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

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the quarterly period ended June 30, 2013

OR

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

Commission File Number 001-03492

HALLIBURTON COMPANY

(a Delaware corporation)
75-2677995

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

Telephone Number – Area Code (281) 871-2699

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

Yes [X] No [ ]

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

Yes [X] No [ ]

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

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

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

Yes [ ] No [X]

As of July 19, 2013, 913,580,924 shares of Halliburton Company common stock, $2.50 par value per share, were outstanding.

HALLIBURTON COMPANY

Index

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

HALLIBURTON COMPANY
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
Millions of dollars and shares except per share data	2013	2012	2013	2012
Revenue:				
Services	$ 5,566	$ 5,670	$ 10,900	$ 11,094
Product sales	1,751	1,564	3,391	3,008
Total revenue	7,317	7,234	14,291	14,102
Operating costs and expenses:				
Cost of services	4,765	4,638	9,379	8,871
Cost of sales	1,481	1,328	2,867	2,572
Loss contingency for Macondo well incident	—	—	1,000	300
General and administrative	87	67	159	135
Total operating costs and expenses	6,333	6,033	13,405	11,878
Operating income	984	1,201	886	2,224
Interest expense, net of interest income of $2, $2, $5, and $4	(71)	(80)	(142)	(154)
Other, net	(11)	(17)	(25)	(24)
Income from continuing operations before income taxes	902	1,104	719	2,046
Provision for income taxes	(256)	(357)	(84)	(661)
Income from continuing operations	646	747	635	1,385
Income (loss) from discontinued operations, net of income tax benefit (provision) of $(2), $(3), $0, and $2	2	(8)	(3)	(16)
Net income	$ 648	$ 739	$ 632	$ 1,369
Noncontrolling interest in net income of subsidiaries	(4)	(2)	(6)	(5)
Net income attributable to company	$ 644	$ 737	$ 626	$ 1,364
Amounts attributable to company shareholders:				
Income from continuing operations	$ 642	$ 745	$ 629	$ 1,380
Income (loss) from discontinued operations, net	2	(8)	(3)	(16)
Net income attributable to company	$ 644	$ 737	$ 626	$ 1,364
Basic income per share attributable to company shareholders:				
Income from continuing operations	$ 0.69	$ 0.81	$ 0.68	$ 1.50
Income (loss) from discontinued operations, net	0.01	(0.01)	(0.01)	(0.02)
Net income per share	$ 0.70	$ 0.80	$ 0.67	$ 1.48
Diluted income per share attributable to company shareholders:				
Income from continuing operations	$ 0.69	$ 0.80	$ 0.68	$ 1.49
Loss from discontinued operations, net	—	(0.01)	(0.01)	(0.02)
Net income per share	$ 0.69	$ 0.79	$ 0.67	$ 1.47
Cash dividends per share	$ 0.125	$ 0.09	$ 0.25	$ 0.18
Basic weighted average common shares outstanding	925	924	928	923
Diluted weighted average common shares outstanding	928	926	931	926

See notes to condensed consolidated financial statements.

HALLIBURTON COMPANY
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
Millions of dollars	2013	2012	2013	2012
Net income	$ 648	$ 739	$ 632	$ 1,369
Other comprehensive income, net of income taxes:				
Defined benefit and other postretirement plans adjustments	$ 2	$ 6	$ 6	$ 14
Other	(1)	(1)	1	(2)
Other comprehensive income, net of income taxes	1	5	7	12
Comprehensive income	$ 649	$ 744	$ 639	$ 1,381
Comprehensive income attributable to noncontrolling interest	(3)	(2)	(6)	(5)
Comprehensive income attributable to company shareholders	$ 646	$ 742	$ 633	$ 1,376

See notes to condensed consolidated financial statements.

HALLIBURTON COMPANY
Condensed Consolidated Balance Sheets

Millions of dollars and shares except per share data	June 30, 2013 (Unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and equivalents	$ 1,412	$ 2,484
Receivables (less allowance for bad debts of $96 and $92)	6,359	5,787
Inventories	3,341	3,186
Other current assets	1,509	1,629
Total current assets	12,621	13,086
Property, plant, and equipment, net of accumulated depreciation of $8,796 and $8,056	10,753	10,257
Goodwill	2,116	2,135
Other assets	1,928	1,932
Total assets	$ 27,418	$ 27,410
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 2,251	$ 2,041
Accrued employee compensation and benefits	867	930
Other current liabilities	1,659	1,781
Total current liabilities	4,777	4,752
Long-term debt	4,820	4,820
Loss contingency for Macondo well incident	1,022	300
Employee compensation and benefits	565	607
Other liabilities	869	1,141
Total liabilities	12,053	11,620
Shareholders' equity:		
Common shares, par value $2.50 per share - authorized 2,000 shares, issued 1,072 and 1,073 shares	2,681	2,682
Paid-in capital in excess of par value	367	486
Accumulated other comprehensive loss	(302)	(309)
Retained earnings	17,577	17,182
Treasury stock, at cost - 160 and 144 shares	(4,986)	(4,276)
Company shareholders' equity	15,337	15,765
Noncontrolling interest in consolidated subsidiaries	28	25
Total shareholders' equity	15,365	15,790
Total liabilities and shareholders' equity	$ 27,418	$ 27,410

See notes to condensed consolidated financial statements.

HALLIBURTON COMPANY
Condensed Consolidated Statements of Cash Flows
(Unaudited)

Millions of dollars	Six Months Ended June 30 2013	2012
Cash flows from operating activities:		
Net income	$ 632	$ 1,369
Adjustments to reconcile net income to net cash flows from operating activities:		
Loss contingency for Macondo well incident	1,000	300
Depreciation, depletion, and amortization	922	791
Other changes:		
Receivables	(613)	(602)
Accounts payable	227	289
Payment of Barracuda-Caratinga obligation	(219)	—
Inventories	(154)	(724)
Other	(324)	(288)
Total cash flows from operating activities	1,471	1,135
Cash flows from investing activities:		
Capital expenditures	(1,396)	(1,651)
Sales of investment securities	232	200
Purchases of investment securities	(110)	(100)
Other investing activities	83	34
Total cash flows from investing activities	(1,191)	(1,517)
Cash flows from financing activities:		
Payments to reacquire common stock	(1,015)	—
Dividends to shareholders	(231)	(167)
Other financing activities	(83)	25
Total cash flows from financing activities	(1,329)	(142)
Effect of exchange rate changes on cash	(23)	(2)
Decrease in cash and equivalents	(1,072)	(526)
Cash and equivalents at beginning of period	2,484	2,698
Cash and equivalents at end of period	$ 1,412	$ 2,172
Supplemental disclosure of cash flow information:		
Cash payments during the period for:		
Interest	$ 146	$ 146
Income taxes	$ 390	$ 897

See notes to condensed consolidated financial statements.

HALLIBURTON COMPANY
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements were prepared using generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Regulation S-X. Accordingly, these financial statements do not include all information or notes required by generally accepted accounting principles for annual financial statements and should be read together with our 2012 Annual Report on Form 10-K.

Our accounting policies are in accordance with United States generally accepted accounting principles. The preparation of financial statements in conformity with these accounting principles requires us to make estimates and assumptions that affect:

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

Ultimate results could differ from our estimates.

In our opinion, the condensed consolidated financial statements included herein contain all adjustments necessary to present fairly our financial position as of June 30, 2013, the results of our operations for the three and six months ended June 30, 2013 and 2012, and our cash flows for the six months ended June 30, 2013 and 2012. Such adjustments are of a normal recurring nature. In addition, certain reclassifications of prior period balances have been made to conform to 2013 classifications. The results of our operations for the three and six months ended June 30, 2013 may not be indicative of results for the full year.

Note 2. Business Segment and Geographic Information

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

The following table presents information on our business segments. “Corporate and other” includes expenses related to support functions and corporate executives. Also included are certain gains and losses not attributable to a particular business segment (such as the loss contingencies related to the Macondo well incident recorded during the first quarters of 2013 and 2012 and a $55 million charitable contribution expensed during the second quarter of 2013).

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

	Three Months Ended June 30		Six Months Ended June 30	
Millions of dollars	2013	2012	2013	2012
Revenue:				
Completion and Production	$ 4,363	$ 4,460	$ 8,463	$ 8,750
Drilling and Evaluation	2,954	2,774	5,828	5,352
Total revenue	$ 7,317	$ 7,234	$ 14,291	$ 14,102
Operating income:				
Completion and Production	$ 732	$ 914	$ 1,347	$ 1,950
Drilling and Evaluation	415	393	822	761
Total operations	1,147	1,307	2,169	2,711
Corporate and other	(163)	(106)	(1,283)	(487)
Total operating income	$ 984	$ 1,201	$ 886	$ 2,224
Interest expense, net of interest income	(71)	(80)	(142)	(154)
Other, net	(11)	(17)	(25)	(24)
Income from continuing operations before income taxes	$ 902	$ 1,104	$ 719	$ 2,046

Receivables

As of June 30, 2013, 35% of our gross trade receivables were from customers in the United States. As of December 31, 2012, 36% of our gross trade receivables were from customers in the United States. No other country or single customer accounted for more than 10% of our gross trade receivables at these dates.

Note 3. Inventories

Inventories are stated at the lower of cost or market value. In the United States, we manufacture certain finished products and parts inventories for drill bits, completion products, bulk materials, and other tools that are recorded using the last-in, first-out method, which totaled $177 million as of June 30, 2013 and $139 million as of December 31, 2012. If the average cost method had been used, total inventories would have been $36 million higher than reported as of June 30, 2013 and $41 million higher than reported as of December 31, 2012. The cost of the remaining inventory was recorded on the average cost method. Inventories consisted of the following:

Millions of dollars	June 30, 2013	December 31, 2012
Finished products and parts	$ 2,362	$ 2,264
Raw materials and supplies	831	793
Work in process	148	129
Total	$ 3,341	$ 3,186

Finished products and parts are reported net of obsolescence reserves of $129 million as of June 30, 2013 and $114 million as of December 31, 2012.

Note 4. Shareholders' Equity

The following tables summarize our shareholders' equity activity:

Millions of dollars	Total shareholders' equity	Company shareholders' equity	Noncontrolling interest in consolidated subsidiaries
Balance at December 31, 2012	$ 15,790	$ 15,765	$ 25
Shares repurchased	(1,050)	(1,050)	—
Payments of dividends to shareholders	(231)	(231)	—
Stock plans	244	244	—
Other	(27)	(24)	(3)
Comprehensive income	639	633	6
Balance at June 30, 2013	$ 15,365	$ 15,337	$ 28

Millions of dollars	Total shareholders' equity	Company shareholders' equity	Noncontrolling interest in consolidated subsidiaries
Balance at December 31, 2011	$ 13,216	$ 13,198	$ 18
Payments of dividends to shareholders	(167)	(167)	—
Stock plans	154	154	—
Other	(23)	(21)	(2)
Comprehensive income	1,381	1,376	5
Balance at June 30, 2012	$ 14,561	$ 14,540	$ 21

During the six months ended June 30, 2013, we repurchased approximately 25 million shares of our common stock for a total cost of approximately $1.1 billion at an average price of $42.67 per share, inclusive of cash settlements in July 2013. On July 18, 2013, our board of directors increased the authorization to purchase Halliburton common stock by $4.3 billion, to a new total repurchase capacity of $5.0 billion.

On July 26, 2013, we commenced an offer to purchase for cash shares of our common stock for an aggregate purchase price of not more than $3.3 billion, at a per share purchase price of not less than $42.50 per share nor greater than $48.50 per share, pursuant to a "modified Dutch auction" procedure. The tender offer will expire at 11:59 p.m., New York City time, on August 22, 2013, unless extended or terminated by us. The tender offer is subject to the satisfaction or waiver of a number of conditions, including that we enter into one or more new debt financing arrangements that collectively result in our receipt of net proceeds that are sufficient to fund a substantial portion of the aggregate purchase price of the shares we intend to purchase in the tender offer.

Accumulated other comprehensive loss consisted of the following:

Millions of dollars	June 30, 2013	December 31, 2012
Defined benefit and other postretirement liability adjustments	$ (235)	$ (241)
Cumulative translation adjustments	(69)	(69)
Other	2	1
Total accumulated other comprehensive loss	$ (302)	$ (309)

Amounts reclassified out of accumulated other comprehensive loss for the six months ended June 30, 2013 and 2012 were not material. Additionally, the tax effects allocated to each component of other comprehensive income for the three and six months ended June 30, 2013 and 2012 were not material.

Note 5. KBR Separation

During 2007, we completed the separation of KBR, Inc. (KBR) from us by exchanging KBR common stock owned by us for our common stock. We entered into various agreements relating to the separation of KBR, including, among others, a Master Separation Agreement (“MSA”) and a Tax Sharing Agreement (“TSA”). We recorded a liability reflecting the estimated fair value of the indemnities provided to KBR. Since the separation, we have recorded adjustments to reflect changes to our estimation of our remaining obligation. All such adjustments are recorded in “Income (loss) from discontinued operations, net of income tax (provision) benefit.” Amounts accrued relating to our KBR liabilities were included in “Other liabilities” in our condensed consolidated balance sheets and totaled $219 million as of December 31, 2012. During the first quarter of 2013, we paid $219 million to satisfy our obligation under a guarantee related to the Barracuda-Caratinga matter, a legacy KBR project. Accordingly, there were no amounts accrued at June 30, 2013.

Tax sharing agreement

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

During the second quarter of 2012, we sent a notice as required by the TSA to KBR requesting the appointment of an arbitrator in accordance with the terms of the TSA. This request asked the arbitrator to find that KBR owes us a certain amount pursuant to the TSA. KBR denied that it owes us any amount and asserted instead that we owe KBR a certain amount under the TSA. KBR also asserted that they believe the MSA controls its defenses to our TSA claim and demanded arbitration under that agreement. On July 10, 2012, we filed suit in the District Court of Harris County, Texas, seeking to compel KBR to arbitrate this dispute in accordance with the provisions of the TSA, rather than the MSA. KBR filed a cross-motion seeking to compel arbitration under the MSA. In September 2012, the court denied our motion and granted KBR's motion to compel arbitration under the MSA. We continue to believe that the TSA was intended to govern this matter and have filed a notice of appeal, which is pending.

In May 2013, KBR's defenses were arbitrated before a panel appointed pursuant to the MSA. In June 2013, the panel issued its award, finding it had jurisdiction to hear the dispute and that a significant portion of our claim made under the TSA was barred by the time limitation provision in the MSA. The panel ordered the parties to return to the TSA arbitrator for determination of the parties' remaining TSA claims. While we disagree with the court's ruling and the MSA panel's findings, we are legally bound by these decisions, subject to the outcome of our notice of appeal. Due to the uncertainty surrounding the TSA arbitrator's ultimate determination of the parties' claims, we are unable to make a reasonable estimate at this time but do not expect the results of this determination, which will be reflected as discontinued operations, to have a material effect on our liquidity, consolidated results of operations, or consolidated financial condition. No anticipated recovery amounts or liabilities related to this matter have been recognized in the condensed consolidated financial statements as of June 30, 2013.

Note 6. Commitments and Contingencies

Macondo well incident

Overview. The semisubmersible drilling rig, Deepwater Horizon, sank on April 22, 2010 after an explosion and fire onboard the rig that began on April 20, 2010. The Deepwater Horizon was owned by Transocean Ltd. and had been drilling the Macondo exploration well in Mississippi Canyon Block 252 in the Gulf of Mexico for the lease operator, BP Exploration & Production, Inc. (BP Exploration), an indirect wholly owned subsidiary of BP p.l.c. We performed a variety of services for BP Exploration, including cementing, mud logging, directional drilling, measurement-while-drilling, and rig data acquisition services. Crude oil flowing from the well site spread across thousands of square miles of the Gulf of Mexico and reached the United States Gulf Coast. Efforts to contain the flow of hydrocarbons from the well were led by the United States government and by BP p.l.c., BP Exploration, and their affiliates (collectively, BP). The flow of hydrocarbons from the well ceased on July 15, 2010, and the well was permanently capped on September 19, 2010. Numerous attempts at estimating the volume of oil spilled have been made by various groups, and on August 2, 2010 the federal government published an estimate that approximately 4.9 million barrels of oil were discharged from the well. There were eleven fatalities and a number of injuries as a result of the Macondo well incident.

We are currently unable to fully estimate the impact the Macondo well incident will have on us. The multi-district litigation (MDL) trial referred to below is ongoing. We cannot predict the outcome of the many lawsuits and investigations relating to the Macondo well incident, including orders and rulings of the court that impact the MDL, the results of the MDL trial, the effect that the settlements between BP and the Plaintiffs' Steering Committee (PSC) in the MDL and other settlements may have on claims against us, or whether we might settle with one or more of the parties to any lawsuit or investigation.

During the first quarter of 2013, we increased our reserve relating to the MDL to $1.3 billion based on court-facilitated settlement discussions that had taken place during the first quarter. As of June 30, 2013, our loss contingency for the Macondo well incident, relating to the MDL, remained at $1.3 billion, consisting of a current portion of $278 million included in "Other current liabilities" and a non-current portion of $1.0 billion reflected as "Loss contingency for Macondo well incident" on our condensed consolidated balance sheets. This reserve represents a loss contingency that is probable and for which a reasonable estimate of a loss can be made, although we continue to believe that we have substantial legal arguments and defenses against any liability and that BP's indemnity obligation protects us as described below. This loss contingency does not include potential recoveries from our insurers. We are continuing to participate in court-facilitated settlement discussions to resolve a substantial portion of the private claims pending in the MDL trial. However, the pace of those settlement discussions has recently slowed as we understand BP is challenging certain provisions of its settlement with the PSC, including a recent appeal to the Fifth Circuit Court of Appeals.

Reaching a settlement of the type contemplated by our current discussions involves a complex process, and there can be no assurance as to whether or when we may complete a settlement. In addition, the settlement discussions do not cover all parties and claims relating to the Macondo well incident. Accordingly, there are additional loss contingencies relating to the Macondo well incident that are reasonably possible but for which we cannot make a reasonable estimate. Given the numerous potential developments relating to the MDL and other lawsuits and investigations, which could occur at any time, we may adjust our estimated loss contingency in the future. Liabilities arising out of the Macondo well incident could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

In July 2013, we entered into a settlement agreement with the United States Department of Justice (DOJ) to conclude the federal government's criminal investigation of us in relation to the Macondo well incident. See "DOJ Investigations and Actions" below for more information.

Investigations and Regulatory Action. The United States Coast Guard, a component of the United States Department of Homeland Security, and the Bureau of Ocean Energy Management, Regulation and Enforcement (formerly known as the Minerals Management Service and which was replaced effective October 1, 2011 by two new, independent bureaus – the Bureau of Safety and Environmental Enforcement (BSEE) and the Bureau of Ocean Energy Management), a bureau of the United States Department of the Interior, shared jurisdiction over the investigation into the Macondo well incident and formed a joint investigation team that reviewed information and held hearings regarding the incident (Marine Board Investigation). We were named as one of the 16 parties-in-interest in the Marine Board Investigation. The Marine Board Investigation, as well as investigations of the incident that were conducted by The National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling (National Commission) and the National Academy of Sciences, have been completed, and reports issued as a result of those investigations have been critical of BP, Transocean, and us, among others. For example, one or more of those reports have concluded that primary cement failure was a direct cause of the blowout, that cement testing performed by an independent laboratory “strongly suggests” that the foam cement slurry used on the Macondo well was unstable, and that numerous other oversights and factors caused or contributed to the cause of the incident, including BP's failure to run a cement bond log, BP's and Transocean's failure to properly conduct and interpret a negative-pressure test, the failure of the drilling crew and our surface data logging specialist to recognize that an unplanned influx of oil, natural gas, or fluid into the well was occurring, communication failures among BP, Transocean, and us, and flawed decisions relating to the design, construction, and testing of barriers critical to the temporary abandonment of the well. The U.S. Chemical Safety and Hazard Investigation Board is also conducting an investigation of the incident.

In October 2011, the BSEE issued a notification of Incidents of Noncompliance (INCs) to us for allegedly violating federal regulations relating to the failure to take measures to prevent the unauthorized release of hydrocarbons, the failure to take precautions to keep the Macondo well under control, the failure to cement the well in a manner that would, among other things, prevent the release of fluids into the Gulf of Mexico, and the failure to protect health, safety, property, and the environment as a result of a failure to perform operations in a safe and workmanlike manner. According to the BSEE's notice, we did not ensure an adequate barrier to hydrocarbon flow after cementing the production casing and did not detect the influx of hydrocarbons until they were above the blowout preventer stack. We understand that the regulations in effect at the time of the alleged violations provide for fines of up to $35,000 per day per violation. We have appealed the INCs to the Interior Board of Land Appeals (IBLA). In January 2012, the IBLA, in response to our and the BSEE's joint request, suspended the appeal and ordered us and the BSEE to file notice within 15 days after the conclusion of the MDL and, within 60 days after the MDL court issues a final decision, to file a proposal for further action in the appeal. The BSEE has announced that the INCs will be reviewed for possible imposition of civil penalties once the appeal has ended. The BSEE has stated that this is the first time the Department of the Interior has issued INCs directly to a contractor that was not the well's operator.

The Cementing Job and Reaction to Reports. We disagree with the reports referred to above regarding many of their findings and characterizations with respect to our cementing and surface data logging services, as applicable, on the Deepwater Horizon. We have provided information to the National Commission, its staff, and representatives of the joint investigation team for the Marine Board Investigation that we believe has been overlooked or omitted from their reports, as applicable. We intend to continue to vigorously defend ourselves in any investigation relating to our involvement with the Macondo well that we believe inaccurately evaluates or depicts our services on the Deepwater Horizon.

The cement slurry on the Deepwater Horizon was designed and prepared pursuant to well condition data provided by BP. Regardless of whether alleged weaknesses in cement design and testing are or are not ultimately established, and regardless of whether the cement slurry was utilized in similar applications or was prepared consistent with industry standards, we believe that had BP and Transocean properly interpreted a negative-pressure test, this test would have revealed any problems with the cement. In addition, had BP designed the Macondo well to allow a full cement bond log test or if BP had conducted even a partial cement bond log test, the test likely would have revealed any problems with the cement. BP, however, elected not to conduct any cement bond log tests, and with Transocean misinterpreted the negative-pressure test, both of which could have resulted in remedial action, if appropriate, with respect to the cementing services.

At this time we cannot predict the impact of the investigations or reports referred to above, or the conclusions of future investigations or reports. We also cannot predict whether any investigations or reports will have an influence on or result in us being named as a party in any action alleging liability or violation of a statute or regulation.

We intend to continue to cooperate fully with all hearings, investigations, and requests for information relating to the Macondo well incident. We cannot predict the outcome of, or the costs to be incurred in connection with, any of these hearings or investigations, and therefore we cannot predict the potential impact they may have on us.

DOJ Investigations and Actions. On June 1, 2010, the United States Attorney General announced that the DOJ was launching civil and criminal investigations into the Macondo well incident to closely examine the actions of those involved, and that the DOJ was working with attorneys general of states affected by the Macondo well incident. The DOJ announced that it was reviewing, among other traditional criminal statutes, possible violations of and liabilities under The Clean Water Act (CWA), The Oil Pollution Act of 1990 (OPA), and the Endangered Species Act of 1973 (ESA).

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

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

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

In addition, federal agencies could be precluded from contracting with a company that is sanctioned under law.

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

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

In July 2013, we reached an agreement with the DOJ to conclude the federal government's criminal investigation of us in relation to the Macondo well incident. Pursuant to a cooperation guilty plea agreement, Halliburton Energy Services, Inc., our wholly owned subsidiary (HESI), agreed to plead guilty to one misdemeanor violation of federal law concerning the deletion of certain computer files created after the occurrence of the Macondo well incident. Pursuant to the plea agreement, HESI agreed to pay a criminal fine of $0.2 million within five days of sentencing and agreed to three years' probation. The DOJ has agreed that it will not pursue further criminal prosecution of us (including our subsidiaries) for any conduct relating to or arising out of the Macondo well incident. We have agreed to continue to cooperate with the DOJ in any ongoing investigation related to or arising from the incident. The plea agreement is subject to court approval.

In November 2012, BP announced that it reached an agreement with the DOJ to resolve all federal criminal charges against it stemming from the Macondo well incident. BP agreed to plead guilty to 14 criminal charges, with 13 of those charges based on the negligent misinterpretation of the negative-pressure test conducted on the Deepwater Horizon. BP also agreed to pay $4.0 billion, including approximately $1.3 billion in criminal fines, to take actions to further enhance the safety of drilling operations in the Gulf of Mexico, to a term of five years' probation, and to the appointment of two monitors with four-year terms, one relating to process safety and risk management procedures concerning deepwater drilling in the Gulf of Mexico and one relating to the improvement, implementation, and enforcement of BP's code of conduct.

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

Litigation. Since April 21, 2010, plaintiffs have been filing lawsuits relating to the Macondo well incident. Generally, those lawsuits allege either (1) damages arising from the oil spill pollution and contamination (*e.g.*, diminution of property value, lost tax revenue, lost business revenue, lost tourist dollars, inability to engage in recreational or commercial activities) or (2) wrongful death or personal injuries. We are named along with other unaffiliated defendants in more than 1,500 complaints, most of which are alleged class actions, involving pollution damage claims and at least eight personal injury lawsuits involving four decedents and at least 10 allegedly injured persons who were on the drilling rig at the time of the incident. At least six additional lawsuits naming us and others relate to alleged personal injuries sustained by those responding to the explosion and oil spill. Plaintiffs originally filed the lawsuits described above in federal and state courts throughout the United States. Except for a relatively small number of lawsuits not yet consolidated, the Judicial Panel on Multi-District Litigation ordered all of the lawsuits against us consolidated in the MDL proceeding before Judge Carl Barbier in the United States Eastern District of Louisiana. The pollution complaints generally allege, among other things, negligence and gross negligence, property damages, taking of protected species, and potential economic losses as a result of environmental pollution, and generally seek awards of unspecified economic, compensatory, and punitive damages, as well as injunctive relief. Plaintiffs in these pollution cases have brought suit under various legal provisions, including the OPA, the CWA, The Migratory Bird Treaty Act of 1918, the ESA, the OCSLA, the Longshoremen and Harbor Workers Compensation Act, general maritime law, state common law, and various state environmental and products liability statutes.

Furthermore, the pollution complaints include suits brought against us by governmental entities, including the State of Alabama, the State of Florida, the State of Louisiana, the State of Mississippi, the State of Texas, numerous local governmental entities, three Mexican states and the United Mexican States. Complaints brought against us by at least seven parishes in Louisiana were dismissed with prejudice, and the dismissal is being appealed by those parishes. The wrongful death and other personal injury complaints generally allege negligence and gross negligence and seek awards of compensatory damages, including unspecified economic damages, and punitive damages. We have retained counsel and are investigating and evaluating the claims, the theories of recovery, damages asserted, and our respective defenses to all of these claims.

Judge Barbier is also presiding over a separate proceeding filed by Transocean under the Limitation of Liability Act (Limitation Action). In the Limitation Action, Transocean seeks to limit its liability for claims arising out of the Macondo well incident to the value of the rig and its freight. While the Limitation Action has been formally consolidated into the MDL, the court is nonetheless, in some respects, treating the Limitation Action as an associated but separate proceeding. In February 2011, Transocean tendered us, along with all other defendants, into the Limitation Action. As a result of the tender, we and all other defendants will be treated as direct defendants to the plaintiffs' claims as if the plaintiffs had sued us and the other defendants directly. In the Limitation Action, the judge intends to determine the allocation of liability among all defendants in the hundreds of lawsuits associated with the Macondo well incident, including those in the MDL proceeding that are pending in his court. Specifically, we believe the judge will determine the liability, limitation, exoneration, and fault allocation with regard to all of the defendants in a trial, which is scheduled to occur in at least two phases and which began in February 2013. The first phase of this trial has concluded and covered issues arising out of the conduct and degree of culpability of various parties allegedly relevant to the loss of well control, the ensuing fire and explosion on and sinking of the Deepwater Horizon, and the initiation of the release of hydrocarbons from the Macondo well. The MDL court has projected September 30, 2013 for the beginning of the second phase of this trial, which is scheduled to cover actions relating to attempts to control the flow of hydrocarbons from the well and the quantification of hydrocarbons discharged from the well. Subsequent proceedings would be held to the extent triable issues remain unresolved by the first two phases of the trial, settlements, motion practice, or stipulation. Although the DOJ is participating in the first two phases of the trial with regard to BP's conduct and the amount of hydrocarbons discharged from the well, the MDL court anticipates that the DOJ's civil action for the CWA violations, fines, and penalties will be addressed by the court in a third phase of the trial. We do not believe that a single apportionment of liability in the Limitation Action is properly applied, particularly with respect to gross negligence and punitive damages, to the hundreds of lawsuits pending in the MDL proceeding.

Damages for the cases tried in the MDL proceeding, including punitive damages, are expected to be tried following the phases of the trial described above. Under ordinary MDL procedures, such cases would, unless waived by the respective parties, be tried in the courts from which they were transferred into the MDL. It remains unclear, however, what impact the overlay of the Limitation Action will have on where these matters are tried. Discovery with respect to the second phase of the trial is ongoing.

In April and May 2011, certain defendants in the proceedings described above filed numerous cross claims and third party claims against certain other defendants. BP Exploration and BP America Production Company filed claims against us seeking subrogation, contribution, including with respect to liabilities under the OPA, and direct damages, and alleging negligence, gross negligence, fraudulent conduct, and fraudulent concealment. Transocean filed claims against us seeking indemnification, and subrogation and contribution, including with respect to liabilities under the OPA and for the total loss of the Deepwater Horizon, and alleging comparative fault and breach of warranty of workmanlike performance. Anadarko filed claims against us seeking tort indemnity and contribution, and alleging negligence, gross negligence and willful misconduct, and MOEX Offshore 2007 LLC (MOEX), who had an approximate 10% interest in the Macondo well at the time of the incident, filed a claim against us alleging negligence. Cameron International Corporation (Cameron) (the manufacturer and designer of the blowout preventer), M-I Swaco (provider of drilling fluids and services, among other things), Weatherford U.S. L.P. and Weatherford International, Inc. (together, Weatherford) (providers of casing components, including float equipment and centralizers, and services), and Dril-Quip, Inc. (Dril-Quip) (provider of wellhead systems), each filed claims against us seeking indemnification and contribution, including with respect to liabilities under the OPA in the case of Cameron, and alleging negligence. Additional civil lawsuits may be filed against us. In addition to the claims against us, generally the defendants in the proceedings described above filed claims, including for liabilities under the OPA and other claims similar to those described above, against the other defendants described above. BP has since announced that it has settled those claims between it and each of MOEX, Weatherford, Anadarko, and Cameron. Also, BP and M-I Swaco have dismissed all claims between them.

In April 2011, we filed claims against BP Exploration, BP p.l.c. and BP America Production Company (BP Defendants), M-I Swaco, Cameron, Anadarko, MOEX, Weatherford, Dril-Quip, and numerous entities involved in the post-blowout remediation and response efforts, in each case seeking contribution and indemnification and alleging negligence. Our claims also alleged gross negligence and willful misconduct on the part of the BP Defendants, Anadarko, and Weatherford. We also filed claims against M-I Swaco and Weatherford for contractual indemnification, and against Cameron, Weatherford and Dril-Quip for strict products liability, although the court has since issued orders dismissing all claims asserted against Cameron, Dril-Quip, M-I Swaco and Weatherford in the MDL. We filed our answer to Transocean's Limitation petition denying Transocean's right to limit its liability, denying all claims and responsibility for the incident, seeking contribution and indemnification, and alleging negligence and gross negligence.

Judge Barbier has issued an order, among others, clarifying certain aspects of law applicable to the lawsuits pending in his court. The court ruled that: (1) general maritime law will apply, and therefore all claims brought under state law causes of action were dismissed; (2) general maritime law claims may be brought directly against defendants who are non-“responsible parties” under the OPA with the exception of pure economic loss claims by plaintiffs other than commercial fishermen; (3) all claims for damages, including pure economic loss claims, may be brought under the OPA directly against responsible parties; and (4) punitive damage claims can be brought against both responsible and non-responsible parties under general maritime law. As discussed above, with respect to the ruling that claims for damages may be brought under the OPA against responsible parties, we have not been named as a responsible party under the OPA, but BP Exploration has filed a claim against us for contribution with respect to liabilities incurred by BP Exploration under the OPA.

In September 2011, we filed claims in Harris County, Texas against the BP Defendants seeking damages, including lost profits and exemplary damages, and alleging negligence, grossly negligent misrepresentation, defamation, common law libel, slander, and business disparagement. Our claims allege that the BP Defendants knew or should have known about an additional hydrocarbon zone in the well that the BP Defendants failed to disclose to us prior to our designing the cement program for the Macondo well. The location of the hydrocarbon zones is critical information required prior to performing cementing services and is necessary to achieve desired cement placement. We believe that had the BP Defendants disclosed the hydrocarbon zone to us, we would not have proceeded with the cement program unless it was redesigned, which likely would have required a redesign of the production casing. In addition, we believe that the BP Defendants withheld this information from the report of BP's internal investigation team and from the various investigations discussed above. In connection with the foregoing, we also moved to amend our claims against the BP Defendants in the MDL proceeding to include fraud. The BP Defendants have denied all of the allegations relating to the additional hydrocarbon zone and filed a motion to prevent us from adding our fraud claim in the MDL. In October 2011, our motion to add the fraud claim against the BP Defendants in the MDL proceeding was denied. The court’s ruling does not, however, prevent us from using the underlying evidence in our pending claims against the BP Defendants.

In December 2011, BP filed a motion for sanctions against us alleging, among other things, that we destroyed evidence relating to post-incident testing of the foam cement slurry on the Deepwater Horizon and requesting adverse findings against us. The magistrate judge in the MDL proceeding denied BP’s motion. BP appealed that ruling, and Judge Barbier affirmed the magistrate judge’s decision.

In April 2012, BP announced that it had reached definitive settlement agreements with the PSC to resolve the substantial majority of eligible private economic loss and medical claims stemming from the Macondo well incident. The PSC acts on behalf of individuals and business plaintiffs in the MDL. According to BP, the settlements do not include claims against BP made by the DOJ or other federal agencies or by states and local governments. In addition, the settlements provide that, to the extent permitted by law, BP will assign to the settlement class certain of its claims, rights, and recoveries against Transocean and us for damages, including BP's alleged direct damages such as damages for clean-up expenses and damage to the well and reservoir. We do not believe that our contract with BP Exploration permits the assignment of certain claims to the settlement class without our consent. In April and May, 2012, BP and the PSC filed two settlement agreements and amendments with the MDL court, one agreement addressing economic claims and one agreement addressing medical claims, as well as numerous supporting documents and motions requesting that the court approve, among other things, the certification of the classes for both settlements and a schedule for holding a fairness hearing and approving the settlements. The MDL court has since confirmed certification of the classes for both settlements and granted final approval of the settlements. We objected to the settlements on the grounds set forth above, among other reasons. The MDL court held, however, that we, as a non-settling defendant, lacked standing to object to the settlements but noted that it did not express any opinion as to the validity of BP's assignment of certain claims to the settlement class and that the settlements do not affect any of our procedural or substantive rights in the MDL. We are unable to predict at this time the effect that the settlements may have on claims against us.

In October 2012, the MDL court issued an order dismissing three types of plaintiff claims: (1) claims by or on behalf of owners, lessors, and lessees of real property that allege to have suffered a reduction in the value of real property even though the property was not physically touched by oil and the property was not sold; (2) claims for economic losses based solely on consumers' decisions not to purchase fuel or goods from BP fuel stations and stores based on consumer animosity toward BP; and (3) claims by or on behalf of recreational fishermen, divers, beachgoers, boaters and others that allege damages such as loss of enjoyment of life from their inability to use portions of the Gulf of Mexico for recreational and amusement purposes. The MDL court also noted that we are not liable with respect to those claims under the OPA because we are not a “responsible party” under OPA. A group of plaintiffs appealed the order, but the Fifth Circuit dismissed the appeal.

The first phase of the MDL trial has been completed. At the conclusion of the plaintiffs' case we and the other defendants each submitted a motion requesting the MDL court to dismiss certain claims. In March 2013, the MDL court denied our motion and declined to dismiss any claims, including those alleging gross negligence, against BP, Transocean and us. In addition, the MDL court dismissed all claims against M-I Swaco and claims alleging gross negligence against Cameron. In April 2013, the MDL court dismissed all remaining claims against Cameron, leaving BP, Transocean, and us as the remaining defendants with respect to the first phase of the trial.

Also in March 2013, we advised the MDL court that we recently found a rig sample of dry cement blend collected at another well that was cemented before the Macondo well using the same dry cement blend as used on the Macondo production casing. In April 2013, we advised the MDL parties that we recently discovered some additional documents related to the Macondo well incident. BP and others have asked the court to impose sanctions and adverse findings against us because, according to their allegations, we should have identified the cement sample in 2010 and the additional documents by October 2011. The MDL court has not ruled on the requests for sanctions and adverse findings. We believe that the recent discoveries were the result of simple misunderstandings or mistakes, and that sanctions are not warranted.

Testimony relating to the first phase of the MDL trial has been completed. Parties to the MDL, including the PSC, the States of Louisiana and Alabama, the United States, BP, Transocean and us, have submitted proposed findings of facts and conclusions of law and post-trial briefs with respect to the first phase of the trial.

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

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

In April 2011, we filed a lawsuit against BP Exploration in Harris County, Texas to enforce BP Exploration's contractual indemnity and alleging BP Exploration breached certain terms of the contractual indemnity provision. BP Exploration removed that lawsuit to federal court in the Southern District of Texas, Houston Division. We filed a motion to remand the case to Harris County, Texas, and the lawsuit was transferred to the MDL.

BP Exploration, in connection with filing its claims with respect to the MDL proceeding, asked that court to declare that it is not liable to us in contribution, indemnification, or otherwise with respect to liabilities arising from the Macondo well incident. Other defendants in the litigation discussed above have generally denied any obligation to contribute to any liabilities arising from the Macondo well incident.

In January 2012, the court in the MDL proceeding entered an order in response to our and BP's motions for summary judgment regarding certain indemnification matters. The court held that BP is required to indemnify us for third-party compensatory claims, or actual damages, that arise from pollution or contamination that did not originate from our property or equipment located above the surface of the land or water, even if we are found to be grossly negligent. The court did not express an opinion as to whether our conduct amounted to gross negligence, but we do not believe the performance of our services on the Deepwater Horizon constituted gross negligence. The court also held, however, that BP does not owe us indemnity for punitive damages or for civil penalties under the CWA, if any, and that fraud could void the indemnity on public policy grounds, although the court stated that it was mindful that mere failure to perform contractual obligations as promised does not constitute fraud. As discussed above, the DOJ is not seeking civil penalties from us under the CWA. The court in the MDL proceeding deferred ruling on whether our indemnification from BP covers penalties or fines under the OCSLA, whether our alleged breach of our contract with BP Exploration would invalidate the indemnity, and whether we committed an act that materially increased the risk to or prejudiced the rights of BP so as to invalidate the indemnity. We do not believe that we breached our contract with BP Exploration or committed an act that would otherwise invalidate the indemnity. The court's rulings will be subject to appeal at the appropriate time.

In responding to similar motions for summary judgment between Transocean and BP, the court also held that public policy would not bar Transocean's claim for indemnification of compensatory damages, even if Transocean was found to be grossly negligent. The court also held, among other things, that Transocean's contractual right to indemnity does not extend to punitive damages or civil penalties under the CWA.

The rulings in the MDL proceeding regarding the indemnities are based on maritime law and may not bind the determination of similar issues in lawsuits not comprising a part of the MDL proceeding. Accordingly, it is possible that different conclusions with respect to indemnities will be reached by other courts.

Indemnification for criminal fines or penalties, if any, may not be available if a court were to find such indemnification unenforceable as against public policy. In addition, certain state laws, if deemed to apply, would not allow for enforcement of indemnification for gross negligence, and may not allow for enforcement of indemnification of persons who are found to be negligent with respect to personal injury claims.

In addition to the contractual indemnities discussed above, we have a general liability insurance program of $600 million. Our insurance is designed to cover claims by businesses and individuals made against us in the event of property damage, injury, or death and, among other things, claims relating to environmental damage, as well as legal fees incurred in defending against those claims. We have received and expect to continue to receive payments from our insurers with respect to covered legal fees incurred in connection with the Macondo well incident. Through June 30, 2013, we have incurred legal fees and related expenses of approximately $223 million, of which $190 million has been reimbursed under or is expected to be covered by our insurance program. During the second quarter of 2013, we reached a favorable agreement with some of our insurers which, among other things, allows us to continue to be reimbursed for our covered legal costs. To the extent we incur any losses beyond those covered by indemnification, there can be no assurance that our insurance policies will cover all potential claims and expenses relating to the Macondo well incident. In addition, we may not be insured with respect to civil or criminal fines or penalties, if any, pursuant to the terms of our insurance policies. Insurance coverage can be the subject of uncertainties and, particularly in the event of large claims, potential disputes with insurance carriers, as well as other potential parties claiming insured status under our insurance policies.

BP's public filings indicate that BP has recognized in excess of $40 billion in pre-tax charges, excluding offsets for settlement payments received from certain defendants in the proceedings described above under "Litigation," as a result of the Macondo well incident. BP's public filings also indicate that the amount of, among other things, certain natural resource damages with respect to certain OPA claims, some of which may be included in such charges, cannot be reliably estimated as of the dates of those filings.

Securities and related litigation

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

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

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

In September 2007, the Fund filed a motion for class certification, and our response was filed in November 2007. The district court held a hearing in March 2008, and issued an order November 3, 2008 denying the motion for class certification. The Fund appealed the district court’s order to the Fifth Circuit Court of Appeals. The Fifth Circuit affirmed the district court’s order denying class certification. On May 13, 2010, the Fund filed a writ of certiorari in the United States Supreme Court. In January 2011, the Supreme Court granted the writ of certiorari and accepted the appeal. The Court heard oral arguments in April 2011 and issued its decision in June 2011, reversing the Fifth Circuit ruling that the Fund needed to prove loss causation in order to obtain class certification. The Court’s ruling was limited to the Fifth Circuit’s loss causation requirement, and the case was returned to the Fifth Circuit for further consideration of our other arguments for denying class certification. The Fifth Circuit returned the case to the district court, and in January 2012 the court issued an order certifying the class. We filed a Petition for Leave to Appeal with the Fifth Circuit, which was granted and the case is stayed at the district court pending this appeal. In March 2013, the Fifth Circuit heard oral argument in the appeal. In April 2013, the Fifth Circuit issued an order affirming the District Court's order certifying the class. The case is now pending in the District Court and fact discovery has resumed. In spite of its age, the case is at an early stage, and we cannot predict the outcome or consequences thereof. As of June 30, 2013, we had not accrued any amounts related to this matter because we do not believe that a loss is probable. Further, an estimate of possible loss or range of loss related to this matter cannot be made. We intend to vigorously defend this case.

Investigations

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

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

Since the third quarter of 2011, we have been participating in meetings with the DOJ and the SEC to brief them on the status of our investigation and have been producing documents to them both voluntarily and as a result of SEC subpoenas to us and certain of our current and former officers and employees.

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

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

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

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

Environmental

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

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

In addition to the federal laws and regulations, states and other countries where we do business often have numerous environmental, legal, and regulatory requirements by which we must abide. We evaluate and address the environmental impact of our operations by assessing and remediating contaminated properties in order to avoid future liabilities and comply with environmental, legal, and regulatory requirements. Our Health, Safety, and Environment group has several programs in place to maintain environmental leadership and to help prevent the occurrence of environmental contamination. On occasion, in addition to the matters relating to the Macondo well incident described above, we are involved in other environmental litigation and claims, including the remediation of properties we own or have operated, as well as efforts to meet or correct compliance-related matters. We do not expect costs related to those claims and remediation requirements to have a material adverse effect on our liquidity, consolidated results of operations, or consolidated financial position. Excluding our loss contingency for the Macondo well incident, our accrued liabilities for environmental matters were $70 million as of June 30, 2013 and $72 million as of December 31, 2012. Because our estimated liability is typically within a range and our accrued liability may be the amount on the low end of that range, our actual liability could eventually be well in excess of the amount accrued. Our total liability related to environmental matters covers numerous properties.

In November 2012, we received an Enforcement Notice from the Pennsylvania Department of Environmental Protection (PADEP) regarding an alleged improper disposal of oil field acid in or around Homer City, Pennsylvania between 1999 and 2011. We are currently negotiating with the PADEP to resolve this matter in an amicable manner. We expect the PADEP to assess a penalty in excess of $100,000 and have therefore accrued for an immaterial amount.

Additionally, we have subsidiaries that have been named as potentially responsible parties along with other third parties for eight federal and state Superfund sites for which we have established reserves. As of June 30, 2013, those eight sites accounted for approximately $5 million of our $70 million total environmental reserve. Despite attempts to resolve these Superfund matters, the relevant regulatory agency may at any time bring suit against us for amounts in excess of the amount accrued. With respect to some Superfund sites, we have been named a potentially responsible party by a regulatory agency; however, in each of those cases, we do not believe we have any material liability. We also could be subject to third-party claims with respect to environmental matters for which we have been named as a potentially responsible party.

Guarantee arrangements

In the normal course of business, we have agreements with financial institutions under which approximately $1.9 billion of letters of credit, bank guarantees, or surety bonds were outstanding as of June 30, 2013, including $190 million of surety bonds related to Venezuela. Some of the outstanding letters of credit have triggering events that would entitle a bank to require cash collateralization.

Note 7. Income per Share

Basic income per share is based on the weighted average number of common shares outstanding during the period. Diluted income per share includes additional common shares that would have been outstanding if potential common shares with a dilutive effect had been issued. Differences between basic and diluted weighted average common shares outstanding for all periods presented resulted from the dilutive effect of awards granted under our stock incentive plans.

Excluded from the computation of diluted income per share are options to purchase six million and five million shares of common stock that were outstanding during the three and six months ended June 30, 2013, and ten million and seven million shares of common stock that were outstanding during the three and six months ended June 30, 2012. These options were outstanding but were excluded because they were antidilutive, as the option exercise price was greater than the average market price of the common shares.

Note 8. Fair Value of Financial Instruments

At June 30, 2013, we held $277 million of investments in fixed income securities, with maturities ranging from less than one year to June 2016, compared to $398 million of investments in fixed income securities held at December 31, 2012. These securities are accounted for as available-for-sale and recorded at fair value as follows:

	June 30, 2013			December 31, 2012		
Millions of dollars	Level 1	Level 2	Total	Level 1	Level 2	Total
Fixed Income Securities:						
U.S. treasuries (a)	$ —	$ —	$ —	$ 150	$ —	$ 150
Other (b)	—	277	277	—	248	248
Total	$ —	$ 277	$ 277	$ 150	$ 248	$ 398

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

(b) Of these securities, $146 million are classified as “Other current assets” and $131 million are classified as “Other assets” on our condensed consolidated balance sheets as of June 30, 2013, compared to $120 million classified as “Other current assets” and $128 million classified as “Other assets” as of December 31, 2012. These securities consist primarily of municipal bonds, corporate bonds, and other debt instruments.

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

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

	June 30, 2013				December 31, 2012			
Millions of dollars	Level 1	Level 2	Total fair value	Carrying value	Level 1	Level 2	Total fair value	Carrying value
Long-term debt	$ 1,665	$ 4,292	$ 5,957	$ 4,820	$ 1,112	$ 5,272	$ 6,384	$ 4,820

Our Level 1 debt fair values are calculated using quoted prices in active markets for identical liabilities with transactions occurring on the last two days of period-end. Our Level 2 debt fair values are calculated using significant observable inputs for similar liabilities where estimated values are determined from observable data points on our other bonds and on other similarly rated corporate debt or from observable data points of transactions occurring prior to two days from period-end and adjusting for changes in market conditions. We have no debt measured at fair value using unobservable inputs (Level 3).

Note 9. Revolving Credit Facility

In April 2013, we amended our $2.0 billion five-year revolving credit facility expiring in 2016. The amendment increased the facility from $2.0 billion to $3.0 billion and extended the expiration to 2018. The purpose of the facility is to provide general working capital and credit for other corporate purposes. The full amount of the facility was available as of June 30, 2013.

Note 10. Accounting Standards Recently Adopted

In February 2013, the Financial Accounting Standards Board issued an update to existing guidance on the presentation of comprehensive income. This update requires companies to report the effect of significant reclassifications out of accumulated other comprehensive income (AOCI) by component. For significant items reclassified out of AOCI to net income in their entirety during the reporting period, companies must report the effect on the line items in the statement where net income is presented. For significant items not reclassified to net income in their entirety during the period, companies must provide cross-references in the notes to other disclosures that already provide information about those amounts. We adopted this update effective January 1, 2013 and it did not have a material impact on our condensed consolidated financial statements.

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

EXECUTIVE OVERVIEW

Organization

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

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

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

With over 75,000 employees, we operate in approximately 80 countries around the world, and our corporate headquarters are in Houston, Texas and Dubai, United Arab Emirates.

Financial results

Our consolidated revenue for the second quarter of 2013 was $7.3 billion, a quarterly record for us. We also achieved record revenues within our Baroid, Cementing, Completion Tools, Multi-Chem, and Testing and Subsea product service lines. Additionally, during the second quarter of 2013, our international revenue comprised approximately 48% of our total company revenues. The percentage of our revenue that relates to our international operations has been steadily increasing and is representative of our ongoing strategy to grow our international business and balance our geographic mix.

During the first half of 2013, we produced revenue of $14.3 billion and operating income of $886 million. Revenue increased $189 million from the first half of 2012 primarily due to increased activity in all of our international regions and the Gulf of Mexico. This was partially offset by lower activity levels and pricing pressure in the United States land market for drilling and completions product lines. The first half of 2013 results were negatively impacted by a $1.0 billion, pre-tax, reserve related to the Macondo well incident, while the first half of 2012 results were negatively impacted by a $300 million, pre-tax, reserve related to the Macondo well incident.

Business outlook

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

In North America, the industry has experienced an activity shift from natural gas plays to oil and liquids-rich basins due to low natural gas prices resulting from continued strong natural gas production. As a result, operators have been optimizing their budgets by focusing on basins with better economics. We anticipate activity levels will improve over the course of the year through a combination of seasonal recoveries and continued drilling efficiencies. In addition, we are observing a meaningful switch to multi-well pad activity among our customer base. We believe these incremental drilling efficiency gains will provide for higher service intensity.

Outside of North America, revenue and operating income increased by 17% and 13% in the first half of 2013 compared to the first half of 2012. We expect to see gradual activity and pricing improvements in those international markets where we have made strategic investments in capital and technologies. We also believe that new international unconventional oil and natural gas projects may contribute to activity improvements for the remainder of 2013.

We are continuing to execute several key initiatives in 2013. These initiatives include increasing manufacturing production in the Eastern Hemisphere and reinventing our service delivery platform to lower our delivery costs.

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

Financial markets, liquidity, and capital resources

The global financial markets can potentially create additional risks for our business. We believe we have invested our cash balances conservatively and secured sufficient financing to help mitigate any near-term negative impact on our operations. For additional information, see “Liquidity and Capital Resources” and “Business Environment and Results of Operations.”

LIQUIDITY AND CAPITAL RESOURCES

We ended the second quarter of 2013 with cash and equivalents of $1.4 billion, compared to $2.5 billion at the end of 2012. As of June 30, 2013, approximately $260 million of the $1.4 billion of cash and equivalents was held by our foreign subsidiaries that would be subject to tax if repatriated. If these funds are needed for our operations in the United States, we would be required to accrue and pay United States taxes to repatriate these funds. However, our intent is to permanently reinvest these funds outside of the United States and our current plans do not demonstrate a need to repatriate them to fund our United States operations. At June 30, 2013, we also held $277 million of investments in fixed income securities compared to $398 million at December 31, 2012. These securities are reflected in "Other current assets" and "Other assets" in our condensed consolidated balance sheets.

Significant sources and uses of cash

Cash flows from operating activities were $1.5 billion in the first half of 2013.

Capital expenditures were $1.4 billion in the first half of 2013, and were predominantly made in our Production Enhancement, Boots and Coots, Wireline and Perforating, Sperry Drilling, and Cementing product service lines.

We repurchased approximately 24 million shares of our common stock during the first half of 2013 under our share repurchase program at a cost of approximately $1.0 billion, exclusive of repurchases with cash settlements in July 2013.

During the first half of 2013, our primary components of working capital (receivables, inventories, and accounts payable) increased by a net $540 million, primarily due to increased business activity.

We paid $231 million in dividends to our shareholders in the first half of 2013.

In January 2013, we made a $219 million payment under a guarantee we issued for the Barracuda-Caratinga project.

In April 2013, we made a $172 million earn-out payment related to a prior year acquisition due to significantly better than expected operating performance.

During the first half of 2013, we sold $122 million of investment securities, net of investment securities purchased.

Future uses of cash. Capital spending for 2013 is expected to be approximately $3.0 billion. The capital expenditures plan for 2013 is primarily directed toward our Production Enhancement, Boots and Coots, Sperry Drilling, Wireline and Perforating, and Cementing product service lines with less capital to be directed toward the North America pressure pumping market.

On July 18, 2013, our board of directors increased the authorization to purchase our common stock by $4.3 billion, to a new total repurchase capacity of $5.0 billion. On July 26, 2013, we commenced an offer to purchase for cash shares of our common stock for an aggregate purchase price of not more than $3.3 billion, at a per share purchase price of not less than $42.50 per share nor greater than $48.50 per share, pursuant to a “modified Dutch auction” procedure. The tender offer will expire at 11:59 p.m., New York City time, on August 22, 2013, unless extended or terminated by us. The tender offer is subject to the satisfaction or waiver of a number of conditions, including that we enter into one or more new debt financing arrangements that collectively result in our receipt of net proceeds that are sufficient to fund a substantial portion of the aggregate purchase price of the shares we intend to purchase in the tender offer.

Subject to Board of Directors approval, we expect to pay dividends representing approximately 15% to 20% of our net income on an annual basis, subject to adjustment for potential one-time items. Currently, our dividend rate is $0.125 per common share, or approximately $116 million per quarter.

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

Other factors affecting liquidity

Guarantee agreements. In the normal course of business, we have agreements with financial institutions under which an aggregate of approximately $1.9 billion of letters of credit, bank guarantees, or surety bonds were outstanding as of June 30, 2013. Some of the outstanding letters of credit have triggering events that would entitle a bank to require cash collateralization.

Financial position in current market. As of June 30, 2013, we had $1.4 billion of cash and equivalents, $277 million in fixed income investments, and a total of $3.0 billion of available committed bank credit under our revolving credit facility. Reflecting the growth of our company, in April 2013, we executed an amendment to our revolving credit facility, which increased the capacity from $2.0 billion to $3.0 billion and extended the maturity to 2018. Furthermore, we have no financial covenants or material adverse change provisions in our bank agreements, and our debt maturities extend over a long period of time. Although a portion of earnings from our foreign subsidiaries is reinvested outside the United States indefinitely, we do not consider this to have a significant impact on our liquidity. We currently believe that our capital expenditures, working capital investments, and dividends, if any, during the remainder of 2013 can be fully funded through cash from operations.

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

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

Customer receivables. In line with industry practice, we bill our customers for our services in arrears and are, therefore, subject to our customers delaying or failing to pay our invoices. In weak economic environments, we may experience increased delays and failures to pay our invoices due to, among other reasons, a reduction in our customers' cash flow from operations and their access to the credit markets. For example, we continue to see delays in receiving payment on our receivables from one of our primary customers in Venezuela. Our total outstanding trade receivables in Venezuela at June 30, 2013 were $451 million, which represents approximately 7% of our gross trade receivables at that date. If our customers delay paying or fail to pay us a significant amount of our outstanding receivables, it could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition. See "Business Environment and Results of Operations – International Operations" for further discussion related to Venezuela.

BUSINESS ENVIRONMENT AND RESULTS OF OPERATIONS

We operate in approximately 80 countries to provide a comprehensive range of discrete and integrated services and products to the energy industry. The majority of our consolidated revenue is derived from the sale of services and products to major, national, and independent oil and natural gas companies worldwide. We serve the upstream oil and natural gas industry throughout the lifecycle of the reservoir, from locating hydrocarbons and managing geological data, to drilling and formation evaluation, well construction and completion, and optimizing production through the life of the field. Our two business segments are the Completion and Production segment and the Drilling and Evaluation segment. The industry we serve is highly competitive with many substantial competitors in each segment. In the first half of 2013, based upon the location of the services provided and products sold, 49% of our consolidated revenue was from the United States. In the first half of 2012, 56% of our consolidated revenue was from the United States. No other country accounted for more than 10% of our revenue during these periods.

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

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

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

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

	Three Months Ended June 30		Year Ended December 31
Average Oil Prices (dollars per barrel)	2013	2012	2012
West Texas Intermediate	$ 94.09	$ 93.73	$ 94.15
United Kingdom Brent	102.74	108.92	111.60
Average United States Natural Gas Prices (dollars per thousand cubic feet, or Mcf)			
Henry Hub	$ 4.01	$ 2.26	$ 2.81

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

	Three Months Ended June 30		Six Months Ended June 30	
Land vs. Offshore	2013	2012	2013	2012
United States:				
Land	1,709	1,924	1,708	1,936
Offshore (incl. Gulf of Mexico)	52	46	52	44
Total	1,761	1,970	1,760	1,980
Canada:				
Land	152	171	344	381
Offshore	2	2	2	2
Total	154	173	346	383
International (excluding Canada):				
Land	974	923	966	901
Offshore	332	306	324	308
Total	1,306	1,229	1,290	1,209
Worldwide total	3,221	3,372	3,396	3,572
Land total	2,835	3,018	3,018	3,218
Offshore total	386	354	378	354

	Three Months Ended June 30		Six Months Ended June 30	
Oil vs. Natural Gas	2013	2012	2013	2012
United States (incl. Gulf of Mexico):				
Oil	1,398	1,372	1,365	1,317
Natural gas	363	598	395	663
Total	1,761	1,970	1,760	1,980
Canada:				
Oil	95	118	247	271
Natural gas	59	55	99	112
Total	154	173	346	383
International (excluding Canada):				
Oil	1,026	980	1,023	961
Natural gas	280	249	267	248
Total	1,306	1,229	1,290	1,209
Worldwide total	3,221	3,372	3,396	3,572
Oil total	2,519	2,470	2,635	2,549
Natural gas total	702	902	761	1,023

	Three Months Ended June 30		Six Months Ended June 30	
Drilling Type	2013	2012	2013	2012
United States (incl. Gulf of Mexico):				
Horizontal	1,088	1,169	1,108	1,170
Vertical	455	569	448	585
Directional	218	232	204	225
Total	1,761	1,970	1,760	1,980

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

WTI oil spot prices fluctuated throughout 2012 between a low of $78 per barrel to a high of $109 per barrel. Brent oil spot prices fluctuated between a low of $89 per barrel to a high of $128 per barrel during this same period. During the first half of 2013, WTI oil spot prices ranged between $87 per barrel and $98 per barrel, while Brent oil spot prices ranged between $97 per barrel and $119 per barrel. Oil prices were somewhat stable during the first half of 2013 as uncertainty surrounding the global economic outlook negatively impacted demand and continued strong oil production in North America helped to counter volatility in the Middle East and North Africa. Since June 2013, a number of factors have contributed to significant decreases in oil supply resulting in significant increases in the WTI and Brent oil spot prices. These factors include mounting unrest and attacks in Libya, Nigeria, and Iraq, turmoil in Egypt, and production disruptions in North America caused by refinery maintenance and flooding in the Alberta oil sands. The outlook for world petroleum demand for the remainder of 2013 appears mixed, with the International Energy Agency's July 2013 "Oil Market Report" forecasting 2013 demand to increase approximately 1% over 2012 levels.

Natural gas prices in the United States have increased approximately 54% from the first half of 2012 due to an increase in storage withdrawals due to colder temperatures in the early part of 2013, as well as higher natural gas demand for industrial purposes. The United States Energy Information Administration's July 2013 "Short Term Energy Outlook" forecasts an increase in natural gas consumption in the industrial sector and for residential and commercial space heating, but also forecasts a decline in natural gas demand for electricity generation. We foresee significant natural gas price constraints in the near-term as natural gas competes as a fuel source in the power generation market.

In spite of this tempered outlook, we believe that, over the long term, hydrocarbon demand will generally increase. Increased demand, combined with the underlying trends of smaller and more complex reservoirs, high depletion rates, and the need for continual reserve replacement, should drive the long-term need for our services and products.

North America operations

Volatility in oil and natural gas prices can impact our customers' drilling and production activities, particularly in North America. For the first half of 2013, the average natural gas directed rig count fell by 281 rigs, or 36%, from the first half of 2012. The curtailment of natural gas drilling activity along with an influx of stimulation equipment into the industry have resulted in overcapacity and pricing pressure for hydraulic fracturing services, which we expect to persist for the remainder of 2013. Despite a relatively flat rig count in North America as compared to the first half of 2012, drilling efficiencies and the trend toward multi-well pads are driving a more robust well count. Additionally, we are seeing operators, in some cases, increasing the number of stages on horizontal wells. We believe that the resulting increase in the well and stage counts could absorb a meaningful percentage of the excess hydraulic fracturing horsepower and help drive service intensity across our product service lines. In the long run, we believe the shift to unconventional oil and liquids-rich basins in North America will also continue to drive increased service intensity and will require advanced fluid chemistries and other technologies which will ultimately benefit our operations.

In the Gulf of Mexico, improvements in the performance of many of our product service lines in this region was due to a 18% increase in the offshore rig count from the first half of 2012, in addition to the efficiencies and integrated solutions we offer that save our customers time and enhance productivity. We anticipate strong revenue and profit growth in the Gulf of Mexico for the remainder of the year as additional deepwater rigs arrive and more rigs move to the completions cycle. Over the long term, continued growth in the Gulf of Mexico is dependent on, among other things, governmental approvals for permits, our customers' actions, and new deepwater rigs entering the market.

International operations

The industry experienced steady volume increases during 2012, which have led to meaningful absorption of equipment supply, and we are now seeing opportunities for price improvements in select geographies. We anticipate that activity increases will remain steady as we believe that operator spending outlook will be impacted by ongoing macroeconomic concerns. We also believe that international unconventional oil and natural gas and deepwater projects will contribute to activity improvements over the long term, and we plan to leverage our extensive experience in North America to optimize these opportunities. During the first half of 2013, revenue outside of North America increased 17% and operating income outside of North America increased 13% from the first half of 2012.

We will continue to focus on expanding our global portfolio in deepwater, mature fields, and unconventionals and expect stronger revenues and margins during the second half of 2013. Consistent with our long-term strategy to grow our operations outside of North America, we also expect to continue to invest in capital equipment for our international operations.

Venezuela. As of June 30, 2013, our total net investment in Venezuela was approximately $357 million, including net monetary assets of $91 million denominated in Bolívar Fuerte. Our total outstanding trade receivables in Venezuela were $451 million, or approximately 7% of our gross trade receivables, as of June 30, 2013, compared to $491 million, or approximately 9% of our gross trade receivables, as of December 31, 2012. We continue to see delays in receiving payment on our receivables from our primary customer in Venezuela. In addition, at June 30, 2013 we had $190 million of surety bond guarantees outstanding relating to our Venezuelan operations.

In February 2013, the Venezuelan government announced a devaluation of the Bolívar Fuerte, from the preexisting exchange rate of 4.3 Bolívar Fuertes per United States dollar to 6.3 Bolívar Fuertes per United States dollar, resulting in us incurring a foreign currency loss. However, the net foreign currency impact of Bolívar Fuertes activity in the first quarter of 2013 was not material, though further devaluation of the Bolívar Fuerte could impact our operations. For additional information, see Part I, Item 1(a), “Risk Factors” in our 2012 Annual Report on Form 10-K.

Initiatives

Following is a brief discussion of some of our recent and current initiatives:

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

Table of Contents

RESULTS OF OPERATIONS IN 2013 COMPARED TO 2012

Three Months Ended June 30, 2013 Compared with Three Months Ended June 30, 2012

REVENUE:	Three Months Ended June 30		Favorable	Percentage
Millions of dollars	2013	2012	(Unfavorable)	Change
Completion and Production	$ 4,363	$ 4,460	$ (97)	(2)%
Drilling and Evaluation	2,954	2,774	180	6
Total revenue	$ 7,317	$ 7,234	$ 83	1 %
By geographic region:				
Completion and Production:				
North America	$ 2,876	$ 3,167	$ (291)	(9)%
Latin America	391	340	51	15
Europe/Africa/CIS	576	551	25	5
Middle East/Asia	520	402	118	29
Total	4,363	4,460	(97)	(2)
Drilling and Evaluation:				
North America	926	973	(47)	(5)
Latin America	553	539	14	3
Europe/Africa/CIS	723	605	118	20
Middle East/Asia	752	657	95	14
Total	2,954	2,774	180	6
Total revenue by region:				
North America	3,802	4,140	(338)	(8)
Latin America	944	879	65	7
Europe/Africa/CIS	1,299	1,156	143	12
Middle East/Asia	1,272	1,059	213	20

OPERATING INCOME:	Three Months Ended June 30		Favorable	Percentage
Millions of dollars	2013	2012	(Unfavorable)	Change
Completion and Production	$ 732	$ 914	$ (182)	(20)%
Drilling and Evaluation	415	393	22	6
Corporate and other	(163)	(106)	(57)	54
Total operating income	$ 984	$ 1,201	$ (217)	(18)%
By geographic region:				
Completion and Production:				
North America	$ 517	$ 691	$ (174)	(25)%
Latin America	48	54	(6)	(11)
Europe/Africa/CIS	74	95	(21)	(22)
Middle East/Asia	93	74	19	26
Total	732	914	(182)	(20)
Drilling and Evaluation:				
North America	149	166	(17)	(10)
Latin America	53	84	(31)	(37)
Europe/Africa/CIS	87	64	23	36
Middle East/Asia	126	79	47	59
Total	415	393	22	6
Total operating income by region (excluding Corporate and other):				
North America	666	857	(191)	(22)
Latin America	101	138	(37)	(27)
Europe/Africa/CIS	161	159	2	1
Middle East/Asia	219	153	66	43

Revenue was relatively flat when comparing the second quarter of 2013 to the second quarter of 2012. Our international regions experienced increases in revenue, with Europe/Africa and Middle East/Asia setting revenue records for those regions. These increases were offset by activity decreases in North America. On a consolidated basis, a majority of our product service lines experienced revenue growth from the second quarter of 2012. Revenue outside of North America was 48% of consolidated revenue in the second quarter of 2013 and 43% of consolidated revenue in the second quarter of 2012.

The 18% decrease in consolidated operating income during the second quarter of 2013 compared to the second quarter of 2012 was primarily due to production enhancement services in the United States land market which experienced continued pricing pressure and a decline in activity.

Completion and Production consolidated revenue in the second quarter of 2013 fell 2% compared to the second quarter of 2012 due to reduced activity in North America. North America revenue decreased 9% compared to the second quarter of 2012 as a result of continued pricing pressure in production enhancement services in the United States. Latin America revenue improved 15% due to increased completion tools sales in Brazil and increased activity for both production enhancement in Argentina and Boots & Coots in Mexico. Europe/Africa/CIS revenue was up 5%, driven by increased production enhancement activity in Norway and Russia and increased cementing activities in Norway and Nigeria, partially offset by a decrease in pressure pumping activities in Angola. Middle East/Asia revenue grew 29%, primarily due to higher activity levels in Malaysia, Saudi Arabia, and Australia, partially offset by lower completion tools sales in Indonesia. Revenue outside of North America was 34% of total segment revenue in the second quarter of 2013 and 29% of total segment revenue in the second quarter of 2012.

Completion and Production operating income declined by 20%, and North America operating income decreased 25% compared to the second quarter of 2012 due to price erosion and decline in activity for production enhancement services in the United States land market. Latin America operating income declined by 11% due to decreased activity for production enhancement services in Mexico, which more than offset the improved profitability of production enhancements services in Argentina and increased completion tools sales in Brazil. Europe/Africa/CIS operating income fell 22% due to increased cementing costs in Norway along with decreases in Boots & Coots activity in Angola and Kazakhstan, which more than offset increased cementing activity in Nigeria. Middle East/Asia operating income grew 26% led by an increase in demand for completion tools in Malaysia and increased production enhancement activity in Australia, Malaysia, and Iraq, which were partially offset by increased Boots & Coots related costs in Saudi Arabia.

Drilling and Evaluation revenue was up 6% compared to the second quarter of 2012, with revenue growth across a majority of our product service lines. North America revenue decreased 5%, as drilling and wireline activities declined in United States land market, which more than offset increased demand in drilling services in Canada and the Gulf of Mexico. Latin America revenue improved 3%, driven by higher drilling activity in Brazil and Mexico, which was partially offset by lower drilling activities in Colombia. Europe/Africa/CIS revenue increased 20% due to higher drilling activity in Norway, Azerbaijan, and Russia, along with increased fluid and wireline services in Angola. These increases were partially offset by lower activity levels in Algeria and Tanzania. Middle East/Asia revenue grew 14%, led by increased activity levels in Saudi Arabia and Indonesia, increased logging services in Malaysia, and increased drilling services in China and Kuwait. These increases were partially offset by the decrease of direct sales in China. Revenue outside of North America was 69% of total segment revenue in the second quarter of 2013 and 65% of total segment revenue in the second quarter of 2012.

Drilling and Evaluation operating income improved 6% compared to the second quarter of 2012, as we experienced strong growth in the eastern hemisphere which more than offset a reduction of activity in North America. North America operating income decreased by 10% as a result of lower demands of our drilling services in the United States land market. Latin America operating income declined 37% as a result of lower drilling activity in Columbia and increased costs in Brazil, which more than offset increased drilling activity in Mexico. Europe/Africa/CIS operating income was up by 36% as a result of an increased demand for fluids in Norway and Angola, increased drilling services in Azerbaijan, and increased testing activity in Equatorial Guinea. These increases more than offset activity declines in Tanzania. Middle East/Asia operating income grew 59%, driven by drilling services demand increases in China and additional wireline work in Malaysia, which more than offset lower direct sales in China.

Corporate and other in 2013 includes a $55 million charitable contribution made to the National Fish and Wildlife Foundation, reflecting our commitment to making a positive environmental impact and a strong commitment to our local communities.

NONOPERATING ITEMS

Effective tax rate. Our effective tax rate was 28.4% for the three months ended June 30, 2013 and 32.3% for the three months ended June 30, 2012. The effective tax rate on continuing operations for the three months ended June 30, 2013 was positively impacted by lower tax rates in certain foreign jurisdictions, as we continue to reposition our technology, supply chain, and manufacturing infrastructure to more effectively serve our international customers.

Six Months Ended June 30, 2013 Compared with Six Months Ended June 30, 2012

REVENUE:	Six Months Ended June 30		Favorable	Percentage
Millions of dollars	2013	2012	(Unfavorable)	Change
Completion and Production	$ 8,463	$ 8,750	$ (287)	(3)%
Drilling and Evaluation	5,828	5,352	476	9
Total revenue	$ 14,291	$ 14,102	$ 189	1 %
By geographic region:				
Completion and Production:				
North America	$ 5,621	$ 6,349	$ (728)	(11)%
Latin America	746	646	100	15
Europe/Africa/CIS	1,108	1,007	101	10
Middle East/Asia	988	748	240	32
Total	8,463	8,750	(287)	(3)
Drilling and Evaluation:				
North America	1,887	1,959	(72)	(4)
Latin America	1,143	1,013	130	13
Europe/Africa/CIS	1,378	1,161	217	19
Middle East/Asia	1,420	1,219	201	16
Total	5,828	5,352	476	9
Total revenue by region:				
North America	7,508	8,308	(800)	(10)
Latin America	1,889	1,659	230	14
Europe/Africa/CIS	2,486	2,168	318	15
Middle East/Asia	2,408	1,967	441	22

OPERATING INCOME:	Six Months Ended June 30		Favorable	Percentage
Millions of dollars	2013	2012	(Unfavorable)	Change
Completion and Production	$ 1,347	$ 1,950	$ (603)	(31)%
Drilling and Evaluation	822	761	61	8
Corporate and other	(1,283)	(487)	(796)	163
Total operating income	$ 886	$ 2,224	$ (1,338)	(60)%
By geographic region:				
Completion and Production:				
North America	$ 949	$ 1,562	$ (613)	(39)%
Latin America	76	109	(33)	(30)
Europe/Africa/CIS	138	152	(14)	(9)
Middle East/Asia	184	127	57	45
Total	1,347	1,950	(603)	(31)
Drilling and Evaluation:				
North America	322	356	(34)	(10)
Latin America	134	151	(17)	(11)
Europe/Africa/CIS	144	104	40	38
Middle East/Asia	222	150	72	48
Total	822	761	61	8
Total operating income by region				
(excluding Corporate and other):				
North America	1,271	1,918	(647)	(34)
Latin America	210	260	(50)	(19)
Europe/Africa/CIS	282	256	26	10
Middle East/Asia	406	277	129	47

Consolidated revenue in the first half of 2013 was flat compared to the first half of 2012, as activity growth across all international regions was partially offset by pricing pressure and lower demand in North America, particularly for production enhancement services. Revenue outside of North America was 47% of consolidated revenue in the first half of 2013 and 41% of consolidated revenue in the first half of 2012.

The $1.3 billion decrease in consolidated operating income in the first half of 2013 compared to the first half of 2012 was primarily due to a $1.0 billion, pre-tax, loss contingency related to the Macondo well incident that was recorded in the first quarter of 2013, compared to a $300 million, pre-tax, Macondo-related loss contingency recorded in the first quarter of 2012. Additionally, we experienced reduced activity levels and pricing constraints in North America, which were partially offset by strong results in our international regions.

Completion and Production revenue decreased 3% from the first half of 2012 due to reduced stimulation and cementing demand in North America, which was partially offset by strong international revenue. North America revenue decreased 11% from the first half of 2012 as a result of the downturn in the United States hydraulic fracturing market. Latin America revenue increased 15% due to increased completion tools sales in Brazil and higher unconventional stimulation activity in Mexico. Europe/Africa/CIS revenue increased 10%, driven by higher cementing and stimulation activity in Norway and Russia and increased completion tools sales in the United Kingdom and Angola. Middle East/Asia revenue increased 32% due to higher activity for all product service lines in Australia and Saudi Arabia and increased completion tools sales in Malaysia. Revenue outside of North America was 34% of total segment revenue in the first half of 2013 and 27% of total segment revenue in the first half of 2012.

Completion and Production operating income decreased 31% compared to the first half of 2012, as pricing pressure and reduced operator activities continued to impact production enhancement margins in North America. North America operating income decreased 39% as a result of reduced profitability for stimulation activities in the United States land market. Latin America operating income decreased 30% due to increased costs for stimulation services in Mexico and cementing services throughout the region. Europe/Africa/CIS operating income decreased 9%, primarily due to higher costs for Boots & Coots in Africa, Kazakhstan, and Russia, which were partially offset by increased completion tools sales in Angola and higher demand for cementing services in Nigeria. Middle East/Asia operating income increased 45% due to higher activity across most product service lines in Australia, increased completion tools sales in Malaysia, higher cementing activity in Indonesia, and improved profitability in Iraq.

Drilling and Evaluation revenue increased 9% compared to the first half of 2012 on the strength of international drilling activity. North America revenue decreased 4%, as drilling and wireline activity declines in the United States land market were partially offset by higher drilling activity in the Gulf of Mexico and Canada. Latin America revenue increased 13% as a result of higher drilling and fluids demand in Mexico and Brazil. Europe/Africa/CIS revenue increased 19%, primarily due to increased demand for fluids in Norway and Angola and higher drilling activity in Azerbaijan, Russia, and Norway, which were partially offset by reduced overall activity in Algeria and Tanzania. Middle East/Asia revenue increased 16% due to higher activity levels in Saudi Arabia and Indonesia, increased wireline demand in Malaysia, and improved fluid sales throughout most of the region. Revenue outside of North America was 68% of total segment revenue in the first half of 2013 and 63% of total segment revenue in the first half of 2012.

Drilling and Evaluation operating income increased 8% compared to the first half of 2012, as strong growth in our international regions more than offset lower profitability in North America. North America operating income decreased 10%, as lower demand for drilling and wireline and perforating services in the United States land market more than offset higher drilling activity in the Gulf of Mexico. Latin America operating income decreased 11% due to higher costs in Brazil and Argentina and lower drilling activity in Colombia, which more than offset higher drilling activity in Mexico. Europe/Africa/CIS operating income increased 38%, as higher demand for drilling services in Azerbaijan and Russia and increased fluid sales in Norway and Angola more than offset lower drilling and wireline activity in Tanzania. Middle East/Asia operating income increased 48% as a result of higher demand for drilling services in China, Southeast Asia, and Kuwait, increased demand and lower costs for wireline services in Malaysia, and improved profitability in Iraq.

Corporate and other expenses were $1.3 billion in the first half of 2013 compared to $487 million in the first half of 2012. The significant increase was due to a $1.0 billion, pre-tax, Macondo-related loss contingency that was recorded in the first quarter of 2013, compared to a $300 million, pre-tax, Macondo-related loss contingency recorded in the first quarter of 2012. Also, a $55 million charitable contribution was made to the National Fish and Wildlife Foundation, reflecting our commitment to making a positive environmental impact and a strong commitment to our local communities.

NONOPERATING ITEMS

Effective tax rate. Our effective tax rate was 11.7% for the six months ended June 30, 2013 and 32.3% for the six months ended June 30, 2012. The effective tax rate on continuing operations for the six months ended June 30, 2013 was positively impacted by federal tax benefits of approximately $50 million due to the reinstatement of certain tax benefits and credits related to the enactment during the first quarter of the American Taxpayer Relief Act of 2012. However, our effective tax rate experienced an unusual alteration when we recorded a $1.0 billion, pre-tax, loss contingency related to the Macondo well incident in the first quarter of 2013. Additionally, our effective tax rate was impacted by lower tax rates in certain foreign jurisdictions, as we continue to reposition our technology, supply chain, and manufacturing infrastructure to more effectively serve our international customers.

ENVIRONMENTAL MATTERS

We are subject to numerous environmental, legal, and regulatory requirements related to our operations worldwide. For information related to environmental matters, see Note 6 to the condensed consolidated financial statements, Part II, Item 1, “Legal Proceedings” and Part II, Item 1(a), "Risk Factors."

FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 provides safe harbor provisions for forward-looking information. Forward-looking information is based on projections and estimates, not historical information. Some statements in this Form 10-Q are forward-looking and use words like “may,” “may not,” “believes,” “do not believe,” “plans,” “estimates,” “intends,” “expects,” “do not expect,” “anticipates,” “do not anticipate,” “should,” “likely,” and other expressions. We may also provide oral or written forward-looking information in other materials we release to the public. Forward-looking information involves risk and uncertainties and reflects our best judgment based on current information. Our results of operations can be affected by inaccurate assumptions we make or by known or unknown risks and uncertainties. In addition, other factors may affect the accuracy of our forward-looking information. As a result, no forward-looking information can be guaranteed. Actual events and the results of our operations may vary materially.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For quantitative and qualitative disclosures about market risk, see Part II, Item 7(a), “Quantitative and Qualitative Disclosures About Market Risk,” in our 2012 Annual Report on Form 10-K. Our exposure to market risk has not changed materially since December 31, 2012.

Item 4. Controls and Procedures

In accordance with the Securities Exchange Act of 1934 Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2013 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There has been no change in our internal control over financial reporting that occurred during the three months ended June 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Macondo well incident

Overview. The semisubmersible drilling rig, Deepwater Horizon, sank on April 22, 2010 after an explosion and fire onboard the rig that began on April 20, 2010. The Deepwater Horizon was owned by Transocean Ltd. and had been drilling the Macondo exploration well in Mississippi Canyon Block 252 in the Gulf of Mexico for the lease operator, BP Exploration & Production, Inc. (BP Exploration), an indirect wholly owned subsidiary of BP p.l.c. We performed a variety of services for BP Exploration, including cementing, mud logging, directional drilling, measurement-while-drilling, and rig data acquisition services. Crude oil flowing from the well site spread across thousands of square miles of the Gulf of Mexico and reached the United States Gulf Coast. Efforts to contain the flow of hydrocarbons from the well were led by the United States government and by BP p.l.c., BP Exploration, and their affiliates (collectively, BP). The flow of hydrocarbons from the well ceased on July 15, 2010, and the well was permanently capped on September 19, 2010. Numerous attempts at estimating the volume of oil spilled have been made by various groups, and on August 2, 2010 the federal government published an estimate that approximately 4.9 million barrels of oil were discharged from the well. There were eleven fatalities and a number of injuries as a result of the Macondo well incident.

We are currently unable to fully estimate the impact the Macondo well incident will have on us. The multi-district litigation (MDL) trial referred to below is ongoing. We cannot predict the outcome of the many lawsuits and investigations relating to the Macondo well incident, including orders and rulings of the court that impact the MDL, the results of the MDL trial, the effect that the settlements between BP and the Plaintiffs' Steering Committee (PSC) in the MDL and other settlements may have on claims against us, or whether we might settle with one or more of the parties to any lawsuit or investigation.

During the first quarter of 2013, we increased our reserve relating to the MDL to $1.3 billion based on court-facilitated settlement discussions that had taken place during the first quarter. As of June 30, 2013, our loss contingency for the Macondo well incident, relating to the MDL, remained at $1.3 billion, consisting of a current portion of $278 million included in "Other current liabilities" and a non-current portion of $1.0 billion reflected as "Loss contingency for Macondo well incident" on our condensed consolidated balance sheets. This reserve represents a loss contingency that is probable and for which a reasonable estimate of a loss can be made, although we continue to believe that we have substantial legal arguments and defenses against any liability and that BP's indemnity obligation protects us as described below. This loss contingency does not include potential recoveries from our insurers. We are continuing to participate in court-facilitated settlement discussions to resolve a substantial portion of the private claims pending in the MDL trial. However, the pace of those settlement discussions has recently slowed as we understand BP is challenging certain provisions of its settlement with the PSC, including a recent appeal to the Fifth Circuit Court of Appeals.

Reaching a settlement of the type contemplated by our current discussions involves a complex process, and there can be no assurance as to whether or when we may complete a settlement. In addition, the settlement discussions do not cover all parties and claims relating to the Macondo well incident. Accordingly, there are additional loss contingencies relating to the Macondo well incident that are reasonably possible but for which we cannot make a reasonable estimate. Given the numerous potential developments relating to the MDL and other lawsuits and investigations, which could occur at any time, we may adjust our estimated loss contingency in the future. Liabilities arising out of the Macondo well incident could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

In July 2013, we entered into a settlement agreement with the United States Department of Justice (DOJ) to conclude the federal government's criminal investigation of us in relation to the Macondo well incident. See "DOJ Investigations and Actions" below for more information.

Investigations and Regulatory Action. The United States Coast Guard, a component of the United States Department of Homeland Security, and the Bureau of Ocean Energy Management, Regulation and Enforcement (formerly known as the Minerals Management Service and which was replaced effective October 1, 2011 by two new, independent bureaus – the Bureau of Safety and Environmental Enforcement (BSEE) and the Bureau of Ocean Energy Management), a bureau of the United States Department of the Interior, shared jurisdiction over the investigation into the Macondo well incident and formed a joint investigation team that reviewed information and held hearings regarding the incident (Marine Board Investigation). We were named as one of the 16 parties-in-interest in the Marine Board Investigation. The Marine Board Investigation, as well as investigations of the incident that were conducted by The National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling (National Commission) and the National Academy of Sciences, have been completed, and reports issued as a result of those investigations have been critical of BP, Transocean, and us, among others. For example, one or more of those reports have concluded that primary cement failure was a direct cause of the blowout, that cement testing performed by an independent laboratory "strongly suggests" that the foam cement slurry used on the Macondo well was unstable, and that numerous other oversights and factors caused or contributed to the cause of the incident, including BP's failure to run a cement bond log, BP's and Transocean's failure to properly conduct and interpret a negative-pressure test, the failure of the drilling crew and our surface data logging specialist to recognize that an unplanned influx of oil, natural gas, or fluid into the well was occurring, communication failures among BP, Transocean, and us, and flawed decisions relating to the design, construction, and testing of barriers critical to the temporary abandonment of the well. The U.S. Chemical Safety and Hazard Investigation Board is also conducting an investigation of the incident.

In October 2011, the BSEE issued a notification of Incidents of Noncompliance (INCs) to us for allegedly violating federal regulations relating to the failure to take measures to prevent the unauthorized release of hydrocarbons, the failure to take precautions to keep the Macondo well under control, the failure to cement the well in a manner that would, among other things, prevent the release of fluids into the Gulf of Mexico, and the failure to protect health, safety, property, and the environment as a result of a failure to perform operations in a safe and workmanlike manner. According to the BSEE's notice, we did not ensure an adequate barrier to hydrocarbon flow after cementing the production casing and did not detect the influx of hydrocarbons until they were above the blowout preventer stack. We understand that the regulations in effect at the time of the alleged violations provide for fines of up to $35,000 per day per violation. We have appealed the INCs to the Interior Board of Land Appeals (IBLA). In January 2012, the IBLA, in response to our and the BSEE's joint request, suspended the appeal and ordered us and the BSEE to file notice within 15 days after the conclusion of the MDL and, within 60 days after the MDL court issues a final decision, to file a proposal for further action in the appeal. The BSEE has announced that the INCs will be reviewed for possible imposition of civil penalties once the appeal has ended. The BSEE has stated that this is the first time the Department of the Interior has issued INCs directly to a contractor that was not the well's operator.

The Cementing Job and Reaction to Reports. We disagree with the reports referred to above regarding many of their findings and characterizations with respect to our cementing and surface data logging services, as applicable, on the Deepwater Horizon. We have provided information to the National Commission, its staff, and representatives of the joint investigation team for the Marine Board Investigation that we believe has been overlooked or omitted from their reports, as applicable. We intend to continue to vigorously defend ourselves in any investigation relating to our involvement with the Macondo well that we believe inaccurately evaluates or depicts our services on the Deepwater Horizon.

The cement slurry on the Deepwater Horizon was designed and prepared pursuant to well condition data provided by BP. Regardless of whether alleged weaknesses in cement design and testing are or are not ultimately established, and regardless of whether the cement slurry was utilized in similar applications or was prepared consistent with industry standards, we believe that had BP and Transocean properly interpreted a negative-pressure test, this test would have revealed any problems with the cement. In addition, had BP designed the Macondo well to allow a full cement bond log test or if BP had conducted even a partial cement bond log test, the test likely would have revealed any problems with the cement. BP, however, elected not to conduct any cement bond log tests, and with Transocean misinterpreted the negative-pressure test, both of which could have resulted in remedial action, if appropriate, with respect to the cementing services.

At this time we cannot predict the impact of the investigations or reports referred to above, or the conclusions of future investigations or reports. We also cannot predict whether any investigations or reports will have an influence on or result in us being named as a party in any action alleging liability or violation of a statute or regulation.

We intend to continue to cooperate fully with all hearings, investigations, and requests for information relating to the Macondo well incident. We cannot predict the outcome of, or the costs to be incurred in connection with, any of these hearings or investigations, and therefore we cannot predict the potential impact they may have on us.

DOJ Investigations and Actions. On June 1, 2010, the United States Attorney General announced that the DOJ was launching civil and criminal investigations into the Macondo well incident to closely examine the actions of those involved, and that the DOJ was working with attorneys general of states affected by the Macondo well incident. The DOJ announced that it was reviewing, among other traditional criminal statutes, possible violations of and liabilities under The Clean Water Act (CWA), The Oil Pollution Act of 1990 (OPA), and the Endangered Species Act of 1973 (ESA).

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

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

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

In addition, federal agencies could be precluded from contracting with a company that is sanctioned under law.

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

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

In July 2013, we reached an agreement with the DOJ to conclude the federal government's criminal investigation of us in relation to the Macondo well incident. Pursuant to a cooperation guilty plea agreement, Halliburton Energy Services, Inc., our wholly owned subsidiary (HESI), agreed to plead guilty to one misdemeanor violation of federal law concerning the deletion of certain computer files created after the occurrence of the Macondo well incident. Pursuant to the plea agreement, HESI agreed to pay a criminal fine of $0.2 million within five days of sentencing and agreed to three years' probation. The DOJ has agreed that it will not pursue further criminal prosecution of us (including our subsidiaries) for any conduct relating to or arising out of the Macondo well incident. We have agreed to continue to cooperate with the DOJ in any ongoing investigation related to or arising from the incident. The plea agreement is subject to court approval.

In November 2012, BP announced that it reached an agreement with the DOJ to resolve all federal criminal charges against it stemming from the Macondo well incident. BP agreed to plead guilty to 14 criminal charges, with 13 of those charges based on the negligent misinterpretation of the negative-pressure test conducted on the Deepwater Horizon. BP also agreed to pay $4.0 billion, including approximately $1.3 billion in criminal fines, to take actions to further enhance the safety of drilling operations in the Gulf of Mexico, to a term of five years' probation, and to the appointment of two monitors with four-year terms, one relating to process safety and risk management procedures concerning deepwater drilling in the Gulf of Mexico and one relating to the improvement, implementation, and enforcement of BP's code of conduct.

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

Litigation. Since April 21, 2010, plaintiffs have been filing lawsuits relating to the Macondo well incident. Generally, those lawsuits allege either (1) damages arising from the oil spill pollution and contamination (*e.g.*, diminution of property value, lost tax revenue, lost business revenue, lost tourist dollars, inability to engage in recreational or commercial activities) or (2) wrongful death or personal injuries. We are named along with other unaffiliated defendants in more than 1,500 complaints, most of which are alleged class actions, involving pollution damage claims and at least eight personal injury lawsuits involving four decedents and at least 10 allegedly injured persons who were on the drilling rig at the time of the incident. At least six additional lawsuits naming us and others relate to alleged personal injuries sustained by those responding to the explosion and oil spill. Plaintiffs originally filed the lawsuits described above in federal and state courts throughout the United States. Except for a relatively small number of lawsuits not yet consolidated, the Judicial Panel on Multi-District Litigation ordered all of the lawsuits against us consolidated in the MDL proceeding before Judge Carl Barbier in the United States Eastern District of Louisiana. The pollution complaints generally allege, among other things, negligence and gross negligence, property damages, taking of protected species, and potential economic losses as a result of environmental pollution, and generally seek awards of unspecified economic, compensatory, and punitive damages, as well as injunctive relief. Plaintiffs in these pollution cases have brought suit under various legal provisions, including the OPA, the CWA, The Migratory Bird Treaty Act of 1918, the ESA, the OCSLA, the Longshoremen and Harbor Workers Compensation Act, general maritime law, state common law, and various state environmental and products liability statutes.

Furthermore, the pollution complaints include suits brought against us by governmental entities, including the State of Alabama, the State of Florida, the State of Louisiana, the State of Mississippi, the State of Texas, numerous local governmental entities, three Mexican states and the United Mexican States. Complaints brought against us by at least seven parishes in Louisiana were dismissed with prejudice, and the dismissal is being appealed by those parishes. The wrongful death and other personal injury complaints generally allege negligence and gross negligence and seek awards of compensatory damages, including unspecified economic damages, and punitive damages. We have retained counsel and are investigating and evaluating the claims, the theories of recovery, damages asserted, and our respective defenses to all of these claims.

Judge Barbier is also presiding over a separate proceeding filed by Transocean under the Limitation of Liability Act (Limitation Action). In the Limitation Action, Transocean seeks to limit its liability for claims arising out of the Macondo well incident to the value of the rig and its freight. While the Limitation Action has been formally consolidated into the MDL, the court is nonetheless, in some respects, treating the Limitation Action as an associated but separate proceeding. In February 2011, Transocean tendered us, along with all other defendants, into the Limitation Action. As a result of the tender, we and all other defendants will be treated as direct defendants to the plaintiffs' claims as if the plaintiffs had sued us and the other defendants directly. In the Limitation Action, the judge intends to determine the allocation of liability among all defendants in the hundreds of lawsuits associated with the Macondo well incident, including those in the MDL proceeding that are pending in his court. Specifically, we believe the judge will determine the liability, limitation, exoneration, and fault allocation with regard to all of the defendants in a trial, which is scheduled to occur in at least two phases and which began in February 2013. The first phase of this trial has concluded and covered issues arising out of the conduct and degree of culpability of various parties allegedly relevant to the loss of well control, the ensuing fire and explosion on and sinking of the Deepwater Horizon, and the initiation of the release of hydrocarbons from the Macondo well. The MDL court has projected September 30, 2013 for the beginning of the second phase of this trial, which is scheduled to cover actions relating to attempts to control the flow of hydrocarbons from the well and the quantification of hydrocarbons discharged from the well. Subsequent proceedings would be held to the extent triable issues remain unresolved by the first two phases of the trial, settlements, motion practice, or stipulation. Although the DOJ is participating in the first two phases of the trial with regard to BP's conduct and the amount of hydrocarbons discharged from the well, the MDL court anticipates that the DOJ's civil action for the CWA violations, fines, and penalties will be addressed by the court in a third phase of the trial. We do not believe that a single apportionment of liability in the Limitation Action is properly applied, particularly with respect to gross negligence and punitive damages, to the hundreds of lawsuits pending in the MDL proceeding.

Damages for the cases tried in the MDL proceeding, including punitive damages, are expected to be tried following the phases of the trial described above. Under ordinary MDL procedures, such cases would, unless waived by the respective parties, be tried in the courts from which they were transferred into the MDL. It remains unclear, however, what impact the overlay of the Limitation Action will have on where these matters are tried. Discovery with respect to the second phase of the trial is ongoing.

In April and May 2011, certain defendants in the proceedings described above filed numerous cross claims and third party claims against certain other defendants. BP Exploration and BP America Production Company filed claims against us seeking subrogation, contribution, including with respect to liabilities under the OPA, and direct damages, and alleging negligence, gross negligence, fraudulent conduct, and fraudulent concealment. Transocean filed claims against us seeking indemnification, and subrogation and contribution, including with respect to liabilities under the OPA and for the total loss of the Deepwater Horizon, and alleging comparative fault and breach of warranty of workmanlike performance. Anadarko filed claims against us seeking tort indemnity and contribution, and alleging negligence, gross negligence and willful misconduct, and MOEX Offshore 2007 LLC (MOEX), who had an approximate 10% interest in the Macondo well at the time of the incident, filed a claim against us alleging negligence. Cameron International Corporation (Cameron) (the manufacturer and designer of the blowout preventer), M-I Swaco (provider of drilling fluids and services, among other things), Weatherford U.S. L.P. and Weatherford International, Inc. (together, Weatherford) (providers of casing components, including float equipment and centralizers, and services), and Dril-Quip, Inc. (Dril-Quip) (provider of wellhead systems), each filed claims against us seeking indemnification and contribution, including with respect to liabilities under the OPA in the case of Cameron, and alleging negligence. Additional civil lawsuits may be filed against us. In addition to the claims against us, generally the defendants in the proceedings described above filed claims, including for liabilities under the OPA and other claims similar to those described above, against the other defendants described above. BP has since announced that it has settled those claims between it and each of MOEX, Weatherford, Anadarko, and Cameron. Also, BP and M-I Swaco have dismissed all claims between them.

In April 2011, we filed claims against BP Exploration, BP p.l.c. and BP America Production Company (BP Defendants), M-I Swaco, Cameron, Anadarko, MOEX, Weatherford, Dril-Quip, and numerous entities involved in the post-blowout remediation and response efforts, in each case seeking contribution and indemnification and alleging negligence. Our claims also alleged gross negligence and willful misconduct on the part of the BP Defendants, Anadarko, and Weatherford. We also filed claims against M-I Swaco and Weatherford for contractual indemnification, and against Cameron, Weatherford and Dril-Quip for strict products liability, although the court has since issued orders dismissing all claims asserted against Cameron, Dril-Quip, M-I Swaco and Weatherford in the MDL. We filed our answer to Transocean's Limitation petition denying Transocean's right to limit its liability, denying all claims and responsibility for the incident, seeking contribution and indemnification, and alleging negligence and gross negligence.

Judge Barbier has issued an order, among others, clarifying certain aspects of law applicable to the lawsuits pending in his court. The court ruled that: (1) general maritime law will apply, and therefore all claims brought under state law causes of action were dismissed; (2) general maritime law claims may be brought directly against defendants who are non-“responsible parties” under the OPA with the exception of pure economic loss claims by plaintiffs other than commercial fishermen; (3) all claims for damages, including pure economic loss claims, may be brought under the OPA directly against responsible parties; and (4) punitive damage claims can be brought against both responsible and non-responsible parties under general maritime law. As discussed above, with respect to the ruling that claims for damages may be brought under the OPA against responsible parties, we have not been named as a responsible party under the OPA, but BP Exploration has filed a claim against us for contribution with respect to liabilities incurred by BP Exploration under the OPA.

In September 2011, we filed claims in Harris County, Texas against the BP Defendants seeking damages, including lost profits and exemplary damages, and alleging negligence, grossly negligent misrepresentation, defamation, common law libel, slander, and business disparagement. Our claims allege that the BP Defendants knew or should have known about an additional hydrocarbon zone in the well that the BP Defendants failed to disclose to us prior to our designing the cement program for the Macondo well. The location of the hydrocarbon zones is critical information required prior to performing cementing services and is necessary to achieve desired cement placement. We believe that had the BP Defendants disclosed the hydrocarbon zone to us, we would not have proceeded with the cement program unless it was redesigned, which likely would have required a redesign of the production casing. In addition, we believe that the BP Defendants withheld this information from the report of BP's internal investigation team and from the various investigations discussed above. In connection with the foregoing, we also moved to amend our claims against the BP Defendants in the MDL proceeding to include fraud. The BP Defendants have denied all of the allegations relating to the additional hydrocarbon zone and filed a motion to prevent us from adding our fraud claim in the MDL. In October 2011, our motion to add the fraud claim against the BP Defendants in the MDL proceeding was denied. The court’s ruling does not, however, prevent us from using the underlying evidence in our pending claims against the BP Defendants.

In December 2011, BP filed a motion for sanctions against us alleging, among other things, that we destroyed evidence relating to post-incident testing of the foam cement slurry on the Deepwater Horizon and requesting adverse findings against us. The magistrate judge in the MDL proceeding denied BP’s motion. BP appealed that ruling, and Judge Barbier affirmed the magistrate judge’s decision.

In April 2012, BP announced that it had reached definitive settlement agreements with the PSC to resolve the substantial majority of eligible private economic loss and medical claims stemming from the Macondo well incident. The PSC acts on behalf of individuals and business plaintiffs in the MDL. According to BP, the settlements do not include claims against BP made by the DOJ or other federal agencies or by states and local governments. In addition, the settlements provide that, to the extent permitted by law, BP will assign to the settlement class certain of its claims, rights, and recoveries against Transocean and us for damages, including BP's alleged direct damages such as damages for clean-up expenses and damage to the well and reservoir. We do not believe that our contract with BP Exploration permits the assignment of certain claims to the settlement class without our consent. In April and May, 2012, BP and the PSC filed two settlement agreements and amendments with the MDL court, one agreement addressing economic claims and one agreement addressing medical claims, as well as numerous supporting documents and motions requesting that the court approve, among other things, the certification of the classes for both settlements and a schedule for holding a fairness hearing and approving the settlements. The MDL court has since confirmed certification of the classes for both settlements and granted final approval of the settlements. We objected to the settlements on the grounds set forth above, among other reasons. The MDL court held, however, that we, as a non-settling defendant, lacked standing to object to the settlements but noted that it did not express any opinion as to the validity of BP's assignment of certain claims to the settlement class and that the settlements do not affect any of our procedural or substantive rights in the MDL. We are unable to predict at this time the effect that the settlements may have on claims against us.

In October 2012, the MDL court issued an order dismissing three types of plaintiff claims: (1) claims by or on behalf of owners, lessors, and lessees of real property that allege to have suffered a reduction in the value of real property even though the property was not physically touched by oil and the property was not sold; (2) claims for economic losses based solely on consumers' decisions not to purchase fuel or goods from BP fuel stations and stores based on consumer animosity toward BP; and (3) claims by or on behalf of recreational fishermen, divers, beachgoers, boaters and others that allege damages such as loss of enjoyment of life from their inability to use portions of the Gulf of Mexico for recreational and amusement purposes. The MDL court also noted that we are not liable with respect to those claims under the OPA because we are not a “responsible party” under OPA. A group of plaintiffs appealed the order, but the Fifth Circuit dismissed the appeal.

The first phase of the MDL trial has been completed. At the conclusion of the plaintiffs' case we and the other defendants each submitted a motion requesting the MDL court to dismiss certain claims. In March 2013, the MDL court denied our motion and declined to dismiss any claims, including those alleging gross negligence, against BP, Transocean and us. In addition, the MDL court dismissed all claims against M-I Swaco and claims alleging gross negligence against Cameron. In April 2013, the MDL court dismissed all remaining claims against Cameron, leaving BP, Transocean, and us as the remaining defendants with respect to the first phase of the trial.

Also in March 2013, we advised the MDL court that we recently found a rig sample of dry cement blend collected at another well that was cemented before the Macondo well using the same dry cement blend as used on the Macondo production casing. In April 2013, we advised the MDL parties that we recently discovered some additional documents related to the Macondo well incident. BP and others have asked the court to impose sanctions and adverse findings against us because, according to their allegations, we should have identified the cement sample in 2010 and the additional documents by October 2011. The MDL court has not ruled on the requests for sanctions and adverse findings. We believe that the recent discoveries were the result of simple misunderstandings or mistakes, and that sanctions are not warranted.

Testimony relating to the first phase of the MDL trial has been completed. Parties to the MDL, including the PSC, the States of Louisiana and Alabama, the United States, BP, Transocean and us, have submitted proposed findings of facts and conclusions of law and post-trial briefs with respect to the first phase of the trial.

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

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

In April 2011, we filed a lawsuit against BP Exploration in Harris County, Texas to enforce BP Exploration's contractual indemnity and alleging BP Exploration breached certain terms of the contractual indemnity provision. BP Exploration removed that lawsuit to federal court in the Southern District of Texas, Houston Division. We filed a motion to remand the case to Harris County, Texas, and the lawsuit was transferred to the MDL.

BP Exploration, in connection with filing its claims with respect to the MDL proceeding, asked that court to declare that it is not liable to us in contribution, indemnification, or otherwise with respect to liabilities arising from the Macondo well incident. Other defendants in the litigation discussed above have generally denied any obligation to contribute to any liabilities arising from the Macondo well incident.

In January 2012, the court in the MDL proceeding entered an order in response to our and BP's motions for summary judgment regarding certain indemnification matters. The court held that BP is required to indemnify us for third-party compensatory claims, or actual damages, that arise from pollution or contamination that did not originate from our property or equipment located above the surface of the land or water, even if we are found to be grossly negligent. The court did not express an opinion as to whether our conduct amounted to gross negligence, but we do not believe the performance of our services on the Deepwater Horizon constituted gross negligence. The court also held, however, that BP does not owe us indemnity for punitive damages or for civil penalties under the CWA, if any, and that fraud could void the indemnity on public policy grounds, although the court stated that it was mindful that mere failure to perform contractual obligations as promised does not constitute fraud. As discussed above, the DOJ is not seeking civil penalties from us under the CWA. The court in the MDL proceeding deferred ruling on whether our indemnification from BP covers penalties or fines under the OCSLA, whether our alleged breach of our contract with BP Exploration would invalidate the indemnity, and whether we committed an act that materially increased the risk to or prejudiced the rights of BP so as to invalidate the indemnity. We do not believe that we breached our contract with BP Exploration or committed an act that would otherwise invalidate the indemnity. The court's rulings will be subject to appeal at the appropriate time.

In responding to similar motions for summary judgment between Transocean and BP, the court also held that public policy would not bar Transocean's claim for indemnification of compensatory damages, even if Transocean was found to be grossly negligent. The court also held, among other things, that Transocean's contractual right to indemnity does not extend to punitive damages or civil penalties under the CWA.

The rulings in the MDL proceeding regarding the indemnities are based on maritime law and may not bind the determination of similar issues in lawsuits not comprising a part of the MDL proceeding. Accordingly, it is possible that different conclusions with respect to indemnities will be reached by other courts.

Indemnification for criminal fines or penalties, if any, may not be available if a court were to find such indemnification unenforceable as against public policy. In addition, certain state laws, if deemed to apply, would not allow for enforcement of indemnification for gross negligence, and may not allow for enforcement of indemnification of persons who are found to be negligent with respect to personal injury claims.

In addition to the contractual indemnities discussed above, we have a general liability insurance program of $600 million. Our insurance is designed to cover claims by businesses and individuals made against us in the event of property damage, injury, or death and, among other things, claims relating to environmental damage, as well as legal fees incurred in defending against those claims. We have received and expect to continue to receive payments from our insurers with respect to covered legal fees incurred in connection with the Macondo well incident. Through June 30, 2013, we have incurred legal fees and related expenses of approximately $223 million, of which $190 million has been reimbursed under or is expected to be covered by our insurance program. During the second quarter of 2013, we reached a favorable agreement with some of our insurers which, among other things, allows us to continue to be reimbursed for our covered legal costs. To the extent we incur any losses beyond those covered by indemnification, there can be no assurance that our insurance policies will cover all potential claims and expenses relating to the Macondo well incident. In addition, we may not be insured with respect to civil or criminal fines or penalties, if any, pursuant to the terms of our insurance policies. Insurance coverage can be the subject of uncertainties and, particularly in the event of large claims, potential disputes with insurance carriers, as well as other potential parties claiming insured status under our insurance policies.

BP's public filings indicate that BP has recognized in excess of $40 billion in pre-tax charges, excluding offsets for settlement payments received from certain defendants in the proceedings described above under "Litigation," as a result of the Macondo well incident. BP's public filings also indicate that the amount of, among other things, certain natural resource damages with respect to certain OPA claims, some of which may be included in such charges, cannot be reliably estimated as of the dates of those filings.

Securities and related litigation

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

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

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

In September 2007, the Fund filed a motion for class certification, and our response was filed in November 2007. The district court held a hearing in March 2008, and issued an order November 3, 2008 denying the motion for class certification. The Fund appealed the district court’s order to the Fifth Circuit Court of Appeals. The Fifth Circuit affirmed the district court’s order denying class certification. On May 13, 2010, the Fund filed a writ of certiorari in the United States Supreme Court. In January 2011, the Supreme Court granted the writ of certiorari and accepted the appeal. The Court heard oral arguments in April 2011 and issued its decision in June 2011, reversing the Fifth Circuit ruling that the Fund needed to prove loss causation in order to obtain class certification. The Court’s ruling was limited to the Fifth Circuit’s loss causation requirement, and the case was returned to the Fifth Circuit for further consideration of our other arguments for denying class certification. The Fifth Circuit returned the case to the district court, and in January 2012 the court issued an order certifying the class. We filed a Petition for Leave to Appeal with the Fifth Circuit, which was granted and the case is stayed at the district court pending this appeal. In March 2013, the Fifth Circuit heard oral argument in the appeal. In April 2013, the Fifth Circuit issued an order affirming the District Court's order certifying the class. The case is now pending in the District Court and fact discovery has resumed. In spite of its age, the case is at an early stage, and we cannot predict the outcome or consequences thereof. We intend to vigorously defend this case.

Investigations

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

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

Since the third quarter of 2011, we have been participating in meetings with the DOJ and the SEC to brief them on the status of our investigation and have been producing documents to them both voluntarily and as a result of SEC subpoenas to us and certain of our current and former officers and employees.

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

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

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

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

Environmental

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

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

In addition to the federal laws and regulations, states and other countries where we do business often have numerous environmental, legal, and regulatory requirements by which we must abide. We evaluate and address the environmental impact of our operations by assessing and remediating contaminated properties in order to avoid future liabilities and comply with environmental, legal, and regulatory requirements. Our Health, Safety, and Environment group has several programs in place to maintain environmental leadership and to help prevent the occurrence of environmental contamination. On occasion, in addition to the matters relating to the Macondo well incident described above, we are involved in other environmental litigation and claims, including the remediation of properties we own or have operated, as well as efforts to meet or correct compliance-related matters. We do not expect costs related to those claims and remediation requirements to have a material adverse effect on our liquidity, consolidated results of operations, or consolidated financial position. Excluding our loss contingency for the Macondo well incident, our accrued liabilities for environmental matters were $70 million as of June 30, 2013 and $72 million as of December 31, 2012. Because our estimated liability is typically within a range and our accrued liability may be the amount on the low end of that range, our actual liability could eventually be well in excess of the amount accrued. Our total liability related to environmental matters covers numerous properties.

In November 2012, we received an Enforcement Notice from the Pennsylvania Department of Environmental Protection (PADEP) regarding an alleged improper disposal of oil field acid in or around Homer City, Pennsylvania between 1999 and 2011. We are currently negotiating with the PADEP to resolve this matter in an amicable manner. We expect the PADEP to assess a penalty in excess of $100,000 and have therefore accrued for an immaterial amount.

Additionally, we have subsidiaries that have been named as potentially responsible parties along with other third parties for eight federal and state Superfund sites for which we have established reserves. As of June 30, 2013, those eight sites accounted for approximately $5 million of our $70 million total environmental reserve. Despite attempts to resolve these Superfund matters, the relevant regulatory agency may at any time bring suit against us for amounts in excess of the amount accrued. With respect to some Superfund sites, we have been named a potentially responsible party by a regulatory agency; however, in each of those cases, we do not believe we have any material liability. We also could be subject to third-party claims with respect to environmental matters for which we have been named as a potentially responsible party.

Item 1(a). Risk Factors

The statements in this section describe the known material risks to our business and should be considered carefully. The risk factor below updates the respective risk factor previously discussed in our 2012 Annual Report on Form 10-K.

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

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

We are named along with other unaffiliated defendants in more than 1,500 complaints, most of which are alleged class-actions, involving pollution damage claims and at least eight personal injury lawsuits involving four decedents and at least 10 allegedly injured persons who were on the drilling rig at the time of the incident. At least six additional lawsuits naming us and others relate to alleged personal injuries sustained by those responding to the explosion and oil spill. BP Exploration and one of its affiliates have filed claims against us seeking subrogation and contribution, including with respect to liabilities under the OPA, and direct damages, and alleging negligence, gross negligence, fraudulent conduct, and fraudulent concealment. Certain other defendants in the lawsuits have filed claims against us seeking, among other things, indemnification and contribution, including with respect to liabilities under the OPA, and alleging, among other things, negligence and gross negligence. See Part II, Item 1, “Legal Proceedings.” Additional lawsuits may be filed against us, including civil actions under federal statutes and regulations, as well as criminal and civil actions under state statutes and regulations. Those statutes and regulations could result in criminal penalties, including fines and imprisonment, as well as civil fines, and the degree of the penalties and fines may depend on the type of conduct and level of culpability, including strict liability, negligence, gross negligence, and knowing violations of the statute or regulation.

In addition to the claims and lawsuits described above, numerous industry participants, governmental agencies, and Congressional committees have investigated or are investigating the cause of the explosion, fire, and resulting oil spill. Reports issued as a result of those investigations have been critical of BP, Transocean, and us, among others. For example, one or more of those reports have concluded that primary cement failure was a direct cause of the blowout, cement testing performed by an independent laboratory “strongly suggests” that the foam cement slurry used on the Macondo well was unstable, and that numerous other oversights and factors caused or contributed to the cause of the incident, including BP's failure to run a cement bond log, BP's and Transocean's failure to properly conduct and interpret a negative-pressure test, the failure of the drilling crew and our surface data logging specialist to recognize that an unplanned influx of oil, natural gas, or fluid into the well was occurring, communication failures among BP, Transocean, and us, and flawed decisions relating to the design, construction, and testing of barriers critical to the temporary abandonment of the well.

In October 2011, the BSEE issued a notification of INCs to us for allegedly violating federal regulations relating to the failure to take measures to prevent the unauthorized release of hydrocarbons, the failure to take precautions to keep the Macondo well under control, the failure to cement the well in a manner that would, among other things, prevent the release of fluids into the Gulf of Mexico, and the failure to protect health, safety, property, and the environment as a result of a failure to perform operations in a safe and workmanlike manner. According to the BSEE's notice, we did not ensure an adequate barrier to hydrocarbon flow after cementing the production casing and did not detect the influx of hydrocarbons until they were above the blowout preventer stack. We understand that the regulations in effect at the time of the alleged violations provide for fines of up to $35,000 per day per violation. We have appealed the INCs to the IBLA. In January 2012, the IBLA, in response to our and the BSEE's joint request, suspended the appeal and ordered us and the BSEE to file notice within 15 days after the conclusion of the MDL and, within 60 days after the MDL court issues a final decision, to file a proposal for further action in the appeal. The BSEE has announced that the INCs will be reviewed for possible imposition of civil penalties once the appeal has ended. The BSEE has stated that this is the first time the Department of the Interior has issued INCs directly to a contractor that was not the well's operator.

Our contract with BP Exploration relating to the Macondo well generally provides for our indemnification by BP Exploration for certain potential claims and expenses relating to the Macondo well incident. BP Exploration, in connection with filing its claims with respect to the MDL proceeding, asked that court to declare that it is not liable to us in contribution, indemnification, or otherwise with respect to liabilities arising from the Macondo well incident. Other defendants in the litigation have generally denied any obligation to contribute to any liabilities arising from the Macondo well incident. In January 2012, the court in the MDL proceeding entered an order in response to our and BP's motions for summary judgment regarding certain indemnification matters. The court held that BP is required to indemnify us for third-party compensatory claims, or actual damages, that arise from pollution or contamination that did not originate from our property or equipment located above the surface of the land or water, even if we are found to be grossly negligent. The court also held that BP does not owe us indemnity for punitive damages or for civil penalties under the CWA, if any, and that fraud could void the indemnity on public policy grounds. The court in the MDL proceeding deferred ruling on whether our indemnification from BP covers penalties or fines under the Outer Continental Shelf Lands Act, whether our alleged breach of our contract with BP Exploration would invalidate the indemnity, and whether we committed an act that materially increased the risk to or prejudiced the rights of BP so as to invalidate the indemnity.

The rulings in the MDL proceeding regarding the indemnities are based on maritime law and may not bind the determination of similar issues in lawsuits not comprising a part of the MDL proceeding. Accordingly, it is possible that different conclusions with respect to indemnities will be reached by other courts.

Indemnification for criminal fines or penalties, if any, may not be available if a court were to find such indemnification unenforceable as against public policy. In addition, certain state laws, if deemed to apply, would not allow for enforcement of indemnification for gross negligence, and may not allow for enforcement of indemnification of persons who are found to be negligent with respect to personal injury claims. We may not be insured with respect to civil or criminal fines or penalties, if any, pursuant to the terms of our insurance policies.

BP's public filings indicate that BP has recognized in excess of $40 billion in pre-tax charges, excluding offsets for settlement payments received from certain defendants in the MDL, as a result of the Macondo well incident. BP's public filings also indicate that the amount of, among other things, certain natural resource damages with respect to certain OPA claims, some of which may be included in such charges, cannot be reliably estimated as of the dates of those filings.

We are currently unable to fully estimate the impact the Macondo well incident will have on us. We cannot predict the outcome of the many lawsuits and investigations relating to the Macondo well incident, including orders and rulings of the court that impact the MDL, the results of the MDL trial, the effect that the settlements between BP and the PSC in the MDL and other settlements may have on claims against us, or whether we might settle with one or more of the parties to any lawsuit or investigation.

During the first quarter of 2013, we increased our reserve relating to the MDL to $1.3 billion based on court-facilitated settlements discussions that had taken place during the first quarter. As of June 30, 2013, our loss contingency for the Macondo well incident, relating to the MDL, remained at $1.3 billion, which represents a loss contingency that is probable and for which a reasonable estimate of loss can be made. We are continuing to participate in court-facilitated settlement discussions to resolve a substantial portion of the private claims pending in the MDL trial. However, the pace of those settlement discussions has recently slowed as we understand BP is challenging certain provisions of its settlement with the PSC, including a recent appeal to the Fifth Circuit Court of Appeals.

Reaching a settlement of the type contemplated by our current discussions involves a complex process, and there can be no assurance as to whether or when we may complete a settlement. In addition, the settlement discussions do not cover all parties and claims relating to the Macondo well incident. Accordingly, there are additional loss contingencies relating to the Macondo well incident that are reasonably possible but for which we cannot make a reasonable estimate. Given the numerous potential developments relating to the MDL and other lawsuits and investigations, which could occur at any time, we may adjust our estimated loss contingency in the future. Liabilities arising out of the Macondo well incident could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

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

Following is a summary of our repurchases of our common stock during the three months ended June 30, 2013.

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Maximum Number (or Approximate Dollar Value) of Shares that may yet be Purchased Under the Program (b)
Apr 1 - 30	1,515,662	$41.82	1,500,000	$1,618,240,919
May 1 - 31	12,263,294	$43.32	11,580,319	$1,117,227,043
June 1 - 30	10,303,423	$42.37	10,295,901	$680,999,872
Total	24,082,379	$42.82	23,376,220	

(a) Of the 24,082,379 shares purchased during the second quarter of 2013, 706,159 shares were acquired from employees in connection with the settlement of income tax and related benefit withholding obligations arising from vesting in restricted stock grants. These shares were not part of a publicly announced program to purchase common shares.

(b) During the second quarter of 2013, we repurchased approximately 23 million shares of our common stock pursuant to our share repurchase program for a total cost of approximately $1.0 billion and at an average price of $42.78 per share. On July 18, 2013, our board of directors increased the authorization to purchase our common stock by $4.3 billion, to a new total repurchase capacity of $5.0 billion. Since the inception of the program in February 2006, we have purchased approximately 120 million shares at a total cost of $4.3 billion.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

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

Item 5. Other Information

The condensed consolidated financial statements contained in this document reflect $55 million (pre-tax) in additional cost of services related to a charitable contribution made on July 25, 2013 to the National Fish and Wildlife Foundation and $0.2 million in additional loss contingency for Macondo well incident related to the July 25, 2013 settlement agreement with the DOJ to conclude the federal government's criminal investigation of us in relation to the Macondo well incident, as compared to the condensed consolidated financial statements furnished in our July 22, 2013 Form 8-K regarding our second quarter 2013 earnings release. The after tax impact of this charitable contribution was $35 million. As a result, second quarter 2013 operating income changed from $1,039 million to $984 million and income from continuing operations changed from $677 million ($0.73 per diluted share) to $642 million ($0.69 per diluted share).

Item 6. Exhibits

	3.1	By-laws of Halliburton Company revised effective July 18, 2013 (incorporated by reference to Exhibit 3.1 to Halliburton's Form 8-K filed July 19, 2013, File No. 1-3492).
	10.1	Halliburton Company Stock and Incentive Plan, as amended and restated effective February 20, 2013 (incorporated by reference to Appendix B of Halliburton's proxy statement filed April 2, 2013, File No. 1-3492).
*	12.1	Statement Regarding the Computation of Ratio of Earnings to Fixed Charges.
*	31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*	31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
**	32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**	32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*	95	Mine Safety Disclosures
*	101.INS	XBRL Instance Document
*	101.SCH	XBRL Taxonomy Extension Schema Document
*	101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*	101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*	101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
*	101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
	*	Filed with this Form 10-Q
	**	Furnished with this Form 10-Q

SIGNATURES

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

HALLIBURTON COMPANY

/s/ Mark A. McCollum	/s/ Evelyn M. Angelle
Mark A. McCollum	Evelyn M. Angelle
Executive Vice President and	Senior Vice President and
Chief Financial Officer	Chief Accounting Officer

Date: July 26, 2013

Exhibit 12.1

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

	Six Months Ended June 30, 2013	Year Ended December 31				
		2012	2011	2010	2009	2008
Earnings available for fixed charges:						
Income from continuing operations before income taxes	$ 719	$ 3,822	$ 4,449	$ 2,655	$ 1,682	$ 3,849
Add:						
Distributed earnings from equity in unconsolidated affiliates	11	4	13	13	17	30
Fixed charges	217	445	384	402	361	232
Subtotal	947	4,271	4,846	3,070	2,060	4,111
Less:						
Equity in earnings of unconsolidated affiliates	2	14	20	20	16	50
Total earnings available for fixed charges	$ 945	$ 4,257	$ 4,826	$ 3,050	$ 2,044	$ 4,061
Fixed charges:						
Interest expense	$ 147	$ 305	$ 268	$ 308	$ 297	$ 167
Rental expense representative of interest	70	140	116	94	64	65
Total fixed charges	$ 217	$ 445	$ 384	$ 402	$ 361	$ 232
Ratio of earnings to fixed charges	4.4	9.6	12.6	7.6	5.7	17.5

Exhibit 31.1

Section 302 Certification

I, David J. Lesar, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2013 of Halliburton Company;

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

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

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

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

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

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

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

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

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

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

Date: July 26, 2013

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

Exhibit 31.2

Section 302 Certification

I, Mark A. McCollum, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2013 of Halliburton Company;

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

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

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

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

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

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

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

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

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

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

Date: July 26, 2013

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

Exhibit 32.1

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

This certification is provided pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. § 1350, and accompanies the Quarterly Report on Form 10-Q for the period ended June 30, 2013 of Halliburton Company (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report").

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

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

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

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

Date: July 26, 2013

Exhibit 32.2

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

This certification is provided pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. § 1350, and accompanies the Quarterly Report on Form 10-Q for the period ended June 30, 2013 of Halliburton Company (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report").

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

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

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

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

Date: July 26, 2013

Exhibit 95

Mine Safety Disclosures

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, each operator of a mine is required to include certain mine safety results in its periodic reports filed with the SEC. The operation of our mines is subject to regulation by the federal Mine Safety and Health Administration (MSHA) under the Federal Mine Safety and Health Act of 1977 (Mine Act). Below, we present the following items regarding certain mining safety and health matters for the three months ended June 30, 2013:

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

HALLIBURTON COMPANY

Mine Safety Disclosures

Three Months Ended June 30, 2013:

(Unaudited)

(Whole dollars)

Operation/ MSHA Identification Number[1]	Section 104 Citations	Section 104(b) Orders	104(d)Citations and Orders	Section 110(b)(2) Violations	Section 107(a) Orders	Proposed MSHA Assessments[2]	Fatalities	Pending Legal Actions
BPM Colony Mill/4800070	2	—	—	—	—	$ 1,660	—	—
BPM Colony Mine/4800889	—	—	—	—	—	—	—	—
BPM Lovell Mill/4801405	—	—	—	—	—	—	—	—
BPM Lovell Mine/4801016	—	—	—	—	—	—	—	—
Corpus Christi Grinding Plant/4104010	—	—	—	—	—	—	—	—
Dunphy Mill/2600412	1	—	—	—	1	4,400	—	—
Lake Charles Plant/1601032	—	—	—	—	—	—	—	—
Larose Grinding Plant/1601504	—	—	—	—	—	—	—	—
Rossi Jig Plant/2602239	—	—	—	—	—	—	—	—
Total	3	—	—	—	1	$ 6,060	—	—

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

(2) Amounts included are the total dollar value of proposed or outstanding assessments received from MSHA on or before July 12, 2013 regardless of whether the assessment has been challenged or appealed, for citations and orders occurring during the three months ended June 30, 2013.

In addition, as required by the reporting requirements regarding mine safety included in §1503(a)(2) of the Dodd-Frank Act, the following is a list for the three months ended June 30, 2013, of each mine of which we or a subsidiary of ours is an operator, that has received written notice from MSHA of:

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

None; or

(b) the potential to have such a pattern:

None.

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