within 20 days after such formation or acquisition, cause each such Specified Subsidiary, to duly execute and deliver to the Agent a Guaranty Supplement, guaranteeing the other Loan Parties' obligations under the Loan Documents,

(B) within 20 days after such Ratings Event, formation or acquisition, furnish to the Agent a description of the real and personal properties of the Loan Parties and their respective Subsidiaries or such new Specified Subsidiary, as the case may be in detail reasonably satisfactory to the Agent,

(C) within 20 days after such Ratings Event, formation or acquisition, duly execute and deliver, and cause each such new Specified Subsidiary, if applicable (and each direct parent of such new Specified Subsidiary or JV Subsidiary shall pledge its equity in such Specified Subsidiary or JV Subsidiary) (if it has not already done so) to duly execute and deliver, to the Agent pledges, assignments, Pledge Agreement supplements and other security agreements, as specified by and in form and substance reasonably satisfactory to the Agent, securing payment of all the Obligations of the applicable Loan Party, such new Specified Subsidiary or such parent, as the case may be, under the Loan Documents and constituting Liens on all such properties of the Loan Parties and

Specified Subsidiaries, including, without limitation, bank accounts; provided that (1) no JV Subsidiary shall be required to execute and deliver a pledge of its Equity Interest in a joint venture to the extent that the applicable joint venture agreement prohibits such a pledge, (2) no Project Finance Subsidiary, JV Subsidiary or Receivables Subsidiary shall be required to grant a security interest in its assets, (3) no pledge of Equity Interests in a Project Finance Subsidiary or a Receivables Subsidiary shall be required, (4) no such encumbrance shall be required as to property that is subject to a Lien permitted by Section 5.02(a) or that is already subject to an agreement (otherwise permitted by this Agreement), in each case, that prohibits the granting of Liens on such specific property and (5) no more than 66% of the equity interests owned by such Person in any foreign Subsidiary shall be required to be pledged.

(D) within 20 days after such Ratings Event, formation or acquisition, take, and cause such new Specified Subsidiary, if applicable, or such parent to take, whatever action (including, without limitation, the filing of Uniform Commercial Code financing statements, the giving of notices and the endorsement of notices on title documents) may be necessary or advisable in the opinion of the Agent to vest in the Agent (or in any representative of the Agent designated by it) valid and subsisting Liens on the properties purported to be subject to the pledges, assignments, Pledge Agreement supplements and security agreements delivered pursuant to this Section 5.01(i)(ii), enforceable against all third parties in accordance with their terms,

(E) within 45 days after such Ratings Event, formation or acquisition, deliver to the Agent, deeds of trust, trust deeds, mortgages, leasehold mortgages and leasehold deeds of trust on the real property of the Loan Parties located in the United States with a value in excess of $1,000,000, except real property that is subject to a Lien permitted by Section 5.02(a) or that is already subject to an agreement (otherwise permitted by this Agreement), in each case, that prohibits the granting of such Liens on such specific property,

(F) within 60 days after such Ratings Event, formation or acquisition, deliver to the Agent, upon the reasonable request of the Agent in its sole discretion, a signed copy of a favorable opinion, addressed to the Agent and the other Secured Holders, of counsel for the Loan Parties reasonably acceptable to the Agent as to the matters contained in clauses (A), (C), (D) and (E) above, as to such guaranties, guaranty supplements, mortgages, pledges, assignments, Pledge Agreement supplements and security agreements being legal, valid and binding obligations of each Loan Party party thereto enforceable in accordance with their terms, as to the matters contained in clauses (D) and (E) above, as to such recordings, filings, notices, endorsements and other actions being sufficient to create valid perfected Liens on such properties, and as to such other matters as the Agent may reasonably request,

(G) as promptly as practicable after such Ratings Event, request, formation or acquisition, deliver, upon the reasonable request of the Agent, with respect to each parcel of real property to be so mortgaged, owned or held by the entity that is the subject of such request, formation or acquisition title reports, surveys and engineering, soils and other reports, and environmental assessment reports, each in scope, form and substance reasonably satisfactory to the Agent,

provided, however, that to the extent that any Loan Party or any of its Subsidiaries shall have otherwise received any of the foregoing items with respect to such real property, such items shall, promptly after the receipt thereof, be delivered to the Agent, and

(H) at any time and from time to time, promptly execute and deliver any and all further instruments and documents and take all such other action as the Agent may reasonably deem necessary or desirable in obtaining the full benefits of, or in perfecting and preserving the Liens of, such guaranties, mortgages, pledges, assignments, Pledge Agreement supplements and security agreements.

The time periods required by this Section 5.01(i)(ii) may, upon the Borrower's request, be extended at the option of the Agent by up to 15 Business Days in the event the Borrower is exercising commercially reasonable efforts to perform the actions required by such time periods but additional time is required to complete such actions. The granting and perfection of Collateral under this Section 5.01(i) (including, without limitation, Collateral consisting of foreign Subsidiary stock pledges) will be subject to cost efficiency determinations reasonably made by the Co-Lead Arrangers in consultation with the Borrower, taking into account, among other things, adverse tax consequences, administrative procedures required by local law or practice, and other parameters to be agreed.

(j) Further Assurances. At any time that the Banks are entitled to be secured by Collateral under the provisions of the Loan Documents,

(i) promptly upon request by the Agent, or any Bank through the Agent, correct, and cause each other Loan Party promptly to correct, any material defect or error that may be discovered in any Loan Document or in the execution, acknowledgment, filing or recordation thereof, and

(ii) promptly upon request by the Agent, or any Bank through the Agent, do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, conveyances, pledge agreements, mortgages, deeds of trust, trust deeds, assignments, financing statements and continuations thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments as the Agent, or any Bank through the Agent, may reasonably require from time to time in order to (A) carry out more effectively the purposes of the Loan Documents, (B) to the fullest extent permitted by applicable law, subject any Loan Party's or any of its Subsidiaries' properties, assets, rights or interests to the Liens now or hereafter intended to be covered by any of the Collateral Documents, (C) perfect and maintain the validity, effectiveness and priority of any of the Collateral Documents and any of the Liens intended to be created thereunder and (D) assure, convey, grant, assign, transfer, preserve, protect and confirm more effectively unto the Banks the rights granted or now or hereafter intended to be granted to the Secured Holders under any Loan Document or under any other instrument executed in connection with any Loan Document to which any Loan Party or any of its Subsidiaries is or is to be a party, and cause each of its Subsidiaries to do so.

Section 5.02 Negative Covenants. So long as any Advance or any other amount payable by any Loan Party hereunder or under any other Loan Document shall remain unpaid, any Letter of Credit shall be outstanding or any Bank shall have any Commitment hereunder, the Borrower will not, without the written consent of the Required Banks:

(a) Liens, Etc. Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist,

(x) prior to the Collateral Release Date, any Lien on or with respect to any of its Properties whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any accounts or other right to receive income, except:

(i) Liens created under the Loan Documents;

(ii) Permitted Liens;

(iii) Liens incurred pursuant to (A) the transactions contemplated by the Receivables Transfer Agreement, dated as of April 15, 2002, by and among Oilfield Services Receivables Corporation, a Delaware corporation, as transferor, Halliburton Energy Services, Inc., a Delaware corporation, individually and as collection agent, and the other parties thereto, and any replacement, extension or renewal thereof, and the receivables purchase agreement related thereto and (B) other Securitization Transactions;

(iv) Liens on or with respect to any of the properties of the Loan Parties and any of their Subsidiaries existing on the date hereof;

(v) (A) Liens upon or in property acquired (including acquisition through merger or consolidation) or constructed or improved by the Borrower or any of its Subsidiaries including general intangibles, proceeds and improvements, accessories and upgrades thereto and created contemporaneously with, or within 12 months after, such acquisition or the completion of construction or improvement to secure or provide for the payment of all or a portion of the purchase price of such property or the cost of construction or improvement thereof (including any Indebtedness incurred to finance such acquisition, construction or improvement), as the case may be and (B) Liens on property (including any unimproved portion of partially improved property) of the Borrower or any of its Subsidiaries created within 12 months of completion of construction of a new plant or plants on such property to secure all or part of the cost of such construction (including any Indebtedness incurred to finance such construction) if, in the opinion of the Borrower, such property or such portion thereof was prior to such construction substantially unimproved for the use intended by the Borrower; provided, however, no such Lien shall extend to or cover any property other than the property being acquired, constructed or improved (including any unimproved portion of a partially improved property) including general intangibles, proceeds and improvements, accessories and upgrades thereto;

(vi) Liens arising in connection with capitalized leases permitted hereunder, provided that no such Lien shall extend to or cover any Collateral or assets other than the assets subject to such capitalized leases; and proceeds (including, without limitation, proceeds from associated contracts and insurances) of, and improvements, accessories and upgrades to, the property leased pursuant thereto;

(vii) any Lien existing on any property including general intangibles, proceeds and improvements, accessories and upgrades thereto prior to the acquisition (including acquisition through merger or consolidation) thereof by any Loan Party or any of their respective Subsidiaries or existing on any property of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary, provided that such a Lien is not created in contemplation or in connection with such acquisition or such Person becoming a Subsidiary and no such Lien shall be extended to

cover property other than the asset being acquired including general intangibles, proceeds and improvements, accessories and upgrades thereto;

(viii) Liens to secure any extension, renewal, refunding or replacement (or successive extensions, renewals, refinancing, refundings or replacements), in whole or in part, of any Indebtedness or other obligation secured by any Lien referred to in the foregoing clauses (ii), (iv), (v), (vi) and (vii), provided that (A) the principal amount of the Indebtedness or other obligation secured thereby is no greater than the outstanding principal amount of such Indebtedness or other obligation immediately before such extension, renewal, refinancing, refunding or replacement and (B) such Lien shall only extend to such assets as are already subject to a Lien in respect of such Indebtedness or other obligation;

(ix) Liens pursuant to merger agreements, stock purchase agreements, asset sale agreements, option agreements and similar agreements in respect of the disposition of property or assets of the Borrower and its Subsidiaries (but in any event not securing Indebtedness), to the extent such dispositions are permitted hereunder and such Liens relate only to the assets or properties to be disposed of;

(x) Liens arising in connection with the pledge of any Equity Interests in any joint venture (that is not a Subsidiary), and liens on the assets of a JV Subsidiary, in each case to secure Joint Venture Debt of such joint venture and/or such JV Subsidiary. For purposes hereof, "Joint Venture Debt" shall mean Indebtedness and other obligations as to which the lenders will not, pursuant to the terms in the agreements governing such Indebtedness, have any recourse to the stock or assets of the Borrower or any Subsidiary, other than such pledged assets of such JV Subsidiary;

(xi) Lien on assets of the Filing Entities securing the DIP Credit Facility;

(xii) Liens on the Equity Interests of DII and Mid-Valley, Inc. in favor of the Trusts;

(xiii) Liens arising in connection with the pledge of any Equity Interests in any Project Finance Subsidiary, so long as such Liens secure only Project Financing;

(xiv) prejudgment Liens which are being contested in good faith by appropriate proceedings;

(xv) judgment Liens which are being contested in good faith by appropriate proceedings and Liens securing appeal or similar surety bonds therefor; provided that no Event of Default exists under Section 6.01(f) relating thereto;

(xvi) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(xvii) netting provisions and setoff rights in favor of counterparties securing obligations under hedge agreements;

(xviii) Liens on assets under construction securing progress or partial payments relating to such assets;

(xix) the interest of a lessor or licensor under an operating lease or license under which the Borrower or any Subsidiary are lessee, sublessee or licensee, including protective financing statement filings; and

(xx) other Liens securing Indebtedness and obligations under hedge agreements outstanding in principal amount (in the case of Indebtedness) and mark-to-market value (in the case of hedge agreements) not to exceed $100,000,000 for all such secured Indebtedness and hedge agreements; provided, that no such Lien shall extend to or cover any Collateral; and

(y) from and after the Collateral Release Date, any Lien on or with respect to any of its Properties whether now owned or hereafter acquired to secure Indebtedness or reimbursement obligations in respect of letters of credit, or assign, or permit any of its Subsidiaries to assign, any accounts or other right to receive income, except:

(i) Liens of the type identified in clause (iii) of Section 5.02(a)(x);

(ii) Liens of the type identified in clauses (iv), (v), (vi) and (vii) of Section 5.02(a)(x);

(iii) Liens to secure any extension, renewal, refunding or replacement (or successive extensions, renewals, refinancing, refundings or replacements), in whole or in part, of any Indebtedness or other obligation secured by any Lien referred to in the foregoing clause (ii), provided that (A) the principal amount of the Indebtedness or other obligation secured thereby is no greater than the outstanding principal amount of such Indebtedness or other obligation immediately before such extension, renewal, refinancing, refunding or replacement and (B) such Lien shall only extend to such assets as are already subject to a Lien in respect of such Indebtedness or other obligation;

(iv) Liens of the type identified in clauses (x), (xii) and (xiii) of Section 5.02(a)(x);

(v) Liens securing other Indebtedness and obligations under hedge agreements, provided that at the time of the creation, incurrence or assumption of any Indebtedness or obligation under a hedge agreement secured by such Liens and after giving effect thereto, the sum of the principal amount of such Indebtedness and the mark-to-market value of such obligations under hedge agreements secured by Liens permitted by this clause (v) shall not exceed, when taken together with the aggregate principal amount of Indebtedness of Subsidiaries outstanding pursuant to Section 5.02(b)(xi), 15% of Consolidated Net Worth as reflected in the most recent financial statements delivered pursuant to Section 5.01(d)(i) and (ii); and

(vi) Liens securing other Indebtedness provided that the Obligations of the Loan Parties hereunder and under the other Loan Documents are secured equally and ratably with such other Indebtedness.

(b) Indebtedness of Subsidiaries. Permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Indebtedness except:

(i) Indebtedness incurred in the ordinary course of business and consistent with the past practices of the Borrower's Subsidiaries;

(ii) Existing Indebtedness, including any extension, renewal, refinancing or replacement thereof;

(iii) Project Financing;

(iv) Indebtedness of any Person that becomes a Subsidiary after the date hereof; provided that such Indebtedness exists at the time such Person becomes a Subsidiary and is not created in contemplation of or in connection with such Person becoming a Subsidiary;

(v) Indebtedness referred to in clauses (v) and (vi) of Section 5.02(a)(x) and secured by Liens permitted thereby;

(vi) Indebtedness of the Filing Entities incurred pursuant to the DIP Facility;

(vii) During such time as the Obligations of the Loan Parties under the Loan Documents are guaranteed by the Subsidiary Guarantors, guarantees of Obligations of the Borrower by such Subsidiary Guarantors under the Notes Agreements;

(viii) Indebtedness under the Loan Documents;

(ix) Indebtedness under Securitization Transactions;

(x) Indebtedness of Subsidiary Guarantors so long as such Subsidiary remains a Subsidiary Guarantor for so long as such Indebtedness is outstanding or such Indebtedness is otherwise permitted by this Section 5.02(b);

(xi) From and after the Collateral Release Date, additional Indebtedness, provided that at the time of the creation, incurrence or assumption of such Indebtedness, the aggregate principal amount thereof taken together with the aggregate principal amount of outstanding Indebtedness incurred in reliance on this clause (xi) and the aggregate principal amount of outstanding Indebtedness secured by Liens permitted under clause (v) of Section 5.02(a)(y), shall not exceed 15% of Consolidated Net Worth, as reflected in the most recent financial statements delivered pursuant to Section 5.01(d)(i) and (ii);

(xii) Indebtedness of Subsidiaries that are special-purpose business trusts under trust preferred securities that are guaranteed by the Borrower; and

(xiii) Indebtedness under the Master LC Facility Agreement and the Three-Year Revolving Credit Agreement.

(c) Restricted Payments. Prior to the Collateral Release Date, declare or pay any dividends, purchase, redeem, retire, defease or otherwise acquire for value any of its Equity Interests now or hereafter outstanding, return any capital to its stockholders, partners or members (or the equivalent Persons thereof) as such, make any distribution of assets, Equity Interests, obligations or securities to its stockholders, partners or members (or the equivalent Persons thereof) as such or permit any of its Subsidiaries to do any of the foregoing, or permit any of its Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any Equity Interests in the Borrower or to issue or sell any Equity Interests therein, except that:

(i) the Borrower may declare and may pay, once declared, dividends and distributions payable on stock of the Borrower only at levels per outstanding share in effect as of the Effective Date (such amount to be appropriately adjusted to reflect any stock split, reverse stock split, stock dividend or similar transactions made after the date hereof so that the aggregate amount of dividends payable after such transaction is the same as the amount payable immediately prior to such transaction); provided that (i) if an Event of Default shall have occurred and be continuing or shall result therefrom, no such declaration shall be permitted if any Advances are then outstanding and (ii) if an Event of Default under Section 6.01(a) shall have occurred and be continuing, no such payment or distribution shall be permitted if any Advances are then outstanding;

(ii) any Subsidiary of the Borrower may declare and pay dividends and distributions to the Borrower or any other Loan Party of which it is a Subsidiary;

(iii) any Subsidiary of the Borrower may pay dividends or distributions to all holders of a class of Equity Interests of such Subsidiary on a pro rata basis or on a basis that is more favorable to the Borrower;

(iv) the Borrower or any Subsidiary may redeem, repurchase, retire or otherwise acquire any of its Equity Interests in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Borrower) of, Equity Interests of the Borrower;

(v) the Borrower or any Subsidiary of the Borrower may redeem, repurchase, retire or otherwise acquire any of its Equity Interests in connection with a compensation plan, program or practice; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed $20 million in any fiscal year of the Borrower;

(vi) DII may purchase common stock of the Borrower from HESI pursuant to the Stock Agreement; and

(vii) the Borrower and any Subsidiary of the Borrower may grant, issue, distribute or dividend Equity Interests to its directors, officers and employees and make or permit the vesting, lapse, exercise or payment of Equity Interests in options, restricted stock, performance awards (in the form of either cash or stock of the Borrower), and other similar grants and awards pursuant to existing (or substantially similar replacement or amended) compensation plans, programs or practices.

For purposes of clarification, it is agreed and understood that Section 5.02(c) does not restrict the issuance, grant, dividend or distribution of Equity Interests.

(d) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions, all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person, or, prior to the Collateral Release Date, permit any of its material Subsidiaries to do so; provided, however, that (i) this Section 5.02(d) shall not prohibit any such merger or consolidation if (1) at the time of, and immediately after giving effect to, such merger or consolidation, no Default or Event of Default exists or would result therefrom, (2) the Borrower is the surviving corporation in such merger or consolidation, and (3) the Borrower shall continue to have senior unsecured long-term debt rated at least BBB- by S&P and Baa3 by Moody's and (ii) any Subsidiary of the Borrower

may transfer assets to, or merge into or consolidate with, the Borrower or any other Subsidiary of the Borrower, provided that in the case of any such merger or consolidation to which a Subsidiary Guarantor is a party, the Person formed by such merger or consolidation shall be the Borrower or a Subsidiary Guarantor.

(e) Use of Proceeds. Use the proceeds of any Advance or any Letter of Credit for any purpose other than for general corporate purposes of the Borrower or use any such proceeds (i) in a manner which violates or results in a violation of any law or regulation, (ii) to purchase or carry any margin stock (as defined in Regulation U), except that this clause (ii) shall not prohibit the Borrower from using proceeds of the Advances to purchase its own common stock if the aggregate amount of all such proceeds so used does not exceed $100,000,000 and if each Notice of Borrowing pertaining to such Advances specified that such proceeds would be so used, (iii) to extend credit to others for the purpose of purchasing or carrying any margin stock (as defined in Regulation U), or (iv) to acquire any equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended.

Section 5.03 Financial Covenants. So long as any Advance shall remain unpaid or any Bank shall have any Commitment hereunder, the Borrower will:

(a) Interest Charge Coverage Ratio. Not permit the Interest Charge Coverage Ratio as of the end of a fiscal quarter to be less than 3.50 to 1.00.

(b) Consolidated Debt to Total Consolidated Capitalization Ratio. Maintain at all times a maximum Consolidated Debt to Total Consolidated Capitalization Ratio of:

(i) Prior to the Exit Date: 0.60 to 1.00; and

(ii) On and after the Exit Date: 0.55 to 1.00.

ARTICLE VI
EVENTS OF DEFAULT

Section 6.01 Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) (i) The Borrower shall fail to pay any principal of any Advance when the same becomes due and payable, whether at the due date thereof or by acceleration thereof or otherwise or (ii) the Borrower shall fail to pay any interest on any Advance or any fees hereunder or other amount payable hereunder or any Loan Party shall fail to make any other payment under any Loan Document, in each case under this clause (ii), within five Business Days of when the same becomes due and payable, whether at the due date thereof or by acceleration thereof or otherwise; or

(b) Any representation, warranty or certification made by any Loan Party (or any of its officers) herein pursuant to or in connection with any Loan Document or in any certificate or document furnished to any Bank pursuant to or in connection with any Loan Document, or any representation or warranty deemed to have been made by the Borrower pursuant to Section 3.02, shall prove to have been incorrect or misleading in any material respect when made or so deemed to have been made; or

(c) (i) The Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(b), (d), (e), or (i), 5.02 or 5.03 of this Agreement; or (ii) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in Section 5.01 or any Loan Party shall fail to perform or observe any other term, covenant or agreement contained in any Loan Document on its part to be performed or observed (other than any term, covenant or agreement covered by Section 6.01(a)) and, in each case under this clause (ii), such failure shall remain unremedied for 30 days after notice thereof shall have been given to the Borrower by the Agent or by any Bank; or

(d) The Borrower or any material Subsidiary of the Borrower shall default in the payment when due (subject to any applicable grace period), whether by acceleration or otherwise, of any Debt (other than Project Financing or Permitted Non-Recourse Debt) (whether principal, interest, premium or otherwise) of, or directly or indirectly guaranteed by, the Borrower or any such material Subsidiary, as the case may be, in excess of $75,000,000 or the Borrower or any material Subsidiary of the Borrower shall default in the performance or observance of any obligation or condition with respect to any such Debt (other than Project Financing or Permitted Non-Recourse Debt) if the effect of such default is to accelerate the maturity of or require the posting of cash collateral with respect to any such Debt or, in any case, any such Debt shall become due prior to its stated maturity (other than by a regularly-scheduled required payment and mandatory prepayments from proceeds of asset sales, debt incurrence, excess cash flow, equity issuances and insurance proceeds); provided that for the avoidance of doubt the parties acknowledge and agree that (i) any payment required to be made under a guaranty or letter of credit reimbursement agreement described in the definition herein of Debt shall be due and payable at the time such payment is due and payable under the terms of such guaranty or letter of credit reimbursement agreement (taking into account any applicable grace period) and such payment shall not be deemed to have been accelerated or have become due as a result of the obligation guaranteed having become due and (ii) the conversion of the Convertible Notes shall not be a Default or Event of Default hereunder; or

(e) The Borrower or any material Subsidiary of the Borrower (other than a Filing Entity in connection with the filing of the Chapter 11 Cases) shall be adjudicated a bankrupt or insolvent by a court of competent jurisdiction, or generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any such material Subsidiary seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its Property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 90 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its Property) shall occur; or the Borrower or any such material Subsidiary shall take any corporate or organizational action to authorize any of the actions set forth above in this subsection (e) (other than in connection with the filing of the Chapter 11 Cases); or

(f) Any final, non-appealable judgment or order by a court of competent jurisdiction for the payment of money in excess of $75,000,000 over and above the amount of insurance coverage available from a financially sound insurer that has acknowledged coverage shall be rendered against the Borrower or any material Subsidiary of the Borrower and not discharged

within 30 days after such order or judgment becomes final; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against a substantial part of the property of the Borrower or any material Subsidiary of the Borrower and such judgment, writ, warrant of attachment or execution or similar process shall not be released, stayed, vacated or fully bonded within 30 days after its issue or levy; or

(g) Any Collateral Document or financing statement after delivery thereof pursuant to Section 3.01, 5.01(i) or 5.01(j) shall for any reason (other than pursuant to the terms thereof or due to the action or inaction of the Collateral Agent) cease to create a valid and perfected first priority (other than prior Liens permitted under the Loan Documents) lien on and security interest in the Collateral purported to be covered thereby or any Loan Party shall so state in writing and, if such security interest was granted pursuant to Section 5.01(i)(ii), such situation shall remain unremedied for 30 days;

(h) The Plan of Reorganization shall be amended, modified or supplemented after the Effective Date in any manner materially adverse to (i) the Banks or (ii) the ability of the Borrower and any material Subsidiary which is a Loan Party to perform its Obligations under any Loan Document to which it is or is to be a party, in each case without the consent of the Required Banks; or

(i) The Borrower or any of its ERISA Affiliates shall incur, or, in the reasonable opinion of the Required Banks, shall be reasonably likely to incur liability in excess of $75,000,000 in the aggregate as a result of one or more of the following: (i) the occurrence of any ERISA Event; (ii) the partial or complete withdrawal of the Borrower or any of its ERISA Affiliates from a Multiemployer Plan; or (iii) the reorganization or termination of a Multiemployer Plan;

then, and in any such event, the Agent (i) shall at the request, or may with the consent, of the Required Banks, by notice to the Borrower, declare the obligation of each Bank to make Advances (other than Letter of Credit Advances by an Issuing Bank or a Bank pursuant to Section 2.03(c)) and of each Issuing Bank to issue Letters of Credit to be terminated, whereupon the same (and all of the Commitments) shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Banks, by notice to the Borrower, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such other amounts shall become and be forthwith due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or any other notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the event of any actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code, (A) the Commitment of each Bank and the obligation of each Bank to make Advances (other than Letter of Credit Advances by an Issuing Bank or a Bank pursuant to Section 2.03(c)) and of each Issuing Bank to issue Letters of Credit shall automatically be terminated, and (B) the Advances, all interest thereon and all other amounts payable under this Agreement shall automatically and immediately become and be due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration, or any other notice of any kind, all of which are hereby expressly waived by the Borrower.

Section 6.02 Actions in Respect of the Letters of Credit upon Default. If any Event of Default shall have occurred and be continuing, the Agent may, or shall at the request of the Required Banks, irrespective of whether it is taking any of the actions described in Section 6.01 or otherwise, make demand upon the Borrower to, and forthwith upon such demand the Borrower will, pay to the Agent on behalf of the Banks in same day funds at the Agent's office designated in such demand, for deposit in the L/C Cash Collateral Account, an amount equal to the aggregate Available Amount of all Letters of Credit then outstanding. If at any time the Agent determines that any funds held in the L/C Cash Collateral

Account are subject to any right or claim of any Person other than the Agent and the Banks or that the total amount of such funds is less than the aggregate Available Amount of all Letters of Credit, the Borrower will, forthwith upon demand by the Agent, pay to the Agent, as additional funds to be deposited and held in the L/C Cash Collateral Account, an amount equal to the excess of (a) such aggregate Available Amount over (b) the total amount of funds, if any, then held in the L/C Cash Collateral Account that the Agent determines to be free and clear of any such right and claim. Upon the drawing of any Letter of Credit for which funds are on deposit in the L/C Cash Collateral Account, such funds shall be applied to reimburse the relevant Issuing Bank or the Banks, as applicable, to the extent permitted by applicable law.

ARTICLE VII
THE AGENT

Section 7.01 Authorization and Action. Each Bank hereby appoints and authorizes the Agent to take such action as Agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Agent by the terms hereof or of any other Loan Document, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Banks and such instructions shall be binding upon all Banks and all holders of Notes; provided, however, that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to any Loan Document or applicable law. The Agent agrees to give to each Bank prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

Section 7.02 Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with any Loan Document, except for their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may consult with legal counsel (including, without limitation, counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations (whether written or oral) made in or in connection with any of the Loan Documents or any other instrument or document; (iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any of Loan Documents or any other instrument or document on the part of the Borrower or any Subsidiary of the Borrower or to inspect the Property (including the books and records) of the Borrower or any Subsidiary of the Borrower; (iv) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any of the Loan Documents or any other instrument or document; and (v) shall incur no liability under or in respect of any of Loan Documents or any other instrument or document by acting upon any notice (including telephonic notice), consent, certificate or other instrument or writing (which may be by facsimile, telegram or telex) believed by it to be genuine and signed, given or sent by the proper party or parties.

Section 7.03 The Agent and its Affiliates. With respect to its Commitment, the Advances owed to it and the Notes issued to it, each Bank which is also the Agent shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Agent; and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include any Bank serving as the Agent in its individual capacity. Any Bank serving as the Agent and its affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and

generally engage in any kind of business with, the Borrower, any Affiliate of the Borrower and any Person who may do business with or own securities of the Borrower or any Affiliate of the Borrower, all as if such Bank were not the Agent and without any duty to account therefor to the Banks.

Section 7.04 Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank and based on the Financial Statements and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents or any other instrument or document.

Section 7.05 Indemnification. The Banks agree to indemnify the Agent (to the extent not promptly reimbursed by the Borrower), ratably according to the respective principal amounts of the Notes then held by each of the Banks (or if no Advances are at the time outstanding or if any Notes are held by Persons which are not Banks, ratably according to either (a) the respective amounts of the Banks' Commitments, or (b) if no Commitments are at the time outstanding, the respective amounts of the Commitments immediately prior to the time the Commitments ceased to be outstanding), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith, or any action taken or omitted by the Agent under any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith ("Indemnified Costs"); provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct as found in a final, non-appealable judgment by a court of competent jurisdiction. Without limitation of the foregoing, each Bank agrees to reimburse the Agent promptly upon demand for such Bank's ratable share of any costs and expenses (including, without limitation, counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith to the extent that the Agent is not reimbursed for such expenses by the Borrower. In the case of any investigation, litigation or proceeding giving rise to any Indemnified Costs, this Section 7.05 applies whether any such investigation, litigation or proceeding is brought by the Agent, any other Agent, any Bank or a third party.

Section 7.06 Successor Agent. The Agent may resign at any time by giving written notice thereof to the Banks and the Borrower and may be removed at any time with or without cause by the Required Banks. Upon any such resignation or removal, the Required Banks shall have the right to appoint a successor Agent which, if such successor Agent is not a Bank, is approved by the Borrower (which approval will not be unreasonably withheld). If no successor Agent shall have been so appointed by the Required Banks (and, if not a Bank, approved by the Borrower), and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Required Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents. After any retiring Agent's resignation or removal

hereunder as Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

Section 7.07 Co-Lead Arrangers, Co-Administrative Agents, Syndication Agent, Documentation Agent. The Co-Lead Arrangers, Co-Administrative Agents, Syndication Agent and Documentation Agent shall have no duties, obligations or liabilities hereunder or in connection herewith.

ARTICLE VIII
MISCELLANEOUS

Section 8.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any Note or any other Loan Document, nor consent to any departure by any Loan Party therefrom, shall in any event be effective unless the same shall be in writing and signed (or in the case of the Collateral Documents or the Subsidiary Guaranty, consented to) by the Required Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall: (a) waive any of the conditions specified in Section 3.01 without the written consent of each Bank, (b) increase the Commitment of any Bank or subject any Bank to any additional obligations without the written consent of such Bank, (c) reduce the principal of, or interest on, the Advances or any fees or other amounts payable hereunder, without the written consent of each Bank affected thereby, (d) postpone any date fixed for any payment of principal of, or interest on, the Advances or any fees or other amounts payable hereunder without the written consent of each Bank affected thereby, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Advances which shall be required for the Banks or any of them to take any action hereunder without the written consent of each Bank, (f) materially reduce or limit the obligations of the Subsidiary Guarantors under Section 1 of the Subsidiary Guaranty or otherwise limit the Subsidiary Guarantors' liability with respect to the Obligations owing to the Agent and the Banks without the written consent of each Bank (it being understood that (i) on the sale or merger of a Subsidiary Guarantor or the transfer of all or substantially all of its assets otherwise permitted hereunder, or (ii) on the request of the Borrower with respect to any Subsidiary Guarantor that provided a guaranty solely to comply with Section 5.02(b)(x), so long as such guaranty is no longer required in order to comply with such Section, such guaranty shall automatically be released), (g) release all or substantially all of the Collateral in any transaction or series of related transactions, except as contemplated by Section 8.09 without the written consent of each Bank; or (h) amend Section 2.14 or this Section 8.01 without the written consent of each Bank; and provided, further, that (x) no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Banks required above to take such action, affect the rights or duties of the Agent under this Agreement or any of the Notes and (y) no amendment, waiver or consent shall, unless in writing and signed by each Issuing Bank in addition to the Banks required above to take such action, affect the rights or obligations of the Issuing Banks under this Agreement.

Section 8.02 Notices, Etc. (a) All notices and other communications provided for hereunder shall be either (x) in writing (including facsimile communication) and mailed, telecopied, or delivered or (y) as and to the extent set forth in Section 8.02(b) and in the proviso to this Section 8.02(a), (i) if to the Borrower, at its address at 1401 McKinney, Suite 2400, Houston, Texas 77010-4035 Attention: Jerry H. Blurton, Vice President and Treasurer, Facsimile: (713) 759-2686; (ii) if to any Bank listed on the signature pages hereof, at its Domestic Lending Office specified opposite its name on Schedule III hereto; (iii) if to any other Banks, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it becomes a Bank; (iv) if to the Agent, at the addresses set forth below:

Citicorp North America, Inc.
Two Penns Way, Suite 200

New Castle, Delaware 19720
Facsimile No.: (302) 894-6120
Attention: Bank Loan Syndications Department

with a copy to:

Citicorp North America, Inc.
1200 Smith Street, Suite 2000
Houston, Texas 77002
Facsimile No.: (713) 654-2849
Attention: Amy Pincu, Vice President

(but references herein to the address of the Agent for purposes of payments or making available funds or for purposes of Section 8.08(c) shall not include the address to which copies are to be sent); or, as to the Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent, provided that materials required to be delivered pursuant to Section 5.01(d)(i), (ii), (iii) or (vi), unless delivered by posting to a website as provided in Section 5.01(d), shall be delivered to the Agent as specified in Section 8.02(b) or as otherwise specified to the Borrower by the Agent. Each such notice or communication shall be effective (i) if mailed, upon receipt, (ii) if delivered by hand, upon delivery with written receipt, and (iii) if telecopied, when receipt is confirmed by telephone, except that any notice or communication to the Agent pursuant to this Agreement shall not be effective until actually received by the Agent.

(b) So long as CNAI or any of its Affiliates is the Agent, materials required to be delivered pursuant to Section 5.01(d)(i), (ii), (iii) and (vi), unless delivered by posting to a website as provided in Section 5.01(d), shall be delivered to the Agent in an electronic medium in a format acceptable to the Agent and the Banks by e-mail at oploanswebadmin@citigroup.com. The Borrower agrees that the Agent may make such materials, as well as any other written information, documents, instruments and other material relating to the Borrower, any of its Subsidiaries or any other materials or matters relating to this Agreement, the Notes or any of the transactions contemplated hereby (collectively, the "Communications") available to the Banks by posting such notices on Intralinks, "e-Disclosure", the Agent's internet delivery system that is part of Fixed Income Direct, Global Fixed Income's primary web portal, or a substantially similar electronic system (the "Platform"). The Borrower acknowledges that (i) the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution, (ii) the Platform is provided "as is" and "as available" and (iii) neither the Agent nor any of its Affiliates warrants the accuracy, adequacy or completeness of the Communications or the Platform and each expressly disclaims liability for errors or omissions in the Communications or the Platform. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by the Agent or any of its Affiliates in connection with the Platform. Notices and other communications to the Banks and the Agent hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Agent and the applicable Bank. The Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(c) Each Bank agrees that notice to it (as provided in the next sentence) (a "Notice") specifying that any Communications have been posted to the Platform shall constitute effective delivery

of such information, documents or other materials to such Bank for purposes of this Agreement; provided that if requested by any Bank the Agent shall deliver a copy of the Communications to such Bank by email or facsimile. Each Bank agrees (i) to notify the Agent in writing of such Bank's e-mail address to which a Notice may be sent by electronic transmission (including by electronic communication) on or before the date such Bank becomes a party to this Agreement (and from time to time thereafter to ensure that the Agent has on record an effective e-mail address for such Bank) and (ii) that any Notice may be sent to such e-mail address.

Section 8.03 No Waiver; Remedies. No failure on the part of any Bank or the Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 8.04 Expenses and Taxes; Compensation. (a) The Borrower agrees to pay on demand (i) all reasonable out-of-pocket costs and expenses (including, without limitation, reasonable fees and expenses of counsel) of the Co-Lead Arrangers and the Agent and each of their respective affiliates in connection with the preparation, execution, delivery and administration of the Loan Documents and the other documents and instruments delivered hereunder or in connection with any amendments, modifications, consents or waivers in connection with the Loan Documents, (ii) all reasonable fees and expenses of counsel for the Co-Lead Arrangers and the Agent, during the existence of any Event of Default, any Bank with respect to advising the Agent or, during the existence of any Event of Default, any Bank as to its rights and responsibilities under the Loan Documents and (iii) all reasonable out-of-pocket costs and expenses (including, without limitation, reasonable fees and expenses of counsel) of the Co-Lead Arrangers, the Agent and each Bank in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of the Loan Documents (including the enforcement of rights under this Section 8.04(a)) and the other documents and instruments delivered hereunder and rights and remedies hereunder and thereunder.

(b) If any payment or purchase of principal of, or Conversion of, any Eurodollar Rate Advance is made other than on the last day of the Interest Period for such Advance, as a result of a payment, purchase or Conversion pursuant to Section 2.09, Section 2.10, Section 2.15, Section 2.16 or Section 2.17, acceleration of the maturity of the Advances pursuant to Section 6.01 or for any other reason, the Borrower shall, within 15 days after demand by any Bank (with a copy of such demand to the Agent), pay to the Agent for the account of such Bank any amounts required to compensate such Bank for any additional losses, costs or expenses which it may reasonably incur as a result of such payment, purchase or Conversion, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense reasonably incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Bank to fund or maintain such Advance. A certificate as to the amount of such additional losses, costs or expenses, submitted to the Borrower and the Agent by such Bank, shall be conclusive and binding for all purposes, absent manifest error.

(c) The Borrower agrees to indemnify and hold harmless the Agent, the Banks, the Co-Lead Arrangers and their respective directors, officers, employees, affiliates, advisors, attorneys and agents (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, fees and expenses of counsel) for which any of them may become liable or which may be incurred by or asserted against any of the Indemnified Parties in connection with or arising out of (i) any Loan Document or any other document or instrument delivered in connection herewith, (ii) the existence of any condition on any property of the Borrower or any of its Subsidiaries that constitutes a violation of any environmental protection law or any other law, rule, regulation or order, or (iii) any investigation, litigation, or proceeding, whether or not any of the Indemnified Parties is a party

thereto, related to or in connection with any of the foregoing or any Loan Document, including, without limitation, any transaction in which any proceeds of any Advance or Letter of Credit are applied, including, without limitation, in each of the foregoing cases, any such claim, damage, loss, liability or expense resulting from the negligence of any Indemnified Party, but excluding any such claim, damage, loss, liability or expense sought to be recovered by any Indemnified Party to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnified Party.

(d) Except as set forth in the next succeeding sentence, each of the Banks and the Agent and each of their respective directors, officers, employees, affiliates, advisors and agents shall not be liable to the Borrower for, and the Borrower agrees not to assert any claim for, amounts constituting special, indirect, consequential, punitive, treble or exemplary damages arising out of or in connection with any breach by such Bank or the Agent of any of its obligations hereunder. If the Borrower becomes liable to a third party for amounts constituting punitive, treble or exemplary damages as a result of a breach of an obligation hereunder by a Bank or the Agent, as the case may be, the Borrower shall be entitled to claim and recover (and does not waive its rights to claim and recover) such amounts from such Bank or the Agent, as the case may be, to the extent such Bank or the Agent, as the case may be, would be liable to the Borrower for such amounts but for the limitation set forth in the preceding sentence.

(e) Without prejudice to the survival of any other agreement of the Borrower hereunder, all obligations of the Borrower under Section 2.12, Section 2.13 and this Section 8.04 shall survive the termination of the Commitments and this Agreement and the payment in full of all amounts hereunder and under the Notes.

Section 8.05 Right of Set-Off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making by the Required Banks of the request or the granting by the Required Banks of the consent specified by Section 6.01 to authorize the Agent to declare the Advances due and payable pursuant to the provisions of Section 6.01, each Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank (or by any branch, agency, subsidiary or other Affiliate of such Bank, wherever located) to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement or any Note held by such Bank or any other Loan Document, whether or not such Bank shall have made any demand under this Agreement or any such Note or any other Loan Document and although such obligations may be unmatured. Each Bank agrees promptly to notify the Borrower after any such set-off and application made by such Bank, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of setoff) which such Bank may have.

Section 8.06 Limitation and Adjustment of Interest. (a) Notwithstanding anything to the contrary set forth herein, in any other Loan Document or in any other document or instrument, no provision of any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith is intended or shall be construed to require the payment or permit the collection of interest in excess of the maximum non-usurious rate permitted by applicable law. Accordingly, if the transactions with any Bank contemplated hereby would be usurious under applicable law, if any, then, in that event, notwithstanding anything to the contrary in any Note payable to such Bank, this Agreement or any other document or instrument, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under applicable law that is contracted for, taken, reserved, charged or received by such Bank under any Note payable to such Bank, this Agreement or any other document or instrument shall under no circumstances exceed the maximum amount allowed by such applicable law, and any

excess shall be canceled automatically and, if theretofore paid, shall, at the option of such Bank, be credited by such Bank on the principal amount of the indebtedness owed to such Bank by the Borrower or refunded by such Bank to the Borrower, and (ii) in the event that the maturity of any Note payable to such Bank is accelerated or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to such Bank may never include more than the maximum amount allowed by such applicable law and excess interest, if any, to such Bank provided for in this Agreement or otherwise shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall, at the option of such Bank, be credited by such Bank on the principal amount of the indebtedness owed to such Bank by the Borrower or refunded by such Bank to the Borrower. In determining whether or not the interest contracted for, taken, reserved, charged or received by any Bank exceeds the maximum non-usurious rate permitted by applicable law, such determination shall be made, to the extent that doing so does not result in a violation of applicable law, by amortizing, prorating, allocating and spreading, in equal parts during the period of the full stated term of the loans hereunder, all interest at any time contracted for, taken, charged, received or reserved by such Bank in connection with such loans.

(b) In the event that at any time the interest rate applicable to any Advance made by any Bank would exceed the maximum non-usurious rate allowed by applicable law, the rate of interest to accrue on the Advances by such Bank shall be limited to the maximum non-usurious rate allowed by applicable law, but shall accrue, to the extent permitted by law, on the principal amount of the Advances made by such Bank from time to time outstanding, if any, at the maximum non-usurious rate allowed by applicable law until the total amount of interest accrued on the Advances made by such Bank equals the amount of interest which would have accrued if the interest rates applicable to the Advances pursuant to Article II had at all times been in effect. In the event that upon the final payment of the Advances made by any Bank and termination of the Commitment of such Bank, the total amount of interest paid to such Bank hereunder and under the Notes is less than the total amount of interest which would have accrued if the interest rates applicable to such Advances pursuant to Article II had at all times been in effect, then the Borrower agrees to pay to such Bank, to the extent permitted by law, an amount equal to the excess of (a) the lesser of (i) the amount of interest which would have accrued on such Advances if the maximum non-usurious rate allowed by applicable law had at all times been in effect or (ii) the amount of interest which would have accrued on such Advances if the interest rates applicable to such Advances pursuant to Article II had at all times been in effect over (b) the amount of interest otherwise accrued on such Advances in accordance with this Agreement.

Section 8.07 Binding Effect. This Agreement shall become effective as provided in Section 3.01 hereof and thereafter shall be binding upon and inure to the benefit of the Borrower and the Agent and each Bank and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights or obligations hereunder or under any other Loan Document or any interest herein or therein without the prior written consent of all of the Banks.

Section 8.08 Assignments and Participations. (a) Each Bank may assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and the Notes held by it); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement, (ii) except in the case of an assignment of all of a Bank's rights and obligations under this Agreement, the amount of the Commitment of the assigning Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than $5,000,000, (iii) each such assignment shall be to an Eligible Assignee, and (iv) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with the Notes subject to such assignment and a processing and recordation fee of $3,000. Upon such

execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank hereunder and (y) the Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Bank assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with any Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith or the execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith; (ii) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any other Person or the performance or observance by the Borrower or any other Person of any of its respective obligations under any Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the Financial Statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement, any of the other Loan Documents or any other instrument or document; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as Agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with such powers and discretion as are reasonably incidental thereto; (vii) such assignee appoints and authorizes the Agent to take such action as the Agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with such powers and discretion as are reasonably incidental thereto and (viii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Bank.

(c) The Agent shall maintain at its address referred to in Section 8.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the Commitment of, and the principal amount of the Revolving Credit Advances owing to, each Bank from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of an Assignment and Acceptance executed by an assigning Bank and an assignee representing that it is an Eligible Assignee, together with the Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit E, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. Within five Business Days after its receipt of such notice, the Borrower shall execute and deliver to the Agent in

exchange for the surrendered Notes a new Note payable to the order of such Eligible Assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Bank has retained a Commitment hereunder, a new Note payable to the order of the assigning Bank in an amount equal to the Commitment retained by it hereunder (such new Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A).

(e) Each Bank may sell participations to one or more banks or other entities (other than the Borrower or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and the Notes held by it); provided, however, that (i) such Bank's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Bank shall remain the holder of any such Notes for all purposes of this Agreement, (iv) the Borrower, the Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement, and (v) the terms of any such participation shall not restrict such Bank's ability to make any amendment or waiver of this Agreement or any Note or such Bank's ability to consent to any departure by the Borrower therefrom without the approval of the participant, except that the approval of the participant may be required to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation.

(f) Each Issuing Bank may assign to an Eligible Assignee all of its rights and obligations under the undrawn portion of its Letter of Credit Commitment at any time; provided, however, that (i) each such assignment shall be to an Eligible Assignee and (ii) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with a processing and recordation fee of $3,500.

(g) Any Bank may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.08, disclose to the assignee or participant or proposed assignee or participant, any information relating to any Loan Party or any of its Subsidiaries furnished to such Bank by or on behalf of the Borrower or any of its Subsidiaries; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to comply with Section 8.15.

(h) Notwithstanding any other provision set forth in this Agreement, any Bank may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Revolving Credit Advances owing to it and the Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Federal Reserve Board.

Section 8.09 Release of Collateral. (a) Upon the sale, lease, transfer or other disposition of any item of Collateral of any Loan Party (including, without limitation, as a result of the sale or merger, in accordance with the terms of the Loan Documents, of the Loan Party that owns such Collateral) in accordance with the terms of the Loan Documents, the Agent will, at the Borrower's expense, execute and deliver to the Collateral Agent such documents as the Collateral Agent may reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted under the Collateral Documents in accordance with the terms of the Loan Documents.

(b) Upon the occurrence of the Collateral Release Date, the Agent will, at the Borrower's written request and expense, execute and deliver to the Collateral Agent such documents as the Collateral Agent may reasonably request to evidence the release of the Collateral from the assignment and security interest granted under the Collateral Documents.

Section 8.10 No Liability of Issuing Banks. The Borrower assumes all risks of the acts or omissions of any beneficiary or transferee of any Letter of Credit with respect to its use of such Letter of Credit. Neither any Issuing Bank nor any of its officers or directors shall be liable or responsible for: (a) the use that may be made of any Letter of Credit or any acts or omissions of any beneficiary or transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by such Issuing Bank against presentation of documents that do not comply with the terms of a Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit, except that the Borrower shall have a claim against such Issuing Bank, and such Issuing Bank shall be liable to the Borrower, to the extent of any direct, but not consequential, damages suffered by the Borrower that the Borrower proves were caused by (i) such Issuing Bank's willful misconduct or gross negligence as determined in a final, non-appealable judgment by a court of competent jurisdiction in determining whether documents presented under any Letter of Credit comply with the terms of the Letter of Credit or (ii) such Issuing Bank's willful failure to make lawful payment under a Letter of Credit after the presentation to it of a draft and certificates strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, such Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

Section 8.11 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile shall be as effective as delivery of a manually executed counterpart of this Agreement.

Section 8.12 Judgment (a) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in Dollars into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase Dollars with such other currency at Citibank's principal office in London at 11:00 A.M. (London time) on the Business Day preceding that on which final judgment is given.

(b) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in a Foreign Currency into Dollars, the parties agree to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase such Foreign Currency with Dollars at Citibank's principal office in London at 11:00 A.M. (London time) on the Business Day preceding that on which final judgment is given.

(c) The obligation of the Borrower in respect of any sum due from it in any currency (the "Primary Currency") to any Bank or the Agent hereunder shall, notwithstanding any judgment in any other currency, be discharged only to the extent that on the Business Day following receipt by such Bank or the Agent (as the case may be), of any sum adjudged to be so due in such other currency, such Bank or the Agent (as the case may be) may in accordance with normal banking procedures purchase the applicable Primary Currency with such other currency; if the amount of the applicable Primary Currency

so purchased is less than such sum due to such Bank or the Agent (as the case may be) in the applicable Primary Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Bank or the Agent (as the case may be) against such loss, and if the amount of the applicable Primary Currency so purchased exceeds such sum due to any Bank or the Agent (as the case may be) in the applicable Primary Currency, such Bank or the Agent (as the case may be) aggress to remit to the Borrower such excess.

Section 8.13 Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York. Without limiting the intent of the parties set forth above, (i) Chapter 346 of the Texas Finance Code (formerly known as Chapter 15, Subtitle 3, Title 79, of the Revised Civil Statutes of Texas, 1925), as amended (relating to revolving loans and revolving triparty accounts), shall not apply to this Agreement, the Notes or the transactions contemplated hereby, and (ii) to the extent that any Bank may be subject to Texas law limiting the amount of interest payable for its account, such Bank shall utilize the indicated (weekly) rate ceiling from time to time in effect as provided in Chapter 303 of the Texas Finance Code (formerly known as Article 5069-1.04 of the Revised Civil Statutes of Texas), as amended.

Section 8.14 Jurisdiction; Damages. To the fullest extent it may effectively do so under applicable law, (i) each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its Property, to the non-exclusive jurisdiction of any New York state court or federal court sitting in New York City, and any appellate court from any appeal thereof, in any action or proceeding arising out of or relating to this Agreement, any of the Notes, any other Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of such action or proceeding may be heard and determined in any such court; (ii) each of the parties hereto hereby irrevocably and unconditionally waives the defense of an inconvenient forum to the maintenance of such action or proceeding and any objection that it may now or hereafter have to the laying of venue of any such action or proceeding in any such court; (iii) the Borrower hereby agrees that service of copies of the summons and complaint and any other process which may be served in any such action or proceeding may be made by mailing or delivering a copy of such process to the Borrower at its address specified in Section 8.02; and (iv) each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing herein shall affect the rights of any Bank or the Agent to serve legal process in any other manner permitted by law or affect the right that any party hereto may otherwise have to bring any action or proceeding relating to this Agreement, any of the Notes or any other instrument or document furnished pursuant hereto or in connection herewith in the courts of any other jurisdiction. Each of the Borrower, the Agent and the Banks hereby irrevocably and unconditionally waives, to the fullest extent it may effectively do so under applicable law, any right it may have to claim or recover in any action or proceeding referred to in this Section 8.14 any exemplary or punitive damages. The Borrower hereby further irrevocably waives, to the fullest extent it may effectively do so under applicable law, any right it may have to claim or recover in any action or proceeding referred to in this Section 8.14 any special or consequential damages.

Section 8.15 Confidentiality. Each Bank agrees that it will use reasonable efforts, to the extent not inconsistent with practical business requirements, not to disclose without the prior consent of the Borrower (other than to employees, auditors, accountants, counsel or other professional advisors of the Agent or any Bank) any information with respect to the Borrower or its Subsidiaries or the Transaction which is furnished pursuant to this Agreement, provided that any Bank may disclose any such information (a) as has become generally available to the public, (b) as may be required or appropriate in any report, statement or testimony submitted to or required by any municipal, state or Federal regulatory body having or claiming to have jurisdiction over any Bank or submitted to or required by the Federal

Reserve Board or the Federal Deposit Insurance Corporation or similar organizations (whether in the United States or elsewhere) or their successors, (c) as may be required or appropriate in response to any summons or subpoena in connection with any litigation, (d) in order to comply with any law, order, regulation or ruling applicable to any Bank, (e) to any assignee, participant, prospective assignee, or prospective participant that has agreed to comply with this Section 8.15, (f) in connection with the exercise of any remedy by any Bank pertaining to this Agreement, any of the Notes or any other document or instrument delivered in connection herewith, (g) in connection with any litigation involving any Bank pertaining to any Loan Document or any other document or instrument delivered in connection herewith, (h) to any Bank or the Agent, or (i) to any Affiliate of any Bank.

Section 8.16 Patriot Act Notice. Each Bank and the Agent (for itself and not on behalf of any Bank) hereby notifies the Loan Parties that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies each Loan Party, which information includes the name and address of such Loan Party and other information that will allow such Bank or the Agent, as applicable, to identify such Loan Party in accordance with the Patriot Act. The Borrower shall, and shall cause each other Loan Party to, provide, to the extent commercially reasonable in light of applicable restrictions or limitations under contract or law, regulation or governmental guidelines, such information and take such actions as are reasonably requested by the Agent or any Banks in order to assist the Agent and the Banks in maintaining compliance with the Patriot Act.

[Remainder of page intentionally blank.]

Section 8.17 Waiver of Jury Trial. Each of the Borrower, the Agent and the Banks hereby irrevocably and unconditionally waives, to the fullest extent it may effectively do so under applicable law, any and all right to trial by jury in any action or proceeding arising out of or relating to this Agreement, any of the Notes, any other Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith or the transactions contemplated hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWER:

HALLIBURTON COMPANY

By: /s/ CEDRIC W. BURGHER

Name: Cedric W. Burgher
Title: Vice President

Taxpayer Identification of Borrower:

Address of Principal Place of Business of Borrower:
1401 McKinney, Suite 2400
Houston, Texas 77010-4035

* Bank signature pages omitted.

ANNEX A

"Applicable Commitment Fee Rate" means (i) as of any date until the Exit Date, the rate per annum set forth in the table below under the heading "Applicable Commitment Fee Rate" opposite the debt rating from S&P and Moody's, respectively, in effect on such date for the senior unsecured long-term debt of the Borrower, with the lower of the two ratings to be determinative in the case where the ratings from S&P and Moody's would result in different Applicable Commitment Fee Rates:

S&P	MOODY'S	APPLICABLE COMMITMENT FEE RATE
BBB+ or higher	Baa1 or higher	0.125%
BBB	Baa2	0.175%
BBB-	Baa3	0.225%
Lower than BBB-	Lower than Baa3	0.350%

and (ii) as of any date from and after the Exit Date, the rate per annum set forth in the table below under the heading "Applicable Commitment Fee Rate" opposite the debt rating from S&P and Moody's, respectively, in effect on such date for the senior unsecured long-term debt of the Borrower, with the lower of the two ratings to be determinative in the case where the ratings from S&P and Moody's would result in different Applicable Commitment Fee Rates:

S&P	MOODY'S	APPLICABLE COMMITMENT FEE RATE
BBB+ or higher	Baa1 or higher	0.100%
BBB	Baa2	0.150%
BBB-	Baa3	0.175%
Lower than BBB-	Lower than Baa3	0.225%

"Applicable Margin" means, (i) as of any date until the Exit Date, the rate per annum set forth in the table below opposite the debt rating from S&P and Moody's, respectively, in effect on such date for the senior unsecured long-term debt of the Borrower, with the lower of the two ratings to be determinative in the case where the ratings from S&P and Moody's would result in different Applicable Margins:

S&P	MOODY'S	BASE RATE LOANS	LIBOR RATE LOANS
BBB+ or higher	Baa1 or higher	0%	1.00%
BBB	Baa2	0.125%	1.125%
BBB-	Baa3	0.375%	1.375%
lower than BBB-	Lower than Baa3	1.00%	2.00%

and (ii) as of any date from and after the Exit Date, the rate per annum set forth in the table below opposite the debt rating from S&P and Moody's, respectively, in effect on such date for the senior unsecured long-term debt of the Borrower, with the lower of the two ratings to be determinative in the case where the ratings from S&P and Moody's would result in different Applicable Margins:

S&P	MOODY'S	BASE RATE LOANS	LIBOR RATE LOANS
BBB+ or higher	Baa1 or higher	0%	0.875%
BBB	Baa2	0%	1.00%
BBB-	Baa3	0.25%	1.25%
lower than BBB-	Lower than Baa3	0.875%	1.875%

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Halliburton Company:

We consent to the use of our report dated February 18, 2004, with respect to the consolidated balance sheets of Halliburton Company as of December 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, incorporated herein by reference, and to the reference to our firm under the heading "Experts" in the registration statement.

Our report contains an explanatory paragraph that states the Company changed the composition of its reportable segments in 2003. The amounts in the 2002 and 2001 consolidated financial statements related to reportable segments have been restated to conform to the 2003 composition of reportable segments.

Our report also refers to our audit of the adjustments that were applied to Halliburton Company's reportable segments to revise the 2001 consolidated financial statements, as more fully described in Note 5 to the consolidated financial statements, as well as to our audit of the revisions to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, as more fully described in Note 1 to the consolidated financial statements. However, we were not engaged to audit, review, or apply any procedures to the 2001 consolidated financial statements other than with respect to such adjustments.

/s/ KPMG LLP

Houston, TX
July 15, 2004