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

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the quarterly period ended September 30, 2009

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

1401 McKinney, Suite 2400, Houston, Texas 77010
(Former Address, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes __X__ No _____

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes __X__ No _______

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

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

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

Yes _______ No __X__

As of October 16, 2009, 901,928,366 shares of Halliburton Company common stock, $2.50 par value per share, were outstanding.

HALLIBURTON COMPANY

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

HALLIBURTON COMPANY
Condensed Consolidated Statements of Operations
(Unaudited)

Millions of dollars and shares except per share data	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Revenue:				
Services	$ 2,645	$ 3,608	$ 8,137	$ 9,864
Product sales	943	1,245	2,852	3,505
Total revenue	3,588	4,853	10,989	13,369
Operating costs and expenses:				
Cost of services	2,270	2,670	6,845	7,423
Cost of sales	796	1,055	2,431	2,940
General and administrative	49	78	149	221
Gain on sale of assets, net	(1)	(1)	(2)	(62)
Total operating costs and expenses	3,114	3,802	9,423	10,522
Operating income	474	1,051	1,566	2,847
Interest expense	(80)	(35)	(215)	(119)
Interest income	3	6	8	35
Other, net	(4)	(4)	(23)	(7)
Income from continuing operations before income taxes and noncontrolling interest	393	1,018	1,336	2,756
Provision for income taxes	(124)	(343)	(420)	(869)
Income from continuing operations	269	675	916	1,887
Loss from discontinued operations, net of income tax benefit (provision) of $2, $(1), $3, and $(1)	(3)	–	(5)	(115)
Net income	$ 266	$ 675	$ 911	$ 1,772
Noncontrolling interest in net income of subsidiaries	(4)	(3)	(9)	(16)
Net income attributable to company	$ 262	$ 672	$ 902	$ 1,756
Amounts attributable to company shareholders:				
Income from continuing operations	$ 265	$ 672	$ 907	$ 1,871
Loss from discontinued operations, net	(3)	–	(5)	(115)
Net income attributable to company	$ 262	$ 672	$ 902	$ 1,756
Basic income per share attributable to company shareholders:				
Income from continuing operations	$ 0.29	$ 0.76	$ 1.01	$ 2.13
Loss from discontinued operations, net	–	–	(0.01)	(0.13)
Net income per share	$ 0.29	$ 0.76	$ 1.00	$ 2.00
Diluted income per share attributable to company shareholders:				
Income from continuing operations	$ 0.29	$ 0.74	$ 1.01	$ 2.05
Loss from discontinued operations, net	–	–	(0.01)	(0.13)
Net income per share	$ 0.29	$ 0.74	$ 1.00	$ 1.92
Cash dividends per share	$ 0.09	$ 0.09	$ 0.27	$ 0.27
Basic weighted average common shares outstanding	902	882	899	879
Diluted weighted average common shares outstanding	904	908	901	913

See notes to condensed consolidated financial statements.

HALLIBURTON COMPANY
Condensed Consolidated Balance Sheets
(Unaudited)

Millions of dollars and shares except per share data	September 30, 2009	December 31, 2008
Assets		
Current assets:		
Cash and equivalents	$ 1,675	$ 1,124
Receivables (less allowance for bad debts of $89 and $60)	3,098	3,795
Inventories	1,716	1,828
Investments in marketable securities	1,515	–
Current deferred income taxes	198	246
Other current assets	497	418
Total current assets	8,699	7,411
Property, plant, and equipment, net of accumulated depreciation of $5,067 and $4,566	5,564	4,782
Goodwill	1,093	1,072
Other assets	981	1,120
Total assets	$ 16,337	$ 14,385
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 800	$ 898
Accrued employee compensation and benefits	487	643
Deferred revenue	194	231
Department of Justice (DOJ) and Securities and Exchange Commission (SEC) settlement and indemnity, current	190	373
Current maturities of long-term debt	–	26
Other current liabilities	513	610
Total current liabilities	2,184	2,781
Long-term debt	4,573	2,586
Employee compensation and benefits	466	539
Other liabilities	538	735
Total liabilities	7,761	6,641
Shareholders' equity:		
Common shares, par value $2.50 per share – authorized 2,000 shares, issued 1,067 shares	2,667	2,666
Paid-in capital in excess of par value	397	484
Accumulated other comprehensive loss	(202)	(215)
Retained earnings	10,702	10,041
Treasury stock, at cost – 165 and 172 shares	(5,015)	(5,251)
Company shareholders' equity	8,549	7,725
Noncontrolling interest in consolidated subsidiaries	27	19
Total shareholders' equity	8,576	7,744
Total liabilities and shareholders' equity	$ 16,337	$ 14,385

See notes to condensed consolidated financial statements.

HALLIBURTON COMPANY
Condensed Consolidated Statements of Cash Flows
(Unaudited)

Millions of dollars	Nine Months Ended September 30 2009	2008
Cash flows from operating activities:		
Net income	$ 911	$ 1,772
Adjustments to reconcile net income to net cash from operations:		
Depreciation, depletion, and amortization	677	535
Payments of DOJ and SEC settlement and indemnity	(369)	–
Provision for deferred income taxes, continuing operations	164	268
Other changes:		
Receivables	737	(628)
Inventories	114	(365)
Accounts payable	(111)	204
Other	(493)	(139)
Total cash flows from operating activities	1,630	1,647
Cash flows from investing activities:		
Sales (purchases) of investments in marketable securities	(1,518)	388
Capital expenditures	(1,390)	(1,305)
Acquisitions of assets, net of cash acquired	(37)	(408)
Other investing activities	93	96
Total cash flows from investing activities	(2,852)	(1,229)
Cash flows from financing activities:		
Proceeds from long-term borrowings, net of offering costs	1,975	1,189
Payments of dividends to shareholders	(243)	(239)
Payments on long-term borrowings	(30)	(1,896)
Payments to reacquire common stock	(12)	(504)
Other financing activities	100	165
Total cash flows from financing activities	1,790	(1,285)
Effect of exchange rate changes on cash	(17)	(7)
Increase (decrease) in cash and equivalents	551	(874)
Cash and equivalents at beginning of period	1,124	1,847
Cash and equivalents at end of period	$ 1,675	$ 973
Supplemental disclosure of cash flow information:		
Cash payments during the period for:		
Interest from continuing operations	$ 226	$ 117
Income taxes from continuing operations	$ 437	$ 738

See notes to condensed consolidated financial statements.

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 2008 Annual Report on Form 10-K.

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

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

Ultimate results could differ from our estimates.

In our opinion, the condensed consolidated financial statements included herein contain all adjustments necessary to present fairly our financial position as of September 30, 2009, the results of our operations for the three and nine months ended September 30, 2009 and 2008, and our cash flows for the nine months ended September 30, 2009 and 2008. Such adjustments are of a normal recurring nature. The results of operations for the three and nine months ended September 30, 2009 may not be indicative of results for the full year.

We have evaluated subsequent events through October 23, 2009, the date of issuance of the condensed consolidated financial statements.

In the first quarter of 2009, we reclassified certain services between our operating segments to re-establish a new service offering. In addition, during the first nine months of 2009, we adopted the provisions of new accounting standards. See Notes 3 and 11 for further information. All prior periods presented have been restated to reflect these changes.

Note 2. 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. In addition, we recorded a liability reflecting the estimated fair value of the indemnities and guarantees provided to KBR as described below. Since the separation, we have recorded adjustments to our liability for indemnities and guarantees to reflect changes to our estimation of our remaining obligation. All such adjustments are recorded in "Loss from discontinued operations, net of income tax."

We entered into various agreements relating to the separation of KBR, including, among others, a master separation agreement and a tax sharing agreement. The master separation agreement provides for, among other things, KBR's responsibility for liabilities related to its business and our responsibility for liabilities unrelated to KBR's business. We provide indemnification in favor of KBR under the master separation agreement for certain contingent liabilities, including our indemnification of KBR and any of its greater than 50%-owned subsidiaries as of November 20, 2006, the date of the master separation agreement, for:

- fines or other monetary penalties or direct monetary damages, including disgorgement, as a result of a claim made or assessed by a governmental authority in the United States, the United Kingdom, France, Nigeria, Switzerland, and/or Algeria, or a settlement thereof, related to alleged or actual violations occurring prior to November 20, 2006 of the United States Foreign Corrupt Practices Act (FCPA) or particular, analogous applicable foreign statutes, laws, rules, and regulations in connection with investigations pending as of that date, including with respect to the construction and subsequent expansion by a consortium of engineering firms comprised of Technip SA of France, Snamprogetti Netherlands B.V., JGC Corporation of Japan, and Kellogg Brown & Root LLC (TSKJ) of a natural gas liquefaction complex and related facilities at Bonny Island in Rivers State, Nigeria; and

- all out-of-pocket cash costs and expenses, or cash settlements or cash arbitration awards in lieu thereof, KBR may incur after the effective date of the master separation agreement as a result of the replacement of the subsea flowline bolts installed in connection with the Barracuda-Caratinga project.

Additionally, we provide indemnities, performance guarantees, surety bond guarantees, and letter of credit guarantees that are currently in place in favor of KBR's customers or lenders under project contracts, credit agreements, letters of credit, and other KBR credit instruments. These indemnities and guarantees will continue until they expire at the earlier of: (1) the termination of the underlying project contract or KBR obligations thereunder; (2) the expiration of the relevant credit support instrument in accordance with its terms or release of such instrument by the customer; or (3) the expiration of the credit agreements. Further, KBR and we have agreed that, until December 31, 2009, we will issue additional guarantees, indemnification, and reimbursement commitments for KBR's benefit in connection with: (a) letters of credit necessary to comply with KBR's Egypt Basic Industries Corporation ammonia plant contract, KBR's Allenby & Connaught project, and all other KBR project contracts that were in place as of December 15, 2005; (b) surety bonds issued to support new task orders pursuant to the Allenby & Connaught project, two job order contracts for KBR's Government and Infrastructure segment, and all other KBR project contracts that were in place as of December 15, 2005; and (c) performance guarantees in support of these contracts. KBR is compensating us for these guarantees. We have also provided a limited indemnity, with respect to FCPA and anti-trust governmental and third-party claims, to the lender parties under KBR's revolving credit agreement expiring in December 2010. KBR has agreed to indemnify us, other than for the FCPA and Barracuda-Caratinga bolts matter, if we are required to perform under any of the indemnities or guarantees related to KBR's revolving credit agreement, letters of credit, surety bonds, or performance guarantees described above.

In February 2009, the United States Department of Justice (DOJ) and Securities and Exchange Commission (SEC) FCPA investigations were resolved. The total of fines and disgorgement was $579 million, of which KBR consented to pay $20 million. As of September 30, 2009, we had paid $369 million, consisting of $192 million as a result of the DOJ settlement and the indemnity we provided to KBR upon separation and $177 million as a result of the SEC settlement. Our KBR indemnities and guarantees are primarily included in "Department of Justice (DOJ) and Securities and Exchange Commission (SEC) settlement and indemnity, current" and "Other liabilities" on the condensed consolidated balance sheets and totaled $262 million at September 30, 2009 and $631 million at December 31, 2008. Excluding the remaining amounts necessary to resolve the DOJ and SEC investigations and under the indemnity we provided to KBR, our estimation of the remaining obligation for other indemnities and guarantees provided to KBR upon separation was $72 million at September 30, 2009. See Note 7 for further discussion of the FCPA and Barracuda-Caratinga matters.

The tax sharing agreement provides for allocations of United States and certain other jurisdiction tax liabilities between us and KBR.

Note 3. 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. In the first quarter of 2009, we moved a portion of our completion tools and services from the Completion and Production segment to the Drilling and Evaluation segment to re-establish our testing and subsea services offering, which resulted in a change to our operating segments. Testing and subsea services provide acquisition and analysis of dynamic reservoir information and reservoir optimization solutions to the oil and gas industry utilizing downhole test tools, data acquisition services using telemetry and electronic memory recording, fluid sampling, surface well testing, subsea safety systems, and reservoir engineering services. All periods presented reflect reclassifications related to the change in operating segments.

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.

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

Millions of dollars	Three Months Ended September 30 2009	Three Months Ended September 30 2008	Nine Months Ended September 30 2009	Nine Months Ended September 30 2008
Revenue:				
Completion and Production	$ 1,821	$ 2,579	$ 5,601	$ 7,058
Drilling and Evaluation	1,767	2,274	5,388	6,311
Total revenue	$ 3,588	$ 4,853	$ 10,989	$ 13,369
Operating income:				
Completion and Production	$ 240	$ 633	$ 846	$ 1,674
Drilling and Evaluation	283	499	871	1,412
Total operations	523	1,132	1,717	3,086
Corporate and other	(49)	(81)	(151)	(239)
Total operating income	$ 474	$ 1,051	$ 1,566	$ 2,847
Interest expense	(80)	(35)	(215)	(119)
Interest income	3	6	8	35
Other, net	(4)	(4)	(23)	(7)
Income from continuing operations before income taxes and noncontrolling interest	$ 393	$ 1,018	$ 1,336	$ 2,756

Receivables

As of September 30, 2009, 23% of our gross trade receivables were from customers in the United States. As of December 31, 2008, 34% of our gross trade receivables were from customers in the United States.

Note 4. Inventories

Inventories are stated at the lower of cost or market. In the United States, we manufacture certain finished products and have parts inventories for drill bits, completion products, bulk materials, and other tools that are recorded using the last-in, first-out method totaling $72 million at September 30, 2009 and $92 million at December 31, 2008. If the average cost method was used, total inventories would have been $33 million higher than reported at September 30, 2009 and $31 million higher than reported at December 31, 2008. The cost of the remaining inventory was recorded on the average cost method. Inventories consisted of the following:

Millions of dollars	September 30, 2009	December 31, 2008
Finished products and parts	$ 1,137	$ 1,312
Raw materials and supplies	550	446
Work in process	29	70
Total	$ 1,716	$ 1,828

Finished products and parts are reported net of obsolescence reserves of $100 million at September 30, 2009 and $81 million at December 31, 2008.

Note 5. Debt

Senior unsecured indebtedness

In the first quarter of 2009, we issued $1 billion aggregate principal amount of senior notes due September 2039 bearing interest at a fixed rate of 7.45% and $1 billion aggregate principal amount of senior notes due September 2019 bearing interest at a fixed rate of 6.15%. We may redeem some of the notes of each series from time to time or all of the notes of each series at any time at the redemption prices, plus accrued and unpaid interest. The notes are general, senior unsecured indebtedness and rank equally with all of our existing and future senior unsecured indebtedness.

Revolving credit facility

In March 2009, we terminated the $400 million unsecured, six-month revolving credit facility established in October 2008 to provide additional liquidity and for other general corporate purposes.

Note 6. 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, 2008	$ 7,744	$ 7,725	$ 19
Transactions with shareholders	151	152	(1)
Comprehensive income:			
Net income	911	902	9
Other comprehensive income	13	13	–
Total comprehensive income	924	915	9
Dividends paid on common stock	(243)	(243)	–
Balance at September 30, 2009	$ 8,576	$ 8,549	$ 27

Millions of dollars	Total shareholders' equity	Company shareholders' equity	Noncontrolling interest in consolidated subsidiaries
Balance at December 31, 2007	$ 6,966	$ 6,873	$ 93
Share repurchases	(481)	(481)	–
Other transactions with shareholders	(534)	(485)	(49)
Comprehensive income:			
Net income	1,772	1,756	16
Other comprehensive income	3	3	–
Total comprehensive income	1,775	1,759	16
Dividends paid on common stock	(239)	(239)	–
Balance at September 30, 2008	$ 7,487	$ 7,427	$ 60

The following table summarizes comprehensive income for the quarterly periods presented.

	Three Months Ended September 30	
Millions of dollars	2009	2008
Net income	$ 266	$ 675
Other comprehensive loss	(4)	(1)
Total comprehensive income	262	674
Comprehensive income attributable to noncontrolling interest	4	3
Comprehensive income attributable to company	$ 258	$ 671

Accumulated other comprehensive loss consisted of the following:

Millions of dollars	September 30, 2009	December 31, 2008
Defined benefit and other postretirement liability adjustments	$ (138)	$ (151)
Cumulative translation adjustments	(64)	(60)
Unrealized losses on investments	–	(4)
Total accumulated other comprehensive loss	$ (202)	$ (215)

Note 7. Commitments and Contingencies

Foreign Corrupt Practices Act investigations

Background. As a result of an ongoing FCPA investigation at the time of the KBR separation, we provided indemnification in favor of KBR under the master separation agreement for certain contingent liabilities, including our indemnification of KBR and any of its greater than 50%-owned subsidiaries as of November 20, 2006, the date of the master separation agreement, for fines or other monetary penalties or direct monetary damages, including disgorgement, as a result of a claim made or assessed by a governmental authority in the United States, the United Kingdom, France, Nigeria, Switzerland, and/or Algeria, or a settlement thereof, related to alleged or actual violations occurring prior to November 20, 2006 of the FCPA or particular, analogous applicable foreign statutes, laws, rules, and regulations in connection with investigations pending as of that date, including with respect to the construction and subsequent expansion by TSKJ of a multibillion dollar natural gas liquefaction complex and related facilities at Bonny Island in Rivers State, Nigeria.

TSKJ is a private limited liability company registered in Madeira, Portugal whose members are Technip SA of France, Snamprogetti Netherlands B.V. (a subsidiary of Saipem SpA of Italy), JGC Corporation of Japan, and Kellogg Brown & Root LLC (a subsidiary of KBR), each of which had an approximate 25% beneficial interest in the venture. Part of KBR's ownership in TSKJ was held through M.W. Kellogg Limited (MWKL), a United Kingdom joint venture and subcontractor on the Bonny Island project, in which KBR beneficially owns a 55% interest. TSKJ and other similarly owned entities entered into various contracts to build and expand the liquefied natural gas project for Nigeria LNG Limited, which is owned by the Nigerian National Petroleum Corporation, Shell Gas B.V., Cleag Limited (an affiliate of Total), and Agip International B.V. (an affiliate of ENI SpA of Italy).

DOJ and SEC investigations resolved. In February 2009, the FCPA investigations by the DOJ and the SEC were resolved with respect to KBR and us. The DOJ and SEC investigations resulted from allegations of improper payments to government officials in Nigeria in connection with the construction and subsequent expansion by TSKJ of the Bonny Island project.

The DOJ investigation was resolved with respect to us with a non-prosecution agreement in which the DOJ agreed not to bring FCPA or bid coordination-related charges against us with respect to the matters under investigation, and in which we agreed to continue to cooperate with the DOJ's ongoing investigation and to refrain from and self-report certain FCPA violations. The DOJ agreement did not provide a monitor for us.

As part of the resolution of the SEC investigation, we retained an independent consultant to conduct a 60-day review and evaluation of our internal controls and record-keeping policies as they relate to the FCPA, and we agreed to adopt any necessary anti-bribery and foreign agent internal controls and record-keeping procedures recommended by the independent consultant. The review and evaluation were completed during the second quarter of 2009, and we have implemented the consultant's immediate recommendations and will implement the remaining long-term recommendations over the next year. As a result of the substantial enhancement of our anti-bribery and foreign agent internal controls and record-keeping procedures prior to the review of the independent consultant, we do not expect the implementation of the consultant's recommendations to materially impact our long-term strategy to grow our international operations. In 2010, the independent consultant will perform a 30-day, follow-up review to confirm that we have implemented the recommendations and continued the application of our current policies and procedures and to recommend any additional improvements.

KBR has agreed that our indemnification obligations with respect to the DOJ and SEC FCPA investigations have been fully satisfied.

Other matters. In addition to the DOJ and the SEC investigations, we are aware of other investigations in France, Nigeria, the United Kingdom, and Switzerland regarding the Bonny Island project. In the United Kingdom, the Serious Fraud Office (SFO) is considering civil claims or criminal prosecution under various United Kingdom laws and appears to be focused on the actions of MWKL, among others. Violations of these laws could result in fines, restitution and confiscation of revenues, among other penalties, some of which could be subject to our indemnification obligations under the master separation agreement. Our indemnity for penalties under the master separation agreement with respect to MWKL is limited to 55% of such penalties, which is KBR's beneficial ownership interest in MWKL. Whether the SFO pursues civil or criminal claims, and the amount of any fines, restitution, confiscation of revenues or other penalties that could be assessed would depend on, among other factors, the SFO's findings regarding the amount, timing, nature and scope of any improper payments or other activities, whether any such payments or other activities were authorized by or made with knowledge of MWKL, the amount of revenue involved, and the level of cooperation provided to the SFO during the investigations.

The settlements and the other ongoing investigations could result in third-party claims against us, which may include claims for special, indirect, derivative or consequential damages, damage to our business or reputation, loss of, or adverse effect on, cash flow, assets, goodwill, results of operations, business prospects, profits or business value or claims by directors, officers, employees, affiliates, advisors, attorneys, agents, debt holders, or other interest holders or constituents of us or our current or former subsidiaries.

Our indemnity of KBR and its majority-owned subsidiaries continues with respect to other investigations within the scope of our indemnity. Our indemnification obligation to KBR does not include losses resulting from third-party claims against KBR, including claims for special, indirect, derivative or consequential damages, nor does our indemnification apply to damage to KBR's business or reputation, loss of, or adverse effect on, cash flow, assets, goodwill, results of operations, business prospects, profits or business value or claims by directors, officers, employees, affiliates, advisors, attorneys, agents, debt holders, or other interest holders or constituents of KBR or KBR's current or former subsidiaries.

At this time, other than the claims being considered by the SFO, no claims by governmental authorities in foreign jurisdictions have been asserted against the indemnified parties. Therefore, we are unable to estimate the maximum potential amount of future payments that could be required to be made under our indemnity to KBR and its majority-owned subsidiaries related to these matters. See Note 2 for additional information.

Barracuda-Caratinga arbitration

We also provided indemnification in favor of KBR under the master separation agreement for all out-of-pocket cash costs and expenses (except for legal fees and other expenses of the arbitration so long as KBR controls and directs it), or cash settlements or cash arbitration awards, KBR may incur after November 20, 2006 as a result of the replacement of certain subsea flowline bolts installed in connection with the Barracuda-Caratinga project. Under the master separation agreement, KBR currently controls the defense, counterclaim, and settlement of the subsea flowline bolts matter. As a condition of our indemnity, for any settlement to be binding upon us, KBR must secure our prior written consent to such settlement's terms. We have the right to terminate the indemnity in the event KBR enters into any settlement without our prior written consent.

At Petrobras' direction, KBR replaced certain bolts located on the subsea flowlines that failed through mid-November 2005, and KBR has informed us that additional bolts have failed thereafter, which were replaced by Petrobras. These failed bolts were identified by Petrobras when it conducted inspections of the bolts. We understand KBR believes several possible solutions may exist, including replacement of the bolts. Initial estimates by KBR indicated that costs of these various solutions ranged up to $148 million. In March 2006, Petrobras commenced arbitration against KBR claiming $220 million plus interest for the cost of monitoring and replacing the defective bolts and all related costs and expenses of the arbitration, including the cost of attorneys' fees. We understand KBR is vigorously defending this matter and has submitted a counterclaim in the arbitration seeking the recovery of $22 million. The arbitration panel held an evidentiary hearing in March 2008 to determine which party is responsible for the designation of the material used for the bolts. On May 13, 2009, the arbitration panel held that KBR and not Petrobras selected the material to be used for the bolts. Accordingly, the arbitration panel held that there is no implied warranty by Petrobras to KBR as to the suitability of the bolt material and that the parties' rights are to be governed by the express terms of their contract. The parties and the arbitration panel are now in discussion regarding the future course of the arbitration proceedings with respect to the issues of liability and damages. Our estimation of the indemnity obligation regarding the Barracuda-Caratinga arbitration is recorded as a liability in our condensed consolidated financial statements as of September 30, 2009 and December 31, 2008. See Note 2 for additional information regarding the KBR indemnification.

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 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 is now styled *Archdiocese of Milwaukee Supporting Fund (AMSF) v. Halliburton Company, et al*. 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 the 1998 acquisition of Dresser Industries, Inc. by Halliburton, including that we failed to timely disclose the resulting asbestos liability exposure.

In April 2005, the court appointed new co-lead counsel and named AMSF 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, at which time the court took the motion under advisement. 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 AMSF to re-plead some of those claims to correct deficiencies in its earlier complaint. In April 2006, AMSF 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 Halliburton.

In September 2007, AMSF filed a motion for class certification, and our response was filed in November 2007. The court held a hearing in March 2008, and issued an order November 3, 2008 denying AMSF's motion for class certification. AMSF then filed a motion with the Fifth Circuit Court of Appeals requesting permission to appeal the district court's order denying class certification. The Fifth Circuit granted AMSF's motion and the order denying class certification is currently on appeal. The case will remain stayed in the district court pending the outcome of the appeal. As of September 30, 2009, 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.

Shareholder derivative cases

In May 2009, two shareholder derivative lawsuits involving us and KBR were filed in Harris County, Texas naming as defendants various current and retired Halliburton directors and officers and current KBR directors. These cases allege that the individual Halliburton defendants violated their fiduciary duties of good faith and loyalty to the detriment of Halliburton and its shareholders by failing to properly exercise oversight responsibilities and establish adequate internal controls. The petitions contain various allegations of resulting wrongdoing, including violations of the FCPA and claimed KBR offenses under United States government contracts. As of September 30, 2009, 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.

Asbestos insurance settlements

At December 31, 2004, we resolved all open and future asbestos- and silica-related claims in the prepackaged Chapter 11 proceedings of DII Industries LLC, Kellogg Brown & Root LLC, and our other affected subsidiaries that had previously been named as defendants in a large number of asbestos- and silica-related lawsuits. During 2004, we settled insurance disputes with substantially all the insurance companies for asbestos- and silica-related claims and all other claims under the applicable insurance policies and terminated all the applicable insurance policies.

Under the insurance settlements entered into as part of the resolution of our Chapter 11 proceedings, we have agreed to indemnify our insurers under certain historic general liability insurance policies in certain situations. We have concluded that the likelihood of any claims triggering the indemnity obligations is remote, and we believe any potential liability for these indemnifications will be immaterial. Further, an estimate of possible loss or range of loss related to this matter cannot be made. At September 30, 2009, we had not recorded any liability associated with these indemnifications.

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; and
- the Toxic Substances Control 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. On occasion, we are involved in specific 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. Our Health, Safety and Environment group has several programs in place to maintain environmental leadership and to prevent the occurrence of environmental contamination.

We do not expect costs related to these remediation requirements to have a material adverse effect on our consolidated financial position or our results of operations. Our accrued liabilities for environmental matters were $54 million as of September 30, 2009 and $64 million as of December 31, 2008. Our total liability related to environmental matters covers numerous properties.

We have subsidiaries that have been named as potentially responsible parties along with other third parties for 10 federal and state superfund sites for which we have established a liability. As of September 30, 2009, those 10 sites accounted for approximately $14 million of our total $54 million liability. For any particular federal or state superfund site, since 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. 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.

Letters of credit

In the normal course of business, we have agreements with financial institutions under which approximately $2 billion of letters of credit, bank guarantees, or surety bonds were outstanding as of September 30, 2009, including $394 million of surety bonds related to Venezuela. In addition, $554 million of the total $2 billion relates to KBR letters of credit, bank guarantees, or surety bonds that are being guaranteed by us in favor of KBR’s customers and lenders. KBR has agreed to compensate us for these guarantees and indemnify us if we are required to perform under any of these guarantees. Some of the outstanding letters of credit have triggering events that would entitle a bank to require cash collateralization.

Note 8. 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.

A reconciliation of the number of shares used for the basic and diluted income per share calculations is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
Millions of shares	2009	2008	2009	2008
Basic weighted average common shares outstanding	902	882	899	879
Dilutive effect of:				
Convertible senior notes premium	–	22	–	30
Stock options	2	4	2	4
Diluted weighted average common shares outstanding	904	908	901	913

Excluded from the computation of diluted income per share are options to purchase six million and eight million shares of common stock that were outstanding during the three and nine months ended September 30, 2009 and two million shares during both the three and nine months ended September 30, 2008. These options were outstanding during these periods but were excluded because they were antidilutive, as the option exercise price was greater than the average market price of the common shares.

Note 9. Fair Value of Financial Instruments

During the second quarter of 2009, we purchased $1.5 billion in United States Treasury securities with maturities that extend through September 2010. These securities are accounted for as available-for-sale and recorded at fair value in “Investments in marketable securities” on the condensed consolidated balance sheet at September 30, 2009.

The fair value of $426 million and $412 million of our long-term debt at September 30, 2009 and December 31, 2008 was calculated based on the fair value of other actively-traded, Halliburton debt. The carrying amount of cash and equivalents, receivables, short-term notes payable, and accounts payable, as reflected in the condensed consolidated balance sheets, approximates fair market value due to the short maturities of these instruments. The following table presents the fair values of our other financial assets and liabilities and the basis for determining their fair values:

Millions of dollars	Carrying Value	Fair value	Quoted prices in active markets for identical assets or liabilities	Significant observable inputs for similar assets or liabilities
September 30, 2009				
Marketable securities	$ 1,515	$ 1,515	$ 1,515	$ –
Long-term debt	4,573	5,304	4,878	426
December 31, 2008				
Long-term debt	$ 2,612	$ 2,826	$ 2,414	$ 412

Note 10. Retirement Plans

The components of net periodic benefit cost related to pension benefits for the three and nine months ended September 30, 2009 and September 30, 2008 were as follows:

	Three Months Ended September 30			
	2009		2008	
Millions of dollars	United States	International	United States	International
Service cost	$ –	$ 6	$ –	$ 7
Interest cost	1	10	2	13
Expected return on plan assets	(1)	(8)	(2)	(11)
Settlements/curtailments	–	–	–	(6)
Recognized actuarial loss	–	1	1	1
Net periodic benefit cost	$ –	$ 9	$ 1	$ 4

	Nine Months Ended September 30			
	2009		2008	
Millions of dollars	United States	International	United States	International
Service cost	$ –	$ 19	$ –	$ 20
Interest cost	4	31	5	39
Expected return on plan assets	(5)	(25)	(6)	(34)
Settlements/curtailments	1	1	–	(6)
Recognized actuarial loss	1	3	3	4
Net periodic benefit cost	$ 1	$ 29	$ 2	$ 23

During the nine months ended September 30, 2009, we contributed $77 million to our international pension plans, including a discretionary contribution of $66 million to our United Kingdom pension plans in the third quarter of 2009. We currently expect to contribute an additional $14 million to our international pension plans in 2009. We made discretionary contributions of approximately $13 million to our United States pension plans during the first nine months ended 2009 and do not expect to make further contributions to these plans in 2009.

Effective June 30, 2009, we amended our United Kingdom pension plan to cease benefit accruals related to service thereafter, resulting in a $32 million decrease in the projected benefit obligation and a $24 million decrease, net of tax, in accumulated other comprehensive loss.

Note 11. New Accounting Standards

Accounting standards recently adopted

On June 30, 2009, in our condensed consolidated financial statements, we adopted the provisions of a new accounting standard relating to subsequent events, which establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events.

On June 30, 2009, we adopted an update to accounting standards for disclosures about the fair value of financial instruments, which requires publicly-traded companies to provide disclosures on the fair value of financial instruments in interim financial statements.

On January 1, 2009, we adopted the provisions of a new accounting standard, which establishes new accounting, reporting, and disclosure standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This standard requires the recognition of a noncontrolling interest as equity in the condensed consolidated financial statements and separate from the parent’s equity. Noncontrolling interest has been presented as a separate component of shareholders’ equity for the current reporting period and prior comparative period in our condensed consolidated financial statements.

On January 1, 2009, we adopted an update to existing accounting standards for business combinations. The update, which retains the underlying concepts of the original standard in that all business combinations are still required to be accounted for at fair value under the acquisition method of accounting, changes the method of applying the acquisition method in a number of ways. Acquisition costs are no longer considered part of the fair value of an acquisition and will generally be expensed as incurred, noncontrolling interests are valued at fair value at the acquisition date, in-process research and development is recorded at fair value as an indefinite-lived intangible asset at the acquisition date, restructuring costs associated with a business combination are generally expensed subsequent to the acquisition date, and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. In April 2009, the Financial Accounting Standards Board (FASB) issued a further update in relation to accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies, which amends the previous guidance to require contingent assets acquired and liabilities assumed in a business combination to be recognized at fair value on the acquisition date if fair value can be reasonably estimated during the measurement period. If fair value cannot be reasonably estimated during the measurement period, the contingent asset or liability would be recognized in accordance with standards and guidance on accounting for contingencies and reasonable estimation of the amount of a loss. Further, this update eliminated the specific subsequent accounting guidance for contingent assets and liabilities, without significantly revising the original guidance. However, contingent consideration arrangements of an acquiree assumed by the acquirer in a business combination would still be initially and subsequently measured at fair value. These updates are effective for all business acquisitions occurring on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We adopted the provisions of these updates for business combinations with an acquisition date on or after January 1, 2009.

On January 1, 2009, we adopted an update to accounting standards related to convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement). The update clarifies that convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement, should separately account for the liability and equity components in a manner that will reflect the entity’s nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. Upon adopting the update, we retroactively applied its provisions and restated our condensed consolidated financial statements for prior periods.

In applying this update, $63 million of the carrying value of our 3.125% convertible senior notes due July 2023 was reclassified to equity as of the July 2003 issuance date. This amount represents the equity component of the proceeds from the notes, calculated assuming a 4.3% non-convertible borrowing rate. The discount was accreted to interest expense over the five-year term of the notes. Accordingly, $14 million of additional non-cash interest expense, or $0.01 per diluted share, was recorded in 2006 and 2007 and $7 million of additional non-cash interest expense was recorded in 2008, all during the first six months of the year. Furthermore, under the provisions of this update, the $693 million loss to settle our convertible debt recorded in the third quarter of 2008 was reversed and recorded to additional paid-in capital. This resulted in an increase of $686 million to income from continuing operations and net income attributable to company in the first nine months of 2008 and full year 2008 and a net increase of $630 million to beginning retained earnings as of January 1, 2009. Diluted income per share for the first nine months of 2008 and full year 2008 increased by $0.76 as a result of the adoption. These notes were converted and settled during the third quarter of 2008.

On January 1, 2009, we adopted an update to accounting standards related to accounting for instruments granted in share-based payment transactions as participating securities. This update provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities and shall be included in the computation of both basic and diluted earnings per share. According to the provisions of this update, we restated prior periods' basic and diluted earnings per share to include such outstanding unvested restricted shares of our common stock in the basic weighted average shares outstanding calculation. Upon adoption, both basic and diluted income per share for the first nine months of 2008 and full year 2008 decreased by $0.01 for continuing operations and net income attributable to company shareholders.

In September 2006, the FASB issued a new accounting standard for fair value measurements, which is intended to increase consistency and comparability in fair value measurements by defining fair value, establishing a framework for measuring fair value, and expanding disclosures about fair value measurements. The standard applies to other accounting standards that require or permit fair value measurements and is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. In February 2008, the FASB issued an update to the new standard for fair value measurements that provides guidance on the application of the new standard to other standards that address fair value measurements for purposes of lease classification or measurement. This update removes certain leasing transactions from the scope of the new accounting standard for fair value measurements. Further, an additional update was issued which deferred the effective date of the new standard for one year for certain nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. In October 2008, the FASB also issued an update to the original standard related to determining the fair value of a financial asset when the market for that asset is not active, which clarifies the application of the fair value measurement standard in an inactive market and illustrates how an entity would determine fair value when the market for a financial asset is not active. On January 1, 2008, we adopted without material impact on our condensed consolidated financial statements the provisions of the fair value measurement standard related to financial assets and liabilities and to nonfinancial assets and liabilities measured at fair value on a recurring basis. On January 1, 2009, we adopted without material impact on our condensed consolidated financial statements the provisions of the fair value measurement standard related to nonfinancial assets and nonfinancial liabilities that are not required or permitted to be measured at fair value on a recurring basis, which include those measured at fair value in goodwill impairment testing, indefinite-lived intangible assets measured at fair value for impairment assessment, nonfinancial long-lived assets measured at fair value for impairment assessment, asset retirement obligations initially measured at fair value, and those initially measured at fair value in a business combination.

In April 2009, the FASB further updated the fair value measurement standard to provide additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased. This update re-emphasizes that regardless of market conditions the fair value measurement is an exit price concept as defined in the original standard. It clarifies and includes additional factors to consider in determining whether there has been a significant decrease in market activity for an asset or liability and provides additional clarification on estimating fair value when the market activity for an asset or liability has declined significantly. The scope of this update does not include assets and liabilities measured under level 1 inputs. We adopted this update on June 30, 2009 prospectively to all fair value measurements as appropriate without material impact on our condensed consolidated financial statements.

Accounting standards not yet adopted

In October 2009, the FASB issued an update to existing guidance on revenue recognition for arrangements with multiple deliverables. This update will allow companies to allocate consideration received for qualified separate deliverables using estimated selling price for both delivered and undelivered items when vendor-specific objective evidence or third-party evidence is unavailable. Additional disclosures discussing the nature of multiple element arrangements, the types of deliverables under the arrangements, the general timing of their delivery, and significant factors and estimates used to determine estimated selling prices are required. We will adopt this update for new revenue arrangements entered into or materially modified beginning January 1, 2011. We have not yet determined the impact on our condensed consolidated financial statements.

In August 2009, the FASB further updated the fair value measurement guidance to clarify how an entity should measure liabilities at fair value. The update reaffirms fair value is based on an orderly transaction between market participants, even though liabilities are infrequently transferred due to contractual or other legal restrictions. However, identical liabilities traded in the active market should be used when available. When quoted prices are not available, the quoted price of the identical liability traded as an asset, quoted prices for similar liabilities or similar liabilities traded as an asset, or another valuation approach should be used. This update also clarifies that restrictions preventing the transfer of a liability should not be considered as a separate input or adjustment in the measurement of fair value. We will adopt the provisions of this update for fair value measurements of liabilities effective October 1, 2009, which we do not expect to have a material impact on our condensed consolidated financial statements.

In June 2009, the FASB issued a new accounting standard which provides amendments to previous guidance on the consolidation of variable interest entities. This standard clarifies the characteristics that identify a variable interest entity (VIE) and changes how a reporting entity identifies a primary beneficiary that would consolidate the VIE from a quantitative risk and rewards calculation to a qualitative approach based on which variable interest holder has controlling financial interest and the ability to direct the most significant activities that impact the VIE’s economic performance. This statement requires the primary beneficiary assessment to be performed on a continuous basis. It also requires additional disclosures about an entity’s involvement with a VIE, restrictions on the VIE’s assets and liabilities that are included in the reporting entity’s consolidated balance sheet, significant risk exposures due to the entity’s involvement with the VIE, and how its involvement with a VIE impacts the reporting entity’s consolidated financial statements. The standard is effective for fiscal years beginning after November 15, 2009. We will adopt the standard on January 1, 2010 and have not yet determined the impact on our condensed consolidated financial statements.

In December 2008, the FASB issued an update to accounting standards related to an employer’s disclosures about postretirement benefit plan assets. This update amends the disclosure requirements for employer’s disclosure of plan assets for defined benefit pensions and other postretirement plans. The objective of this update is to provide users of financial statements with an understanding of how investment allocation decisions are made, the major categories of plan assets held by the plans, the inputs and valuation techniques used to measure the fair value of plan assets, significant concentration of risk within the company’s plan assets, and for fair value measurements determined using significant unobservable inputs a reconciliation of changes between the beginning and ending balances. The update is effective for fiscal years ending after December 15, 2009. We will adopt the new disclosure requirements in the 2009 annual reporting period.

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

EXECUTIVE OVERVIEW

Organization

We are a leading provider of products and services to the energy industry. We serve the upstream oil and 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, Completion and Production and Drilling and Evaluation:

- our Completion and Production segment delivers cementing, stimulation, intervention, and completion services. The segment consists of production enhancement services, completion tools and services, and cementing services; and
- 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 fluid services, drilling services, drill bits, wireline and perforating services, testing and subsea, software and asset solutions, and integrated project management services.

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, but not limited to, the United States, Canada, the United Kingdom, Continental Europe, Malaysia, Mexico, Brazil, and Singapore. With approximately 51,000 employees, we operate in approximately 70 countries around the world, and our corporate headquarters are in Houston, Texas and Dubai, United Arab Emirates.

Financial results

During the first nine months of 2009, we produced revenue of $11 billion and operating income of $1.6 billion, reflecting an operating margin of 14%. Revenue decreased $2.4 billion or 18% from the first nine months of 2008, while operating income decreased $1.3 billion or 45% from the first nine months of 2008. These decreases were caused by a decline in our customers' capital spending as a result of the global recession and its impact on commodity prices, which resulted in severe margin contraction.

Business outlook

We continue to believe in the strength of the long-term fundamentals of our business. However, due to the financial crisis that developed in mid-2008, the ensuing negative impact on credit availability, and the current excess supply of oil and natural gas, the near- and mid-term outlook for our business and the industry remains uncertain. Forecasting the depth and length of the current cycle is challenging as it is different from past cycles due to the overlay of the financial crisis in combination with broad demand weakness.

In North America, the industry experienced an unprecedented decline in drilling activity during the first nine months of 2009. As of October 16, United States rig counts were approximately 49% below 2008 highs. Weak domestic gas demand coupled with the productivity of new shale resources has led to natural gas storage reaching record levels. We believe that a significant improvement in the natural gas market in the next few quarters is unlikely without the resurgence of broad economic demand and supportive winter withdrawal and supply patterns. Although we have recently seen signs of prices stabilizing for some of our service offerings, we continued to see pricing pressures during the third quarter of 2009. We anticipate that pricing for our services will remain under pressure until gas-directed drilling activity stabilizes.

Outside of North America, rig count has declined approximately 11% from 2008 highs. Although we are seeing some of our customers' projects move forward and this year have won a number of contract awards, we believe there is still a risk of a further decline in international activity in the coming quarters. We believe operators will not materially increase their spending levels despite some recent stabilization in commodity prices without compelling evidence of a recovery in hydrocarbon demand. As a result, they continue to reduce capital expenditures by deferring projects and exerting pricing pressure on oil service providers. We continue to believe that margins could be under pressure throughout 2010 based on our knowledge of lower pricing in recent competitive tendering activity for work that will begin later in 2009 and into next year.

In 2009, we are focusing on:

- leveraging our technologies to deploy our packaged-services strategy to provide our customers with the ability to more efficiently drill and complete their wells, especially in service-intensive environments such as deepwater and shale plays;
- retaining key investments in technology and capital to accelerate growth opportunities;
- increasing our market share in unconventional markets by enhancing our technological position and leveraging our technical expertise and wide portfolio of products and services;
- lowering our input costs from vendors by negotiating price reductions for both materials used in our operations and those utilized in the manufacturing of capital equipment;
- negotiating with our customers to trade an expansion of scope and a lengthening of contract duration for price concessions;
- reducing headcount in locations experiencing significant activity declines;
- improving working capital, operating within our cash flow, and managing our balance sheet to maximize our financial flexibility;
- continuing the globalization of our manufacturing and supply chain processes, preserving work at our lower-cost manufacturing centers, and utilizing our international infrastructure to lower costs from our supply chain through delivery;
- expanding our business with national oil companies; and
- minimizing discretionary spending.

Our operating performance is described in more detail in "Business Environment and Results of Operations."

Financial markets, liquidity, and capital resources

In 2009, the global financial markets continue to be volatile. While this has created additional risks for our business, we believe we have invested our cash balances conservatively and secured sufficient financing to help mitigate any near- and mid-term negative impact on our operations. To provide additional liquidity and flexibility in the current environment, we issued $2 billion in senior notes during the first quarter of 2009 and invested $1.5 billion in United States Treasury securities during the second quarter of 2009. For additional information, see "Liquidity and Capital Resources," "Risk Factors," "Business Environment and Results of Operations," and Notes 5 and 9 to the condensed consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

We ended the third quarter of 2009 with cash and equivalents of $1.7 billion compared to $1.1 billion at December 31, 2008.

Significant sources of cash

Cash flows from operating activities contributed $1.6 billion to cash in the first nine months of 2009.

In March 2009, we issued senior notes due 2039 totaling $1 billion and senior notes due 2019 totaling $1 billion.

We received payments of $90 million for our asbestos-related insurance settlements in the third quarter of 2009.

Further available sources of cash. We have an unsecured $1.2 billion, five-year revolving credit facility to provide commercial paper support, general working capital, and credit for other corporate purposes. There were no cash drawings under the facility as of September 30, 2009. In addition, we have $1.5 billion in United States Treasury securities that will be maturing at various dates through September 2010.

Significant uses of cash

Capital expenditures were $1.4 billion in the first nine months of 2009 and were predominantly made in the drilling services, production enhancement, wireline and perforating, and cementing product service lines.

We purchased $1.5 billion in United States Treasury securities with varying maturity dates during the second quarter of 2009.

We paid $369 million to the Department of Justice (DOJ) and Securities and Exchange Commission (SEC) in the first nine months of 2009 related to the settlements with them and under the indemnity provided to KBR, Inc. (KBR) upon separation.

We paid $243 million in dividends to our shareholders in the first nine months of 2009.

We contributed an additional $66 million to an international pension plan in July 2009.

Future uses of cash. We have approximately $1.8 billion remaining available under our share repurchase authorization, which may be used for open market share purchases.

Capital spending for 2009 is expected to be approximately $1.8 billion. The capital expenditures plan for 2009 is primarily directed toward our drilling services, production enhancement, wireline and perforating, and cementing product service lines and toward retiring old equipment to replace it with new equipment to improve our fleet reliability and efficiency. We are currently exploring opportunities for acquisitions that will enhance or augment our current portfolio of products and services, including those with unique technologies or distribution networks in areas where we do not already have large operations.

As a result of the resolution of the DOJ and SEC Foreign Corrupt Practices Act (FCPA) investigations, we will pay a total of $190 million in equal installments over the next four quarters for the settlement with the DOJ and under the indemnity provided to KBR upon separation. See Notes 2 and 7 to our condensed consolidated financial statements for more information.

Subject to Board of Directors approval, we expect to pay quarterly dividends of approximately $80 million through 2009.

Other factors affecting liquidity

Letters of credit. In the normal course of business, we have agreements with financial institutions under which approximately $2 billion of letters of credit, bank guarantees, or surety bonds were outstanding as of September 30, 2009, including $394 million of surety bonds related to Venezuela. In addition, $554 million of the total $2 billion relates to KBR letters of credit, bank guarantees, or surety bonds that are being guaranteed by us in favor of KBR's customers and lenders. KBR has agreed to compensate us for these guarantees and indemnify us if we are required to perform under any of these guarantees. Some of the outstanding letters of credit have triggering events that would entitle a bank to require cash collateralization.

Financial position in current market. Our $1.7 billion of cash and equivalents and $1.5 billion in investments in marketable securities as of September 30, 2009 provide sufficient liquidity and flexibility, given the current market environment. Our debt maturities extend over a long period of time. We currently have a total of $1.2 billion of committed bank credit under our revolving credit facility to support our operations and any commercial paper we may issue in the future. We have no financial covenants or material adverse change provisions in our bank agreements. Currently, there are no borrowings under the revolving credit facility.

In addition, we manage our cash investments by investing principally in United States Treasury securities and repurchase agreements collateralized by United States Treasury securities.

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 due to, among other reasons, a reduction in our customer's cash flow from operations and their access to the credit markets. For example, we have seen a delay in receiving payment on our receivables from one of our primary customers in Venezuela. If our customers delay in 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.

BUSINESS ENVIRONMENT AND RESULTS OF OPERATIONS

We operate in approximately 70 countries throughout the world 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 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 throughout the life of the field. Our two business segments are the Completion and Production segment and the Drilling and Evaluation segment. The industries we serve are highly competitive with many substantial competitors in each segment. In the first nine months of 2009, based upon the location of the services provided and products sold, 36% of our consolidated revenue was from the United States. In the first nine months of 2008, 43% 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, exchange control problems, and highly inflationary currencies. We believe the geographic diversification of our business activities reduces the risk that loss of operations in any one country 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 gas companies. Also impacting our activity is the status of the global economy, which impacts oil and natural gas consumption. See "Risk Factors—Worldwide recession and effect on exploration and production activity" for further information related to the effect of the current recession.

Some of the more significant barometers 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, 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.

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 September 30		Year Ended December 31
Average Oil Prices (dollars per barrel)	2009	2008	2008
West Texas Intermediate	$ 68.20	$ 117.88	$ 99.57
United Kingdom Brent	68.20	114.83	96.85
Average United States Gas Prices (dollars per thousand cubic feet, or mcf)			
Henry Hub	$ 3.26	$ 9.29	$ 9.13

The quarterly and year-to-date average rig counts based on the Baker Hughes Incorporated rig count information were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
Land vs. Offshore	2009	2008	2009	2008
United States:				
Land	940	1,910	1,032	1,807
Offshore	34	68	46	64
Total	974	1,978	1,078	1,871
Canada:				
Land	186	431	201	369
Offshore	1	1	1	1
Total	187	432	202	370
International (excluding Canada):				
Land	699	796	718	778
Offshore	270	299	275	297
Total	969	1,095	993	1,075
Worldwide total	2,130	3,505	2,273	3,316
Land total	1,825	3,137	1,951	2,954
Offshore total	305	368	322	362

	Three Months Ended September 30		Nine Months Ended September 30	
Oil vs. Natural Gas	2009	2008	2009	2008
United States:				
Oil	279	398	253	367
Natural Gas	695	1,580	825	1,504
Total	974	1,978	1,078	1,871
Canada:				
Oil	105	177	90	158
Natural Gas	82	255	112	212
Total	187	432	202	370
International (excluding Canada):				
Oil	756	849	774	831
Natural Gas	213	246	219	244
Total	969	1,095	993	1,075
Worldwide total	2,130	3,505	2,273	3,316
Oil total	1,140	1,424	1,117	1,356
Natural Gas total	990	2,081	1,156	1,960

Our customers' cash flows, in many 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. The opposite is true for higher oil and natural gas prices.

WTI oil spot prices fell from a high of approximately $145 per barrel in July 2008 to a low of approximately $30 per barrel in December 2008. Since then prices have begun to rebound. As noted above, during the three months ended September 30, 2009, spot prices averaged $68.20 per barrel. As of October 21, 2009 the WTI oil spot price was $81.04 per barrel. According to the International Energy Agency's (IEA) October 2009 "Oil Market Report," the economic contraction has weakened, contributing to expectations of commodity price stabilization during the remainder of 2009. The IEA has forecasted world petroleum demand to increase slightly during the last quarter of 2009 and expects 2010 demand to increase 2% over 2009 levels. Although 2010 world petroleum demand is expected to be higher than 2009, demand next year will be less than 2008 levels. Despite the overall decline in oil and natural gas prices from 2008 levels and reduction in our customers' capital spending, we believe that, over the long term, any major macroeconomic disruptions may ultimately correct themselves as 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.

North America operations. Volatility in natural gas prices can impact our customers' drilling and production activities, particularly in North America. In the first nine months of 2009, we experienced an unprecedented decline in drilling activity as the United States rig count, as of October 16, 2009, dropped approximately 49% from 2008 highs. Correlating with this decline, the Henry Hub spot price decreased from an average of $9.13 per mcf in 2008 to $3.06 per mcf in September 2009. As of October 21, 2009, the Henry Hub spot price was $4.94 per mcf. Weak domestic gas demand coupled with the productivity of new shale resources has led to natural gas storage reaching record levels. We believe that a significant improvement in the natural gas market in the next few quarters is unlikely without the resurgence of broad economic demand and supportive winter withdrawal and supply patterns. Although we have recently seen signs of prices stabilizing for some of our service offerings, we continued to see pricing pressures during the third quarter of 2009. We anticipate that pricing for our services will remain under pressure until gas-directed drilling activity stabilizes.

International operations. Consistent with our long-term strategy to grow our operations outside of North America, we expect to continue to invest capital related to our international operations. However, as of September 30, 2009, rig count had declined approximately 11% from 2008 highs. Although we are seeing some of our customers' projects move forward and this year have won a number of contract awards, we believe there is still a risk of a further decline in international activity in the coming quarters. We believe operators will not materially increase their spending levels despite some recent stabilization in commodity prices without compelling evidence of a recovery in hydrocarbon demand. As a result, they continue to reduce capital expenditures by deferring projects and exerting pricing pressure on oil service providers. We continue to believe that margins could be under pressure throughout 2010 based on our knowledge of lower pricing in recent competitive tendering activity for work that will begin later in 2009 and into next year.

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

- leveraging our technologies to deploy our packaged-services strategy to provide our customers with the ability to more efficiently drill and complete their wells, especially in service-intensive environments such as deepwater and shale plays;
- retaining key investments in technology and capital to accelerate growth opportunities;
- increasing our market share in unconventional markets by enhancing our technological position and leveraging our technical expertise and wide portfolio of products and services;
- lowering our input costs from vendors by negotiating price reductions for both materials used in our operations and those utilized in the manufacturing of capital equipment;
- negotiating with our customers to trade an expansion of scope and a lengthening of contract duration for price concessions;
- reducing headcount in locations experiencing significant activity declines;
- improving working capital, operating within our cash flow, and managing our balance sheet to maximize our financial flexibility;
- continuing the globalization of our manufacturing and supply chain processes, preserving work at our lower-cost manufacturing centers, and utilizing our international infrastructure to lower costs from our supply chain through delivery;
- expanding our business with national oil companies; and
- minimizing discretionary spending.

Recent contract wins positioning us to grow our operations over the long term include:

- a two-year, $229 million contract with multiple extension options, to provide drilling fluids and associated services in Norway;
- a three-year contract renewal for continued access to a broad suite of software technology and petro-technical consulting services for the development, deployment, and ongoing global support of exploration and production technology and workflows;
- a five-year, $1.5 billion contract to provide a broad base of products and services to an international oil company for its work associated with North America;
- several wins totaling $1 billion, including $700 million to provide deepwater drilling fluid services in the Gulf of Mexico, Brazil, Indonesia, Angola, and other countries, which solidifies our position in the deepwater drilling fluids market and $300 million for shelf- and land-related work;
- a two-year contract extension, estimated to be valued at $450 million, to provide cementing services and completion and drilling fluids for StatoilHydro in offshore fields on the Norwegian continental shelf;
- a five-year, $190 million contract to provide drilling fluid, completion fluid, and drilling waste management services for Petrobras in the offshore markets of Brazil;
- a five-year, $100 million contract to provide directional-drilling and logging-while-drilling services in the Middle East;
- a contract award in Algeria to provide integrated project management services for a number of delineation wells initially with the potential to expand to 120 wells for full field development;
- a four-year contract to provide directional-drilling, measurement-while-drilling, and logging-while-drilling, along with drilling fluids and cementing services in Russia; and
- a multi-year contract scheduled to commence in 2010 to provide completion products and services and drilling and completion fluids in the deepwater, offshore fields of Angola.

RESULTS OF OPERATIONS IN 2009 COMPARED TO 2008

Three Months Ended September 30, 2009 Compared with Three Months Ended September 30, 2008

REVENUE: *Millions of dollars*	Three Months Ended September 30 2009	 2008	Increase (Decrease)	Percentage Change
Completion and Production	$ 1,821	$ 2,579	$ (758)	(29)%
Drilling and Evaluation	1,767	2,274	(507)	(22)
Total revenue	$ 3,588	$ 4,853	$ (1,265)	(26)%
By geographic region:				
Completion and Production:				
North America	$ 807	$ 1,456	$ (649)	(45)%
Latin America	223	271	(48)	(18)
Europe/Africa/CIS	483	519	(36)	(7)
Middle East/Asia	308	333	(25)	(8)
Total	1,821	2,579	(758)	(29)
Drilling and Evaluation:				
North America	478	790	(312)	(39)
Latin America	319	376	(57)	(15)
Europe/Africa/CIS	529	613	(84)	(14)
Middle East/Asia	441	495	(54)	(11)
Total	1,767	2,274	(507)	(22)
Total revenue by region:				
North America	1,285	2,246	(961)	(43)
Latin America	542	647	(105)	(16)
Europe/Africa/CIS	1,012	1,132	(120)	(11)
Middle East/Asia	749	828	(79)	(10)

OPERATING INCOME:	Three Months Ended September 30		Increase	Percentage
Millions of dollars	2009	2008	(Decrease)	Change
Completion and Production	$ 240	$ 633	$ (393)	(62)%
Drilling and Evaluation	283	499	(216)	(43)
Corporate and other	(49)	(81)	32	40
Total operating income	$ 474	$ 1,051	$ (577)	(55)%
By geographic region:				
Completion and Production:				
North America	$ 9	$ 404	$ (395)	(98)%
Latin America	45	59	(14)	(24)
Europe/Africa/CIS	107	93	14	15
Middle East/Asia	79	77	2	3
Total	240	633	(393)	(62)
Drilling and Evaluation:				
North America	28	165	(137)	(83)
Latin America	52	75	(23)	(31)
Europe/Africa/CIS	94	112	(18)	(16)
Middle East/Asia	109	147	(38)	(26)
Total	283	499	(216)	(43)
Total operating income by region (excluding Corporate and other):				
North America	37	569	(532)	(93)
Latin America	97	134	(37)	(28)
Europe/Africa/CIS	201	205	(4)	(2)
Middle East/Asia	188	224	(36)	(16)

Note – All periods presented reflect the movement of certain operations from the Completion and Production segment to the Drilling and Evaluation segment during the first quarter of 2009.

The 26% decline in consolidated revenue in the third quarter of 2009 compared to the third quarter of 2008 was primarily due to pricing declines and lower demand for our products and services in North America as the result of a significant reduction in rig count. Despite an approximate 52% reduction in average rig count in North America from the third quarter of 2008, we only experienced a 43% decline in North America revenue from the third quarter of 2008. International revenue was 67% of consolidated revenue in the third quarter of 2009 and 57% of consolidated revenue in the third quarter of 2008.

The decrease in consolidated operating income compared to the third quarter of 2008 primarily stemmed from a decline in North America due to a reduction in rig count and severe margin contraction and a $28 million charge associated with employee separation costs partially offset by savings from cost reductions. Operating income in the third quarter of 2008 was negatively impacted by hurricanes in the Gulf of Mexico by approximately $52 million.

Following is a discussion of our results of operations by reportable segment.

Completion and Production decrease in revenue compared to the third quarter of 2008 was a result of pricing declines and lower demand for our products and services in North America. North America revenue fell 45% primarily on a drop in demand for production enhancement services and cementing services in the United States. In addition, Canada experienced declines in demand for production enhancement services. Latin America revenue decreased 18% with increased demand for production enhancement services and cementing services in Mexico outweighed by declines in completion tools and services in Brazil and all product service lines in Venezuela. Europe/Africa/CIS revenue decreased 7% on a decline in demand for completion tools and services in Africa and production enhancement services in both the North Sea and Russia partially offset by higher demand for intelligent well completions products and services in Europe. Middle East/Asia revenue fell 8% largely due to a decrease in demand for production enhancement and cementing services in Oman and lower activity for production enhancement services in India. International revenue was 58% of total segment revenue in the third quarter of 2009 and 47% of total segment revenue in the third quarter of 2008.

The Completion and Production segment operating income decrease compared to the third quarter of 2008 was primarily due to the North America region, where operating income fell largely due to pricing declines and significant reductions in rig count resulting in lower demand for our products and services. Latin America operating income decreased 24% due to lower demand for completion tools and services in Brazil. Europe/Africa/CIS operating income increased 15% due to higher demand for intelligent well completions products and services. Middle East/Asia operating income increased 3% due to higher demand for completion tools and services and increased activity for cementing services in Asia.

Drilling and Evaluation revenue decrease compared to the third quarter of 2008 was a result of pricing declines in North America and lower demand for our products and services globally. North America revenue fell 39% on pricing declines and a reduction in rig count. Latin America revenue declined 15% primarily due to lower activity for all product service lines in Venezuela and Argentina. Europe/Africa/CIS revenue decreased 14% due to lower drilling activity in the North Sea, Russia, and Nigeria. Middle East/Asia revenue decreased 11% as increased demand for our products and services in Southeast Asia were outweighed by decreased drilling activity in Saudi Arabia, Australia, and China. International revenue was 76% of total segment revenue in the third quarter of 2009 and 69% of total segment revenue in the third quarter of 2008.

The decrease in segment operating income compared to the third quarter of 2008 was primarily driven by pricing declines and rig count reductions across all regions but most notably in North America where operating income fell 83%. Latin America operating income decreased 31% as higher drilling activity in Mexico was offset by lower activity for drilling fluid services and software and asset solutions in Venezuela and declining demand for wireline and perforating services in Mexico, Argentina, and Colombia. The Europe/Africa/CIS region operating income fell 16% on drilling activity declines and reduced demand in Africa. Middle East/Asia operating income decreased 26% over the third quarter of 2008 primarily due to decreased drilling activity in Saudi Arabia, Australia, and China.

Corporate and other expenses were $49 million in the third quarter of 2009 compared to $81 million in the third quarter of 2008. The third quarter of 2008 results included a WellDynamics acquisition-related charge of $22 million.

NONOPERATING ITEMS

Interest expense increased $45 million in the third quarter of 2009 compared to the third quarter of 2008 primarily related to the issuance of the $2 billion in senior notes during the first quarter of 2009 and the redemption of our convertible senior notes early in the third quarter of 2008.

Provision for income taxes on continuing operations of $124 million in the third quarter of 2009 resulted in an effective tax rate of 32% compared to an effective tax rate on continuing operations of 34% in the third quarter of 2008. The lower effective tax rate in the third quarter of 2009 was driven primarily by the decline in United States operating results, which are generally subject to higher income tax rates than most of our international operations.

RESULTS OF OPERATIONS IN 2009 COMPARED TO 2008

Nine Months Ended September 30, 2009 Compared with Nine Months Ended September 30, 2008

REVENUE:	Nine Months Ended September 30		Increase	Percentage
Millions of dollars	2009	2008	(Decrease)	Change
Completion and Production	$ 5,601	$ 7,058	$ (1,457)	(21)%
Drilling and Evaluation	5,388	6,311	(923)	(15)
Total revenue	$ 10,989	$ 13,369	$ (2,380)	(18)%
By geographic region:				
Completion and Production:				
North America	$ 2,673	$ 3,885	$ (1,212)	(31)%
Latin America	682	720	(38)	(5)
Europe/Africa/CIS	1,348	1,441	(93)	(6)
Middle East/Asia	898	1,012	(114)	(11)
Total	5,601	7,058	(1,457)	(21)
Drilling and Evaluation:				
North America	1,554	2,213	(659)	(30)
Latin America	960	1,033	(73)	(7)
Europe/Africa/CIS	1,603	1,765	(162)	(9)
Middle East/Asia	1,271	1,300	(29)	(2)
Total	5,388	6,311	(923)	(15)
Total revenue by region:				
North America	4,227	6,098	(1,871)	(31)
Latin America	1,642	1,753	(111)	(6)
Europe/Africa/CIS	2,951	3,206	(255)	(8)
Middle East/Asia	2,169	2,312	(143)	(6)

OPERATING INCOME: *Millions of dollars*	Nine Months Ended September 30 2009	2008	Increase (Decrease)	Percentage Change
Completion and Production	$ 846	$ 1,674	$ (828)	(49)%
Drilling and Evaluation	871	1,412	(541)	(38)
Corporate and other	(151)	(239)	88	37
Total operating income	$ 1,566	$ 2,847	$ (1,281)	(45)%
By geographic region:				
Completion and Production:				
North America	$ 227	$ 1,042	$ (815)	(78)%
Latin America	152	163	(11)	(7)
Europe/Africa/CIS	253	250	3	1
Middle East/Asia	214	219	(5)	(2)
Total	846	1,674	(828)	(49)
Drilling and Evaluation:				
North America	120	524	(404)	(77)
Latin America	159	206	(47)	(23)
Europe/Africa/CIS	271	347	(76)	(22)
Middle East/Asia	321	335	(14)	(4)
Total	871	1,412	(541)	(38)
Total operating income by region (excluding Corporate and other):				
North America	347	1,566	(1,219)	(78)
Latin America	311	369	(58)	(16)
Europe/Africa/CIS	524	597	(73)	(12)
Middle East/Asia	535	554	(19)	(3)

Note – All periods presented reflect the movement of certain operations from the Completion and Production segment to the Drilling and Evaluation segment during the first quarter of 2009.

The 18% decline in consolidated revenue in the first nine months of 2009 compared to the first nine months of 2008 was primarily due to pricing declines and lower demand for our products and services in North America due to a significant reduction in rig count. Despite an approximate 43% reduction in average rig count in North America during the first nine months of 2009 compared to the first nine months of 2008, we experienced only a 31% decline in North America revenue from the first nine months of 2008. International revenue was 64% of consolidated revenue in the first nine months of 2009 and 57% of consolidated revenue in the first nine months of 2008.

The decrease in consolidated operating income compared to the first nine months of 2008 primarily stemmed from a 78% decrease in North America due to a decline in rig count and severe margin contraction and a $73 million charge associated with employee separation costs. Operating income in the first nine months of 2008 was favorably impacted by a $35 million gain on the sale of a joint venture interest in the United States and a combined $25 million gain related to the sale of two investments in the United States. Operating income in the first nine months of 2008 was adversely impacted by hurricanes in the Gulf of Mexico by approximately $52 million, a $23 million impairment charge related to an oil and gas property in Bangladesh and a $30 million charge related to a drill bits patent dispute settlement.

Following is a discussion of our results of operations by reportable segment.

Completion and Production decrease in revenue compared to the first nine months of 2008 was primarily a result of pricing declines in North America and lower demand for our products and services in North America and Middle East/Asia. North America revenue fell 31% primarily due to pricing declines and a drop in demand for production enhancement services and cementing services. Latin America revenue decreased 5% as increased activity for all product service lines in Mexico and Colombia was outweighed by lower activity across all product service lines in Venezuela and Argentina. Europe/Africa/CIS revenue decreased 6% on lower demand for completion tools and services in Africa. In addition, production enhancement services in Europe were negatively impacted by job delays in the North Sea. Middle East/Asia revenue fell 11% as increased demand for production enhancement services and intelligent well completion products and services in Asia was outweighed by a decrease in demand for all products and services in the Middle East. International revenue was 55% of total segment revenue in the first nine months of 2009 and 48% of total segment revenue in the first nine months of 2008.

The Completion and Production segment operating income decrease compared to the first nine months of 2008 was primarily due to the North America region, where operating income fell 78% largely due to pricing declines and significant reductions in rig count resulting in lower demand for our products and services. North America was negatively impacted by approximately $25 million due to Gulf of Mexico hurricanes and benefited from a $35 million gain on the sale of a joint venture interest in the first nine months of 2008. Latin America operating income decreased 7% driven by lower activity across all product service lines in Venezuela and Argentina. Europe/Africa/CIS operating income increased 1% as improved cost management and higher demand for cementing services across the region outweighed job delays and lower demand for completion tools and services in Africa and production enhancement services in the North Sea and Angola.   Middle East/Asia operating income decreased 2% as job delays and lower demand in Saudi Arabia offset higher demand for completion tools and services throughout the region and improved activity for cementing and production enhancement services in Asia.

Drilling and Evaluation revenue decrease compared to the first nine months of 2008 was primarily a result of pricing declines and decreased demand for our products and services stemming from a reduction in rig count in North America, where revenue fell 30%. Latin America revenue fell 7% mainly due to decreased demand for drilling fluid services, software sales and consulting services, and wireline and perforating services in Venezuela and Argentina. Europe/Africa/CIS revenue decreased 9% as a result of decreased demand for drilling fluids services in Nigeria and Angola and drilling services in Europe. Pricing pressure also had a significant impact on revenue in Europe. Middle East/Asia revenue decreased 2% as increased demand for drilling fluid services, testing and subsea services, and drilling services in Asia Pacific were outweighed by activity declines in drilling services in the Middle East and declines in software sales and consulting services and wireline and perforating services in Asia Pacific. International revenue was 74% of total segment revenue in the first nine months of 2009 and 68% of total segment revenue in the first nine months of 2008.

The decrease in segment operating income compared to the first nine months of 2008 was primarily related to a 77% decrease in North America due to pricing declines and rig count reductions. This region's results also were negatively impacted by approximately $27 million due to Gulf of Mexico hurricanes and benefited from $25 million of gains related to the sale of two investments in the United States in the first nine months of 2008. Latin America operating income fell 23% primarily due to higher costs and lower demand across all product service lines except drilling services and drill bits. The Europe/Africa/CIS region operating income fell 22% on pricing pressures and decreased demand primarily for drilling services and software sales and consulting services in Europe and testing and subsea services in Africa. Middle East/Asia operating income decreased 4% over the first nine months of 2008 mainly due to an increase in software sales and consulting services in the Middle East and an increase in testing and subsea services in Asia Pacific being offset by declines in drilling services in Saudi Arabia and Oman and wireline and perforating services throughout Asia Pacific. This region was negatively impacted by the impairment charge related to an oil and gas property in Bangladesh in the first nine months of 2008.

Corporate and other expenses were $151 million in the first nine months of 2009 compared to $239 million in the first nine months of 2008. The 37% reduction was primarily related to a $30 million charge related to a drill bits patent dispute settlement in the first nine months of 2008. Lower legal and corporate planning and development expenses also contributed to the decrease.

NONOPERATING ITEMS

Interest expense increased $96 million in the first nine months of 2009 compared to the first nine months of 2008 primarily due to the issuance of $2 billion in senior notes during the first quarter of 2009 and the redemption of our convertible senior notes early in the third quarter of 2008.

Interest income decreased $27 million in the first nine months of 2009 compared to the first nine months of 2008 due to a general decline in market interest rates and lower investment balances for a portion of the first nine months of 2009.

Other, net in the first nine months of 2009 included a $25 million loss on foreign exchange.

Provision for income taxes on continuing operations of $420 million in the first nine months of 2009 resulted in an effective tax rate of 31% compared to an effective tax rate on continuing operations of 32% in the first nine months of 2008.

Loss from discontinued operations, net of income tax in the first nine months of 2008 included a $117 million charge related to adjustments to the indemnities and guarantees provided to KBR upon separation.

ENVIRONMENTAL MATTERS

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; and
- the Toxic Substances Control 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. On occasion, we are involved in specific 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. Our Health, Safety and Environment group has several programs in place to maintain environmental leadership and to prevent the occurrence of environmental contamination.

We do not expect costs related to these remediation requirements to have a material adverse effect on our consolidated financial position or our results of operations. Our accrued liabilities for environmental matters were $54 million as of September 30, 2009 and $64 million as of December 31, 2008. Our total liability related to environmental matters covers numerous properties.

We have subsidiaries that have been named as potentially responsible parties along with other third parties for 10 federal and state superfund sites for which we have established a liability. As of September 30, 2009, those 10 sites accounted for approximately $14 million of our total $54 million liability. For any particular federal or state superfund site, since 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. 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.

NEW ACCOUNTING STANDARDS

Accounting standards recently adopted

On June 30, 2009, in our condensed consolidated financial statements, we adopted the provisions of a new accounting standard relating to subsequent events, which establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events.

On June 30, 2009, we adopted an update to accounting standards for disclosures about the fair value of financial instruments, which requires publicly-traded companies to provide disclosures on the fair value of financial instruments in interim financial statements.

On January 1, 2009, we adopted the provisions of a new accounting standard, which establishes new accounting, reporting, and disclosure standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This standard requires the recognition of a noncontrolling interest as equity in the condensed consolidated financial statements and separate from the parent's equity. Noncontrolling interest has been presented as a separate component of shareholders' equity for the current reporting period and prior comparative period in our condensed consolidated financial statements.

On January 1, 2009, we adopted an update to existing accounting standards for business combinations. The update, which retains the underlying concepts of the original standard in that all business combinations are still required to be accounted for at fair value under the acquisition method of accounting, changes the method of applying the acquisition method in a number of ways. Acquisition costs are no longer considered part of the fair value of an acquisition and will generally be expensed as incurred, noncontrolling interests are valued at fair value at the acquisition date, in-process research and development is recorded at fair value as an indefinite-lived intangible asset at the acquisition date, restructuring costs associated with a business combination are generally expensed subsequent to the acquisition date, and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. In April 2009, the Financial Accounting Standards Board (FASB) issued a further update in relation to accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies, which amends the previous guidance to require contingent assets acquired and liabilities assumed in a business combination to be recognized at fair value on the acquisition date if fair value can be reasonably estimated during the measurement period. If fair value cannot be reasonably estimated during the measurement period, the contingent asset or liability would be recognized in accordance with standards and guidance on accounting for contingencies and reasonable estimation of the amount of a loss. Further, this update eliminated the specific subsequent accounting guidance for contingent assets and liabilities, without significantly revising the original guidance. However, contingent consideration arrangements of an acquiree assumed by the acquirer in a business combination would still be initially and subsequently measured at fair value. These updates are effective for all business acquisitions occurring on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We adopted the provisions of these updates for business combinations with an acquisition date on or after January 1, 2009.

On January 1, 2009, we adopted an update to accounting standards related to convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement). The update clarifies that convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement, should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. Upon adopting the update, we retroactively applied its provisions and restated our condensed consolidated financial statements for prior periods.

In applying this update, $63 million of the carrying value of our 3.125% convertible senior notes due July 2023 was reclassified to equity as of the July 2003 issuance date. This amount represents the equity component of the proceeds from the notes, calculated assuming a 4.3% non-convertible borrowing rate. The discount was accreted to interest expense over the five-year term of the notes. Accordingly, $14 million of additional non-cash interest expense, or $0.01 per diluted share, was recorded in 2006 and 2007 and $7 million of additional non-cash interest expense was recorded in 2008, all during the first six months of the year. Furthermore, under the provisions of this update, the $693 million loss to settle our convertible debt recorded in the third quarter of 2008 was reversed and recorded to additional paid-in capital. This resulted in an increase of $686 million to income from continuing operations and net income attributable to company in the first nine months of 2008 and full year 2008 and a net increase of $630 million to beginning retained earnings as of January 1, 2009. Diluted income per share for the first nine months of 2008 and full year 2008 increased by $0.76 as a result of the adoption. These notes were converted and settled during the third quarter of 2008.

On January 1, 2009, we adopted an update to accounting standards related to accounting for instruments granted in share-based payment transactions as participating securities. This update provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities and shall be included in the computation of both basic and diluted earnings per share. According to the provisions of this update, we restated prior periods' basic and diluted earnings per share to include such outstanding unvested restricted shares of our common stock in the basic weighted average shares outstanding calculation. Upon adoption, both basic and diluted income per share for the first nine months of 2008 and full year 2008 decreased by $0.01 for continuing operations and net income attributable to company shareholders.

In September 2006, the FASB issued a new accounting standard for fair value measurements, which is intended to increase consistency and comparability in fair value measurements by defining fair value, establishing a framework for measuring fair value, and expanding disclosures about fair value measurements. The standard applies to other accounting standards that require or permit fair value measurements and is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. In February 2008, the FASB issued an update to the new standard for fair value measurements that provides guidance on the application of the new standard to other standards that address fair value measurements for purposes of lease classification or measurement. This update removes certain leasing transactions from the scope of the new accounting standard for fair value measurements. Further, an additional update was issued which deferred the effective date of the new standard for one year for certain nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. In October 2008, the FASB also issued an update to the original standard related to determining the fair value of a financial asset when the market for that asset is not active, which clarifies the application of the fair value measurement standard in an inactive market and illustrates how an entity would determine fair value when the market for a financial asset is not active. On January 1, 2008, we adopted without material impact on our condensed consolidated financial statements the provisions of the fair value measurement standard related to financial assets and liabilities and to nonfinancial assets and liabilities measured at fair value on a recurring basis. On January 1, 2009, we adopted without material impact on our condensed consolidated financial statements the provisions of the fair value measurement standard related to nonfinancial assets and nonfinancial liabilities that are not required or permitted to be measured at fair value on a recurring basis, which include those measured at fair value in goodwill impairment testing, indefinite-lived intangible assets measured at fair value for impairment assessment, nonfinancial long-lived assets measured at fair value for impairment assessment, asset retirement obligations initially measured at fair value, and those initially measured at fair value in a business combination.

In April 2009, the FASB further updated the fair value measurement standard to provide additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased. This update re-emphasizes that regardless of market conditions the fair value measurement is an exit price concept as defined in the original standard. It clarifies and includes additional factors to consider in determining whether there has been a significant decrease in market activity for an asset or liability and provides additional clarification on estimating fair value when the market activity for an asset or liability has declined significantly. The scope of this update does not include assets and liabilities measured under level 1 inputs. We adopted this update on June 30, 2009 prospectively to all fair value measurements as appropriate without material impact on our condensed consolidated financial statements.

Accounting standards not yet adopted

In October 2009, the FASB issued an update to existing guidance on revenue recognition for arrangements with multiple deliverables. This update will allow companies to allocate consideration received for qualified separate deliverables using estimated selling price for both delivered and undelivered items when vendor-specific objective evidence or third-party evidence is unavailable. Additional disclosures discussing the nature of multiple element arrangements, the types of deliverables under the arrangements, the general timing of their delivery, and significant factors and estimates used to determine estimated selling prices are required. We will adopt this update for new revenue arrangements entered into or materially modified beginning January 1, 2011. We have not yet determined the impact on our condensed consolidated financial statements.

In August 2009, the FASB further updated the fair value measurement guidance to clarify how an entity should measure liabilities at fair value. The update reaffirms fair value is based on an orderly transaction between market participants, even though liabilities are infrequently transferred due to contractual or other legal restrictions. However, identical liabilities traded in the active market should be used when available. When quoted prices are not available, the quoted price of the identical liability traded as an asset, quoted prices for similar liabilities or similar liabilities traded as an asset, or another valuation approach should be used. This update also clarifies that restrictions preventing the transfer of a liability should not be considered as a separate input or adjustment in the measurement of fair value. We will adopt the provisions of this update for fair value measurements of liabilities effective October 1, 2009, which we do not expect to have a material impact on our condensed consolidated financial statements.

In June 2009, the FASB issued a new accounting standard which provides amendments to previous guidance on the consolidation of variable interest entities. This standard clarifies the characteristics that identify a variable interest entity (VIE) and changes how a reporting entity identifies a primary beneficiary that would consolidate the VIE from a quantitative risk and rewards calculation to a qualitative approach based on which variable interest holder has controlling financial interest and the ability to direct the most significant activities that impact the VIE’s economic performance. This statement requires the primary beneficiary assessment to be performed on a continuous basis. It also requires additional disclosures about an entity’s involvement with a VIE, restrictions on the VIE’s assets and liabilities that are included in the reporting entity’s consolidated balance sheet, significant risk exposures due to the entity’s involvement with the VIE, and how its involvement with a VIE impacts the reporting entity’s consolidated financial statements. The standard is effective for fiscal years beginning after November 15, 2009. We will adopt the standard on January 1, 2010 and have not yet determined the impact on our condensed consolidated financial statements.

In December 2008, the FASB issued an update to accounting standards related to an employer’s disclosures about postretirement benefit plan assets. This update amends the disclosure requirements for employer’s disclosure of plan assets for defined benefit pensions and other postretirement plans. The objective of this update is to provide users of financial statements with an understanding of how investment allocation decisions are made, the major categories of plan assets held by the plans, the inputs and valuation techniques used to measure the fair value of plan assets, significant concentration of risk within the company’s plan assets, and for fair value measurements determined using significant unobservable inputs a reconciliation of changes between the beginning and ending balances. The update is effective for fiscal years ending after December 15, 2009. We will adopt the new disclosure requirements in the 2009 annual reporting period.

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,” “expects,” “do not expect,” “anticipates,” “do not anticipate,” and other expressions. We may also provide oral or written forward-looking information in other materials we release to the public. Forward-looking information involves 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 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.

RISK FACTORS

While it is not possible to identify all risk factors, we continue to face many risks and uncertainties that could cause actual results to differ from our forward-looking statements and could otherwise have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

The risk factors discussed below update the risk factors previously disclosed in our 2008 Annual Report on Form 10-K.

Worldwide recession and effect on exploration and production activity

The worldwide recession has reduced the levels of economic activity and the expansion of industrial business operations worldwide. This recession could continue for an extended period of time. The slowdown in economic activity has reduced worldwide demand for energy and resulted in lower oil and natural gas prices. This reduction in demand could continue through 2009 and beyond. Crude oil prices declined from record levels in July 2008 of approximately $145 per barrel to levels as low as $30 per barrel toward the end of 2008. As of October 21, 2009, crude oil prices were $81.04 per barrel. Natural gas spot prices peaked at $13.72 per mcf in 2008 and then fell to an average of $6.02 per mcf toward the end of 2008. As of October 21, 2009, natural gas spot prices were $4.94 per mcf. Demand for our services and products depends on oil and natural gas industry activity and expenditure levels that are directly affected by trends in oil and natural gas prices. Demand for our services and products is particularly sensitive to the level of exploration, development, and production activity of, and the corresponding capital spending by, oil and natural gas companies, including national oil companies. Any prolonged reduction in oil and natural gas prices will depress the immediate levels of exploration, development, and production activity. Perceptions of longer-term lower oil and natural gas prices by oil and gas companies can similarly reduce or defer major expenditures given the long-term nature of many large-scale development projects. Lower levels of activity result in a corresponding decline in the demand for our oil and natural gas well services and products, which could have a material adverse effect on our revenue and profitability.

Foreign Corrupt Practices Act investigations

Background. As a result of an ongoing FCPA investigation at the time of the KBR separation, we provided indemnification in favor of KBR under the master separation agreement for certain contingent liabilities, including our indemnification of KBR and any of its greater than 50%-owned subsidiaries as of November 20, 2006, the date of the master separation agreement, for fines or other monetary penalties or direct monetary damages, including disgorgement, as a result of a claim made or assessed by a governmental authority in the United States, the United Kingdom, France, Nigeria, Switzerland, and/or Algeria, or a settlement thereof, related to alleged or actual violations occurring prior to November 20, 2006 of the FCPA or particular, analogous applicable foreign statutes, laws, rules, and regulations in connection with investigations pending as of that date, including with respect to the construction and subsequent expansion by TSKJ of a multibillion dollar natural gas liquefaction complex and related facilities at Bonny Island in Rivers State, Nigeria.

TSKJ is a private limited liability company registered in Madeira, Portugal whose members are Technip SA of France, Snamprogetti Netherlands B.V. (a subsidiary of Saipem SpA of Italy), JGC Corporation of Japan, and Kellogg Brown & Root LLC (a subsidiary of KBR), each of which had an approximate 25% beneficial interest in the venture. Part of KBR's ownership in TSKJ was held through M.W. Kellogg Limited (MWKL), a United Kingdom joint venture and subcontractor on the Bonny Island project, in which KBR beneficially owns a 55% interest. TSKJ and other similarly owned entities entered into various contracts to build and expand the liquefied natural gas project for Nigeria LNG Limited, which is owned by the Nigerian National Petroleum Corporation, Shell Gas B.V., Cleag Limited (an affiliate of Total), and Agip International B.V. (an affiliate of ENI SpA of Italy).

DOJ and SEC investigations resolved. In February 2009, the FCPA investigations by the DOJ and the SEC were resolved with respect to KBR and us. The DOJ and SEC investigations resulted from allegations of improper payments to government officials in Nigeria in connection with the construction and subsequent expansion by TSKJ of the Bonny Island project.

The DOJ investigation was resolved with respect to us with a non-prosecution agreement in which the DOJ agreed not to bring FCPA or bid coordination-related charges against us with respect to the matters under investigation, and in which we agreed to continue to cooperate with the DOJ's ongoing investigation and to refrain from and self-report certain FCPA violations. The DOJ agreement did not provide a monitor for us.

As part of the resolution of the SEC investigation, we retained an independent consultant to conduct a 60-day review and evaluation of our internal controls and record-keeping policies as they relate to the FCPA, and we agreed to adopt any necessary anti-bribery and foreign agent internal controls and record-keeping procedures recommended by the independent consultant. The review and evaluation were completed during the second quarter of 2009, and we have implemented the consultant's immediate recommendations and will implement the remaining long-term recommendations over the next year. As a result of the substantial enhancement of our anti-bribery and foreign agent internal controls and record-keeping procedures prior to the review of the independent consultant, we do not expect the implementation of the consultant's recommendations to materially impact our long-term strategy to grow our international operations. In 2010, the independent consultant will perform a 30-day, follow-up review to confirm that we have implemented the recommendations and continued the application of our current policies and procedures and to recommend any additional improvements.

KBR has agreed that our indemnification obligations with respect to the DOJ and SEC FCPA investigations have been fully satisfied.

Other matters. In addition to the DOJ and the SEC investigations, we are aware of other investigations in France, Nigeria, the United Kingdom, and Switzerland regarding the Bonny Island project. In the United Kingdom, the Serious Fraud Office (SFO) is considering civil claims or criminal prosecution under various United Kingdom laws and appears to be focused on the actions of MWKL, among others. Violations of these laws could result in fines, restitution and confiscation of revenues, among other penalties, some of which could be subject to our indemnification obligations under the master separation agreement. Our indemnity for penalties under the master separation agreement with respect to MWKL is limited to 55% of such penalties, which is KBR's beneficial ownership interest in MWKL. Whether the SFO pursues civil or criminal claims, and the amount of any fines, restitution, confiscation of revenues or other penalties that could be assessed would depend on, among other factors, the SFO's findings regarding the amount, timing, nature and scope of any improper payments or other activities, whether any such payments or other activities were authorized by or made with knowledge of MWKL, the amount of revenue involved, and the level of cooperation provided to the SFO during the investigations.

The settlements and the other ongoing investigations could result in third-party claims against us, which may include claims for special, indirect, derivative or consequential damages, damage to our business or reputation, loss of, or adverse effect on, cash flow, assets, goodwill, results of operations, business prospects, profits or business value or claims by directors, officers, employees, affiliates, advisors, attorneys, agents, debt holders, or other interest holders or constituents of us or our current or former subsidiaries.

Our indemnity of KBR and its majority-owned subsidiaries continues with respect to other investigations within the scope of our indemnity. Our indemnification obligation to KBR does not include losses resulting from third-party claims against KBR, including claims for special, indirect, derivative or consequential damages, nor does our indemnification apply to damage to KBR's business or reputation, loss of, or adverse effect on, cash flow, assets, goodwill, results of operations, business prospects, profits or business value or claims by directors, officers, employees, affiliates, advisors, attorneys, agents, debt holders, or other interest holders or constituents of KBR or KBR's current or former subsidiaries.

At this time, other than the claims being considered by the SFO, no claims by governmental authorities in foreign jurisdictions have been asserted against the indemnified parties. Therefore, we are unable to estimate the maximum potential amount of future payments that could be required to be made under our indemnity to KBR and its majority-owned subsidiaries related to these matters. See Note 2 to our condensed consolidated financial statements for additional information.

Barracuda-Caratinga arbitration

We also provided indemnification in favor of KBR under the master separation agreement for all out-of-pocket cash costs and expenses (except for legal fees and other expenses of the arbitration so long as KBR controls and directs it), or cash settlements or cash arbitration awards, KBR may incur after November 20, 2006 as a result of the replacement of certain subsea flowline bolts installed in connection with the Barracuda-Caratinga project. Under the master separation agreement, KBR currently controls the defense, counterclaim, and settlement of the subsea flowline bolts matter. As a condition of our indemnity, for any settlement to be binding upon us, KBR must secure our prior written consent to such settlement’s terms. We have the right to terminate the indemnity in the event KBR enters into any settlement without our prior written consent.

At Petrobras’ direction, KBR replaced certain bolts located on the subsea flowlines that failed through mid-November 2005, and KBR has informed us that additional bolts have failed thereafter, which were replaced by Petrobras. These failed bolts were identified by Petrobras when it conducted inspections of the bolts. We understand KBR believes several possible solutions may exist, including replacement of the bolts. Initial estimates by KBR indicated that costs of these various solutions ranged up to $148 million. In March 2006, Petrobras commenced arbitration against KBR claiming $220 million plus interest for the cost of monitoring and replacing the defective bolts and all related costs and expenses of the arbitration, including the cost of attorneys’ fees. We understand KBR is vigorously defending this matter and has submitted a counterclaim in the arbitration seeking the recovery of $22 million. The arbitration panel held an evidentiary hearing in March 2008 to determine which party is responsible for the designation of the material used for the bolts. On May 13, 2009, the arbitration panel held that KBR and not Petrobras selected the material to be used for the bolts. Accordingly, the arbitration panel held that there is no implied warranty by Petrobras to KBR as to the suitability of the bolt material and that the parties' rights are to be governed by the express terms of their contract. The parties and the arbitration panel are now in discussion regarding the future course of the arbitration proceedings with respect to the issues of liability and damages. Our estimation of the indemnity obligation regarding the Barracuda-Caratinga arbitration is recorded as a liability in our condensed consolidated financial statements as of September 30, 2009 and December 31, 2008. See Note 2 to our condensed consolidated financial statements for additional information regarding the KBR indemnification.

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 due to, among other reasons, a reduction in our customer’s cash flow from operations and their access to the credit markets. If our customers delay in 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.

Risks related to our business in Venezuela

We believe there are risks associated with our operations in Venezuela. For example, the Venezuela National Assembly enacted legislation that allows the Venezuelan government, directly or through its state-owned oil company, to assume control over the operations and assets of certain oil service providers in exchange for reimbursement of the book value of the assets adjusted for certain liabilities. Venezuelan government officials have stated this recent legislation is not applicable to our company.

However, we continue to see a delay in receiving payment on our receivables from our primary customer in Venezuela. If our customer further delays in paying or fails 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.

As of September 30, 2009, our total net investment in Venezuela was approximately $250 million. In addition to this amount, we also have $394 million of surety bond guarantees outstanding relating to our Venezuelan operations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in foreign currency exchange rates, interest rates, and commodity prices. We selectively manage these exposures through the use of derivative instruments to mitigate our market risk from these exposures. The objective of our risk management strategy is to minimize the volatility from fluctuations in foreign currency rates. Our use of derivative instruments entails the following types of market risk:

- volatility of the currency rates;
- counterparty credit risk;
- time horizon of the derivative instruments; and
- the type of derivative instruments used.

We do not use derivative instruments for trading purposes. We do not consider any of these risk management activities to be material.

Item 4. Controls and Procedures

In accordance with the Securities Exchange Act of 1934 Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2009 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There has been no change in our internal control over financial reporting that occurred during the three months ended September 30, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information related to various commitments and contingencies is described in "Management's Discussion and Analysis of Financial Condition and Results of Operations---Forward-Looking Information and Risk Factors," and in Notes 2 and 7 to the condensed consolidated financial statements.

Item 1(a). Risk Factors

Information related to risk factors is described in "Management's Discussion and Analysis of Financial Condition and Results of Operations---Forward-Looking Information and Risk Factors."

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-month period ended September 30, 2009.

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
July 1-31	7,593	$ 20.80	–
August 1-31	60,161	$ 22.28	–
September 1-30	15,437	$ 25.96	–
Total	83,191	$ 22.83	–

(a) All of the 83,191 shares purchased during the three-month period ended September 30, 2009 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.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits

	10.1	First Amendment to Halliburton Company Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10.1 to Halliburton's Form 8-K filed September 21, 2009, File No. 1-3492).
	10.2	Amendment No. 1 to Halliburton Company Benefit Restoration Plan, as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10.2 to Halliburton's Form 8-K filed September 21, 2009, File No. 1-3492).
	10.3	Halliburton Annual Performance Pay Plan, as amended and restated effective January 1, 2010 (incorporated by reference to Exhibit 10.3 to Halliburton's Form 8-K filed September 21, 2009, File No. 1-3492).
*	10.4	Form of Nonstatutory Stock Option Agreement.
*	10.5	Form of Restricted Stock Agreement.
*	10.6	Form of Restricted Stock Unit Agreement.
*	12.1	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.
**	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

*	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	Vice President, Corporate Controller, and
Chief Financial Officer	Principal Accounting Officer

Date: October 23, 2009

NONSTATUTORY STOCK OPTION AGREEMENT
TERMS AND CONDITIONS

Grant Date:	**<<Grant Date>>**
Grantee (“Employee”):	«First_Name» «Last_Name»
Aggregate Number of Shares Subject to Option:	«Number of Stock_Options»
Option Price:	$«Grant_Price»
Expiration:	Ten (10) years

AGREEMENT made as of the Xth day of Month CCYY, between **HALLIBURTON COMPANY**, a Delaware corporation (the “Company”), and <<First Name>> <<Las Name>> (“Employee”).

To carry out the purposes of the **HALLIBURTON COMPANY STOCK AND INCENTIVE PLAN** (the “Plan”), by affording Employee the opportunity to purchas shares of common stock of the Company (*“Stock”*), and in consideration of the mutual agreements and other matters set forth herein and in the Plan, the Company an Employee hereby agree as follows:

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

2. **Option Price**. The purchase price of Stock to be paid by Employee pursuant to the exercise of this Option shall be «Grant_Price» per share, which has bee determined to be not less than the fair market value of the Stock at the date of grant of this Option. For all purposes of this Agreement, fair market value of Stock shall b determined in accordance with the provisions of the Plan.

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

Number of Full Years		**Percentage of Stock That May be Purchased**
Less than	1 year	0%
	1 year	33-1/3%
	2 years	66-2/3%
	3 years	100%

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

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

(b) If Employee dies while in the employ of the Company, Employee’s estate, or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of Employee, may exercise this Option in full at any time during the period ending on the earlier of the Expiration Date or the third anniversary of the date of Employee’s death.

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

Employee) during the period ending on the earlier of the Expiration Date or the third anniversary of the date of Employee’s death.

(d) **If Employee’s employment with the Company terminates for any reason other than those set forth in subparagraphs (a) through (c above, this Option may be exercised by Employee only during the 90 calendar days following Employee’s termination date, (which 90-day period shall no be extended by any notice period mandated under local law)**, or by Employee’s estate (or the person who acquires this Option by will or the laws of descent an distribution or otherwise by reason of the death of the Employee) during a period of six months following Employee’s death if Employee dies during such 90-day period, but in each case only as to the number of shares of Stock Employee was entitled to purchase hereunder upon exercise of this Option as of the dat Employee’s employment so terminates. Any Options not exercised during the applicable period shall be automatically forfeited.

This Option shall not be exercisable in any event prior to the expiration of six months from the date of grant hereof or after the expiration of ten years from the dat of grant hereof (the “Expiration Date”) notwithstanding anything hereinabove contained. The purchase price of Stock as to which this Option is exercised shall be paid in ful at the time of exercise (a) in cash (including check, bank draft or money order payable to the order of the Company), (b) by delivering to the Company shares of Stock having a fair market value equal to the purchase price and which Stock, if acquired from the Company, have been held by Employee for more than six months, or (c) by a combination of cash or Stock. Payment may also be made by delivery (including by facsimile transmission) to the Company of an executed irrevocable option exercise form coupled with irrevocable instructions to a broker-dealer designated by the Company to simultaneously sell a sufficient number of the shares of Stock as to which the Option is exercised and deliver directly to the Company that portion of the sales proceeds representing the exercise price. No fraction of a share of Stock shall be issued by the Company upon exercise of an Option or accepted by the Company in payment of the purchase price thereof; rather, Employee shall provide a cash payment for such amoun as is necessary to effect the issuance and acceptance of only whole shares of Stock. Unless and until a certificate or certificates representing such Stock shall have been issued by the Company to Employee, Employee (or the person permitted to exercise this Option in the event of Employee’s death) shall not be or have any of the rights o privileges of a shareholder of the Company with respect to Stock acquirable upon an exercise of this Option.

Employee further understands and agrees that the Company and any related company are neither responsible for any foreign exchange fluctuations betwee Employee’s local currency and the United States Dollar that may affect the value of this Option nor liable for any decrease in the value of Stock or this Option.

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

5. **Status of Stock**. The Company shall not be obligated to issue any Stock pursuant to any Option at any time, when the offering of the Stock covered b such Option has not been registered under the Securities Act of 1933, as amended (the "Act") and such other country, federal or state laws, rules or regulations as th Company deems applicable and, in the opinion of legal counsel for the Company, there is no exemption from the registration. The Company intends to use its best efforts t ensure that no such delay will occur. In the event exemption from registration under the Act is available upon an exercise of this Option, Employee (or the person permitte to exercise this Option in the event of Employee's death or incapacity), if requested by the Company to do so, will execute and deliver to the Company in writing a agreement containing such provisions as the Company may require to assure compliance with applicable securities laws.

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

6. **Employment Relationship**. For purposes of this Agreement, Employee shall be considered to be in the employment of the Company as long as Employe remains an employee of either the Company, a Parent Corporation or Subsidiary of the Company, or a corporation or a Parent Corporation or Subsidiary of such corporatio assuming or substituting a new option for this Option. Any question as to whether and when there has been a termination of such employment, and the cause of suc termination, shall be determined by the Committee or its delegate, as appropriate, and such determination shall be final.

Nothing contained in this Agreement is intended to constitute or create a contract of employment, nor shall it constitute or create the right to remain associated wit or in the employ of the Company or a related company for any particular period of time. This Agreement shall not interfere in any way with the Company or a relate company's right to terminate Employee's employment at any time. Furthermore, this Agreement, the Plan, and any other Plan documents are not part of Employee' employment contract, if any, and do not guarantee either Employee's right to receive any future grants under such Agreement or Plan or the inclusion of the value of an grants in the calculation of severance payments, if any, upon termination of employment.

7. **Data Privacy**. In order to perform its obligations under the Plan or for the implementation and administration of such Plan, the Company may collec transfer, use, process, or hold certain personal or sensitive data about Employee. Such data includes, but is not limited to Employee's name, nationality, citizenship, wor authorization, date of birth, age, government or tax identification number, passport number, brokerage account information, address, compensation and equity award histor and beneficiaries' contact information. Employee explicitly consents to the collection, transfer (including to third parties in Employee's home country or the United States o other countries, such as but not limited to human resources personnel, legal and tax advisors, and brokerage administrators), use, processing, and holding, electronically o otherwise, of his/her personal information in connection with this or any other equity award. At all times, the Company shall maintain the confidentiality of Employee' personal information, except to the extent the Company is required to provide such information to governmental agencies or other parties; such actions will be undertaken b the Company only in accordance with applicable law.

8. **Mode of Communications**. Employee agrees, to the fullest extent permitted by law, in lieu of receiving documents in paper format, to accept electroni delivery of any documents that the Company or related company may deliver in connection with this grant and any other grants offered by the Company, includin prospectuses, grant notifications, account statements, annual or quarterly reports, and other communications. Electronic delivery of a document may be made via th Company's email system or by reference to a location on the Company's intranet or website or a website of the Company's agent administering the Plan.

To the extent Employee has been provided with a copy of this Agreement, the Plan, or any other documents relating to this Option in a language other than English the English language documents will prevail in case of any ambiguities or divergences as a result of translation.

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

10. **Compliance with Law.** Notwithstanding anything to the contrary herein, the Company shall not be obligated to issue any Stock pursuant to any Option, a any time, if the offering of the Stock covered by such Option, or the exercise of an Option by an Employee, violates or is not in compliance with any laws, rules o regulations of the United States or any state or country.

Furthermore, Employee understands that the laws of the country in which he/she is working at the time of grant, vesting, and/or exercise of this Option (includin any rules or regulations governing securities, foreign exchange, tax, labor or other matters) may restrict or prevent exercise of this Option or may subject Employee t additional procedural or regulatory requirements he/she is solely responsible for and will have to independently fulfill in relation to the exercise of this Option.

11. **Governing Law and Forum.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas without regard t principles of conflict of laws, except to the extent that it implicates matters which are the subject of the General Corporation Law of the State of Delaware, which matter shall be governed by the latter law. For purposes of resolving any dispute that may arise directly or indirectly from this Agreement, the parties hereby agree that any suc dispute that cannot be resolved by the parties shall be submitted for resolution through the Halliburton Dispute Resolution Program, which Program's last step is final an binding arbitration.

12. **Other Terms**. The provisions of this Agreement are severable and if any one or more of the provisions are determined to be illegal or otherwis unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

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

HALLIBURTON COMPANY

By: /s/ David J. Lesar

David J. Lesar

Chairman of the Board, President and
Chief Executive Officer

I HEREBY AGREE TO THE TERMS AND CONDITIONS, INCLUDING THE 90 DAY CONDITION SET FORTH IN SECTION 3(d), SET FORTH IN THIS NONSTATUTORY STOCK OPTION AGREEMENT DATED <<Grant Date>>.

<<Acceptance Date>>

RESTRICTED STOCK AGREEMENT

Grant Date:	**Grant Date**
Grantee (“Employee”):	**«First_Name» «MI» «Last_Name»**
Aggregate Number of Shares Subject to Award:	**«Number_Restricted_Shares»**
Restriction Period	**5 year restriction period**

This **RESTRICTED STOCK AGREEMENT** (“Agreement”) is made as of **Grant Date**, between **HALLIBURTON COMPANY**, a Delaware corporation (the “Company”), and «First_Name» «MI» «Last_Name» (“Employee”).

1. **Award**.

(a) **Shares**. Pursuant to the Halliburton Company Stock and Incentive Plan (the “Plan”) the aggregate number of shares subject to award set forth above (the “Restricted Shares”) of the Company’s common stock, par value $2.50 per share (“Stock”), shall be issued as hereinafter provided in Employee’s name subject to certain restrictions thereon.

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

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

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

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

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

Lapse Date	Percentage of Total Number of Restricted Shares as to Which Forfeiture Restrictions Lapse
First Anniversary of the date of this Agreement	20%
Second Anniversary of the date of this Agreement	20%
Third Anniversary of the date of this Agreement	20%
Fourth Anniversary of the date of this Agreement	20%
Fifth Anniversary of the date of this Agreement	20%

Notwithstanding the foregoing, the Forfeiture Restrictions shall lapse as to all of the Restricted Shares on the earlier of (i) the occurrence of a Corporate Change (as such term is defined in the Plan), or (ii) the date Employee's employment with the Company is terminated by reason of death, or disability (as determined by the Company or employing subsidiary). In the event Employee's employment is terminated for any other reason, including retirement with the approval of the Company or employing subsidiary, the Committee which administers the Plan (the "Committee") or its delegate, as appropriate, may, in the Committee's or such delegate's sole discretion, approve the lapse of Forfeiture Restrictions as to any or all Restricted Shares still subject to such restrictions, such lapse to be effective on the date of such approval or Employee's termination date, if later.

(c) **Certificates**. The Restricted Shares shall be represented by a stock certificate or book entry transaction registered in the name of a nominee of the Company, pursuant to which Employee shall have voting rights and shall be entitled to receive all dividends unless and until the Restricted Shares are forfeited pursuant to the provisions of this Agreement. The certificate shall bear a legend evidencing the nature of the Restricted Shares, and the Company may cause the certificate to be delivered upon issuance to the Secretary of the Company or to such other depository as may be designated by the Company as a depository for safekeeping until the forfeiture occurs or the Forfeiture Restrictions lapse pursuant to the terms of the Plan and this award. Upon request of the Committee or its delegate, Employee shall deliver to the Company a stock power, endorsed in blank, relating to the Restricted Shares then subject to the Forfeiture Restrictions. Upon

the lapse of the Forfeiture Restrictions without forfeiture, the Company shall cause a new certificate or certificates to be issued without legend or a book entry transaction registered in the name of Employee for the shares upon which Forfeiture Restrictions lapsed. Notwithstanding any other provisions of this Agreement, the issuance or delivery of any shares of Stock (whether subject to restrictions or unrestricted) may be postponed for such period as may be required to comply with applicable requirements of any national securities exchange or any requirements under any law or regulation applicable to the issuance or delivery of such shares. The Company shall not be obligated to issue or deliver any shares of Stock if the issuance or delivery thereof shall constitute a violation of any provision of any law or of any regulation of any governmental authority or any national securities exchange.

(d) **Compliance with Law**. Employee understands that the laws of the country in which he/she is working at the time of grant or lapse of Forfeiture Restrictions of the Restricted Stock or at the subsequent sale of shares of Stock granted to Employee under this Award (including any rules or regulations governing securities, foreign exchange, tax, labor or other matters) may subject Employee to additional procedural or regulatory requirements he/she is solely responsible for and will have to independently fulfill in relation to ownership or sale of such shares.

(e) **Value of Stock**. Employee further understands and agrees that the Company and any related company are neither responsible for any foreign exchange fluctuations between Employee's local currency and the United States Dollar that may affect the value of Stock nor liable for any decrease in the value of Stock.

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

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

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

Nothing contained in this Agreement is intended to constitute or create a contract of employment, nor shall it constitute or create the right to remain associated with or in the employ of the Company or a related company for any particular period of time. This Agreement shall not interfere in any way with the Company or a related company's right to terminate Employee's employment at any time. Furthermore, this Agreement, the Plan, and any other Plan documents are not part of Employee's employment contract, if any, and do not guarantee either Employee's right to receive any future grants under such Agreement or Plan or the inclusion of the value of any grants in the calculation of severance payments, if any, upon termination of employment.

6. **Data Privacy**. In order to perform its obligations under the Plan or for the implementation and administration of such Plan, the Company may collect, transfer, use, process, or hold certain personal or sensitive data about Employee. Such data includes, but is not limited to Employee's name, nationality, citizenship, work authorization, date of birth, age, government or tax identification number, passport number, brokerage account information, address, compensation and equity award history and beneficiaries' contact information. Employee explicitly consents to the collection, transfer (including to third parties in Employee's home country or the United States or other countries, such as but not limited to human resources personnel, legal and tax advisors, and brokerage administrators), use, processing, and holding, electronically or otherwise, of his/her personal information in connection with this or any other equity award. At all times, the Company shall maintain the confidentiality of Employee's personal information, except to the extent the Company is required to provide such information to governmental agencies or other parties and such actions will be undertaken by the Company only in accordance with applicable law.

7. **Mode of Communications**. Employee agrees, to the fullest extent permitted by law, in lieu of receiving documents in paper format, to accept electronic delivery of any documents that the Company or related company may deliver in connection with this grant and any other grants offered by the Company, including prospectuses, grant notifications, account statements, annual or quarterly reports, and other communications. Electronic delivery of a document may be made via the Company's email system or by reference to a location on the Company's intranet or website or a website of the Company's agent administering the Plan.

To the extent Employee has been provided with a copy of this Agreement, the Plan, or any other documents relating to this Award in a language other than English, the English language documents will prevail in case of any ambiguities or divergences as a result of translation.

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

9. **<u>Binding Effect</u>**. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Employee.

10. **<u>Governing Law and Forum</u>**. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas without regard to principles of conflict of laws, except to the extent that it implicates matters which are the subject of the General Corporation Law of the State of Delaware, which matters shall be governed by the latter law. For purposes of resolving any dispute that may arise directly or indirectly from this Agreement, the parties hereby agree that any such dispute that cannot be resolved by the parties shall be submitted for resolution through the Halliburton Dispute Resolution Program, which Program's last step is final and binding arbitration.

11. **<u>Other Terms</u>**. The provisions of this Agreement are severable and if any one or more of the provisions are determined to be illegal or otherwis unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

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

HALLIBURTON COMPANY

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

I HEREBY AGREE TO THE TERMS AND CONDITIONS SET FORTH IN THIS RESTRICTED STOCK AGREEMENT DATED <<Grant Date>>.

<Acceptance Date>

RESTRICTED STOCK UNIT AGREEMENT

Grant Date:	**<<Grant Date>>**
Grantee (“Employee”):	**«First_Name» «MI» «Last_Name»**
Aggregate Number of Units Subject to Award:	**«Number _Restricted_Units»**
Restriction Period:	**5 year restriction period**

This **RESTRICTED STOCK UNIT AGREEMENT** (“Agreement”) is made as of **<<Grant Date>>**, between **HALLIBURTON COMPANY**, a Delaware corporation (the “Company”), and «First_Name» «MI» «Last_Name» (“Employee”).

1. **Award**.

(a) **Units**. Pursuant to the Halliburton Company Stock and Incentive Plan (the “Plan”), Employee is hereby awarded the aggregate number of units subject to award set forth above (the “Restricted Stock Units”) evidencing the right to receive an equivalent number of shares of the Company’s common stock, par value $2.50 per share (“Stock”), subject to the conditions of the Plan and this Agreement.

(b) **Plan Incorporated**. Employee acknowledges receipt of a copy of the Plan, and agrees that this award of Restricted Stock Units shall be subject to all of the terms and conditions set forth in the Plan, including future amendments thereto, if any, pursuant to the terms thereof, which Plan is incorporated herein by reference as a part of this Agreement. Except as defined herein, capitalized terms shall have the same meanings ascribed to them under the Plan.

2. **Terms of Restricted Stock Units**. Employee hereby accepts the Restricted Stock Units and agrees with respect thereto as follows:

(a) **Forfeiture of Restricted Stock Units**. In the event of termination of Employee’s employment with the Company or employing Subsidiary for any reason other than (i) death or (ii) disability as determined by the Company or employing Subsidiary, or except as otherwise provided in subparagraph (c) of this Paragraph 2, Employee shall, for no consideration, forfeit all Restricted Stock Units to the extent they are not fully vested.

(b) **Assignment of Restricted Stock Units Prohibited**. The Restricted Stock Units may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of.

(c) **Vesting Schedule**. The Restricted Stock Units shall vest in accordance with the following schedule provided that Employee has been continuously employed by the Company from the date of this Agreement through the applicable vesting date:

Vesting Date	Percentage of Total Number of Restricted Stock Units Vesting
First Anniversary of the date of this Agreement	20%
Second Anniversary of the date of this Agreement	20%
Third Anniversary of the date of this Agreement	20%
Fourth Anniversary of the date of this Agreement	20%
Fifth Anniversary of the date of this Agreement	20%

Notwithstanding the foregoing, the Restricted Stock Units shall become fully vested on the earlier of (i) the occurrence of a Corporate Change (as such term is defined in the Plan), or (ii) the date Employee's employment with the Company is terminated by reason of death or disability (as determined by the Company or employing Subsidiary). In the event Employee's employment is terminated for any other reason, including retirement with the approval of the Company or employing Subsidiary, the Committee which administers the Plan (the "Committee") or its delegate, as appropriate, may, in the Committee's or such delegate's sole discretion, approve the acceleration of the vesting of any or all Restricted Stock Units not theretofore vested, such vesting to be effective on the date of such approval or Employee's termination date, if later.

(d) **Shareholder Rights**. The Employee shall have no rights to dividends, dividend equivalents or any other rights of a shareholder with respect to shares of Stock subject to this award of Restricted Stock Units unless and until such time as the award has been settled by the transfer of shares of Stock to the Employee.

(e) **Settlement and Delivery of Stock**. Payment of vested Restricted Stock Units shall be made as soon as administratively practicable after vesting. Settlement will be made by payment in shares of Stock or cash in accordance with the Plan. Notwithstanding the foregoing, the Company shall not be obligated to deliver any shares of Stock if counsel to the Company determines that such sale or delivery would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which the Stock is listed or quoted. The Company shall in no event be obligated to take any affirmative action in order to cause the delivery of shares of Stock to comply with any such law, rule, regulation or agreement.

Furthermore, Employee understands that the laws of the country in which he/she is working at the time of grant or vesting of the Restricted Stock Units or at the subsequent sale of shares of Stock granted to Employee under this Award (including any rules or regulations governing securities, foreign exchange, tax, labor or other matters) may subject Employee to additional procedural or regulatory requirements he/she is solely responsible for and will have to independently fulfill in relation to ownership or sale of such shares.

Employee further understands and agrees that the Company and any related company are neither responsible for any foreign exchange fluctuations between Employee's local currency and the United States Dollar that may affect the value of Stock nor liable for any decrease in the value of Stock.

3. **Withholding of Tax**. The Committee may make such provisions as it may deem appropriate for the withholding of any taxes which it determines is required in connection with this award of Restricted Stock Units, and, unless otherwise approved by the Committee, the Company shall either (i) reduce the number of shares of Stock that would have otherwise been delivered to Employee by a number of shares of Stock having a Fair Market Value equal to the amount required to be withheld, or (ii) withhold the appropriate amount of any taxes due in accordance with the Company's payroll procedures applicable to the Employee.

4. **Employment Relationship**. For purposes of this Agreement, Employee shall be considered to be in the employment of the Company as long as Employee remains an employee of the Company or any Subsidiary, or a corporation or a subsidiary of such corporation assuming or substituting a new award for this award of Restricted Stock Units. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee, or its delegate, as appropriate, and its determination shall be final.

Nothing contained in this Agreement is intended to constitute or create a contract of employment, nor shall it constitute or create the right to remain associated wit or in the employ of the Company or a related company for any particular period of time. This Agreement shall not interfere in any way with the Company or a relate company's right to terminate Employee's employment at any time. Furthermore, this Agreement, the Plan, and any other Plan documents are not part of Employee' employment contract, if any, and do not guarantee either Employee's right to receive any future grants under such Agreement or Plan or the inclusion of the value of an grants in the calculation of severance payments, if any, upon termination of employment.

5. **Data Privacy**. In order to perform its obligations under the Plan or for the implementation and administration of such Plan, the Company may collect transfer, use, process, or hold certain personal or sensitive data about Employee. Such data includes, but is not limited to Employee's name, nationality, citizenship, worl authorization, date of birth, age, government or tax identification number, passport number, brokerage account information, address, compensation and equity award history and beneficiaries' contact information. Employee explicitly consents to the collection, transfer (including to third parties in Employee's home country or the United States o other countries, such as but not limited to human resources personnel, legal and tax advisors, and brokerage administrators), use, processing, and holding, electronically o otherwise, of his/her personal information in connection with this or any other equity award. At all times, the Company shall maintain the confidentiality of Employee' personal information, except to the extent the Company is required to provide such information to governmental agencies or other parties; such actions will be undertaken b the Company only in accordance with applicable law.

6. **Mode of Communications**. Employee agrees, to the fullest extent permitted by law, in lieu of receiving documents in paper format, to accept electroni delivery of any documents that the Company or related company may deliver in connection with this grant and any other grants offered by the Company, includin prospectuses, grant notifications, account statements,

annual or quarterly reports, and other communications. Electronic delivery of a document may be made via the Company's email system or by reference to a location on the Company's intranet or website or website of the Company's agent administering the Plan.

To the extent Employee has been provided with a copy of this Agreement, the Plan, or any other documents relating to this Award in a language other than English, the English language documents will prevail in case of any ambiguities or divergences as a result of translation.

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

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

9. **Governing Law and Forum.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas without regard to principles of conflict of laws, except to the extent that it implicates matters which are the subject of the General Corporation Law of the State of Delaware, which matters shall be governed by the latter law. For purposes of resolving any dispute that may arise directly or indirectly from this Agreement, the parties hereby agree that any such dispute that cannot be resolved by the parties shall be submitted for resolution through the Halliburton Dispute Resolution Program, which Program's last step is final and binding arbitration.

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

HALLIBURTON COMPANY

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

I HEREBY AGREE TO THE TERMS AND CONDITIONS SET FORTH IN THIS RESTRICTED STOCK UNIT AGREEMENT DATED <<Grant Date>>.

<<Acceptance Date>>

Halliburton Company
Stock and Incentive Plan (the "Plan")

Grant Agreement
Country-Specific Addendum

This Addendum includes additional country-specific notices, disclaimers, and/or terms and conditions that apply to residents of the countries listed below and that may be material to your participation in the Plan. Unless otherwise noted below, capitalized terms shall take the same definitions assigned to them under the Plan and your grant agreement. This Addendum forms part of your grant agreement and should be read in conjunction with the Plan.

Argentina	**Foreign Exchange Information** US dollar transactions must be conducted through financial intermediaries authorized by the Argentine Central Bank. Transactions which in the aggregate exceed US $2 million or its equivalent, per individual per month, are subject to prior approval of the Central Bank. US dollar proceeds from an option exercise or other sale of stock by a participant, when remitted to Argentina, are subject to conversion to Argentine pesos at applicable exchange rates and subject to any applicable regulations of the Central Bank. In addition, the transfer of funds into Argentina as a repatriation of a portfolio investment abroad may be subject to a 365-day deposit and holding with an Argentine financial institution. Please confirm the foreign exchange requirements with your local bank before any transfer of funds in or out of Argentina.
Brazil	**Foreign Exchange Information** The regulations of the Central Bank of Brazil governing investments abroad are subject to change at any time and such changes could affect your ability to exercise options or receive cash proceeds from option exercises. Please check with your local equity coordinator about any currently effective restrictions before exercising your options. Additionally, you are required to report to the Central Bank of Brazil, on a yearly basis, the value of any and all assets held abroad (including Halliburton shares) if the value of such assets equals or exceeds US $100,000, as well as any capital gain, dividend or profit attributable to such assets.
Canada	**Consent to Receive Information in English (Quebec Employees)** I acknowledge that it is the express wish of the parties that this agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be written in English. Je reconnais que c'est mon souhait exprès d'avoir exigé la rédaction en anglais de cette convention, ainsi que de tous documents exécutés, avis donnés et procédures judiciaries intentées, directement ou indirectement, relativement à ou suite à la présente convention.
China	**Foreign Exchange Information** Due to foreign exchange restrictions in China, you are required to repatriate all proceeds from the sale of shares that have been issued to you under an award through a special-purpose foreign exchange account. For further details, please see the separate communications and Agreement of Restricted Stock Unit Lapse Acknowledgment Letter regarding awards in China.

France	**Foreign Exchange Information** Residents of France with foreign account balances in excess of EUR 1 million or its equivalent must report monthly to the Bank of France. **Securities Law Notice** This offer has not been filed with the Autorité des marchés financiers. You may only participate in this offer on your own account. Any public offering of shares purchased through this offer must be made in accordance with Article L. 211-1 I of the French Monetary and Financial Code.
India	**Foreign Exchange Information** You are required to repatriate to India any cash balances received in respect of dividends within seven (7) days of receipt. In addition, any payments received in relation to fractional shares and any cash balance received as a result of the sale of shares acquired under Halliburton's programs must be repatriated to India within ninety (90) days of receipt. Please note that you should keep the remittance certificate received from the bank where foreign currency is deposited in the event that the Reserve Bank of India, Halliburton or your employer requests proof of repatriation.
Italy	**Data Privacy Notice** Pursuant to Legislative Decree no. 196/2003, the Controller of personal data processing is Halliburton, with registered offices at Houston, Texas, U.S.A., and its representative in Italy for privacy purposes is: Halliburton Italiana S.p.A, Contrada S. Elena s.n.c, Zona Industriale Ortona, Ortona (Chitei), Italy 66026. I understand that data processing related to the purposes specified above shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which data are collected and with confidentiality and security provisions as set forth by applicable laws and regulations, with specific reference to Legislative Decree no. 196/200. The processing activity, including the communication and transfer of my data abroad, including outside of the European Union, as herein specified and pursuant to applicable laws and regulations, does not require my consent thereto as the processing is necessary for the performance of contractual obligations related to the implementation, administration and management of the Plan. I understand that the use of my data will be minimized where it is not necessary for the implementation, administration and management of the Plan. I further understand that, pursuant to Section 7 of the Legislative Decree no. 196/2003, I have the right to, including but not limited to, access, delete, update, ask for rectification of my data and stop, for legitimate reason, the data processing. Furthermore, I am aware that my data will not be used for direct marketing purposes.

Kuwait

Securities Law Notice
The information contained herein is intended solely for your use; it is confidential and privileged and is not intended to be circulated to any other person or party other than eligible employees or published by any means. You may not rely on the information contained herein for any purpose other than in relation to this offer and any share purchase or award hereunder.

Malaysia

Securities Law Notice
The grant of Halliburton stock incentive awards in Malaysia constitutes or relates to an 'excluded offer,' 'excluded invitation,' or 'excluded issue' pursuant to Section 229 and

Section 230 of the CMSA, and as a consequence no prospectus is required to be registered with the Securities Commission of Malaysia.

The award documents do not constitute and may not be used for the purpose of a public offering or an issue, offer for subscription or purchase, invitation to subscribe for or purchase any securities requiring the registration of a prospectus with the Securities Commission in Malaysia under the CMSA.

Mexico

Labor Law Acknowledgment
In accepting this grant, you expressly recognize that Halliburton, with registered offices at 5 Houston Center, 1401 McKinney Street, Suite 2400, Houston, TX, 77010, U.S.A., is solely responsible for the administration of the Plan and that your participation in the Plan and acquisition of shares of Common Stock do not constitute an employment relationship between yourself and Halliburton since you are participating in the Plan on a wholly commercial basis and your sole Employer is Halliburton's subsidiary in Mexico for which you are employed ("Halliburton Mexico"). Based on the foregoing, you expressly recognize that the Plan and the benefits that you may derive from your participation in the Plan do not establish any rights between yourself and your employer, Halliburton Mexico, and do not form part of the employment conditions and/or benefits provided by Halliburton Mexico and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of your employment with Halliburton Mexico.

You further understand that your participation in the Plan is as a result of a unilateral and discretionary decision of Halliburton; therefore, Halliburton reserves the absolute right to amend and/or discontinue your participation at any time without any liability to you.

1. The undersigned has freely elected to participate in the Plan and therefore agrees to be subject to the provisions of the Plan. The undersigned's participation in the Plan, the acquisition of Halliburton's stock and the profits or losses that may result from the undersigned's participation in the Plan shall not be deemed as part of the undersigned's salary or other remuneration having any labor relationship with Halliburton Mexico, since it is not received as consideration for the services rendered to such Subsidiary/Affiliate by the Participant.

2. Profits or losses that may result from the undersigned's participation in the Plan may substantially vary from one year to another, as per Halliburton's stock market price fluctuations; therefore, the undersigned expressly releases Halliburton Mexico and Halliburton from any liability in which the undersigned may incur by virtue of such fluctuations, including, without limitation, those losses resulting from the variation of exchange rates to buy US dollars with Mexican pesos.

3. The undersigned acknowledges having received a copy of the Plan, summarizing the terms and conditions thereof and confirms having read it and understanding such Plan's context and legal scope. The undersigned hereby agrees and expressly acknowledges willingness to be subject to the terms of the Plan, as well as to the terms and conditions of any related documents, and understands that the Plan is at the undersigned's disposal at the
offices located at Servicios Profesionales Petroleros, S. de R.L. de C.V., Av. Paseo de la Reforma 389 Piso num. 9, Col. Cuauhtemoc Del. Cuauhtemoc, Entre Rio Guadalquivir y Rio Nilo, Cuauhtemoc, Mexico, Distrito Federal 06500.

Reconocimiento de la Legislación Laboral
Derivado de su aceptación de las Acciones, expresamente reconoce que Halliburton, cuyas oficinas se encuentran ubicadas en 5 Houston Center, 1401 McKinney Street, Suite 2400, Houston, TX, 77010, U.S.A., es la única responsable por la administración del Plan y que su participación en el mismo y la adquisición de Acciones Ordinarias no constituye una relación de trabajo entre usted y Halliburton, toda vez que usted participa en el Plan derivado de una relación comercial y que su único patrón lo es la empresa subsidiaria de Halliburton en México, con la cual está usted contratado ("Halliburton-México") como empleado. Derivado de lo anterior, usted expresamente reconoce que el Plan y los beneficios que puedan derivarse de su participación en el mismo no establecen derecho alguno entre usted y su patrón Halliburton-México, y que no forman parte de las condiciones de trabajo y/o beneficios y contraprestaciones otorgados por Halliburton-México y que cualquier modificación al Plan o su terminación no constituyen un cambio o terminación de los términos y condiciones de su relación de trabajo con Halliburton-México.

Asimismo, entiende que su participación en el Plan es el resultado de una decisión unilateral y discrecional por parte de Halliburton, por lo tanto, Halliburton se reserva el absoluto derecho de modificar y/o terminar su participación en cualquier momento sin responsabilidad alguna con usted.

1. El suscrito, he elegido libremente en participar en el Plan, sujetándome a los términos establecidos en el Plan. Mi participación en el Plan, la adquisición de las acciones de Halliburton y las ganancias o pérdidas que resulten de mi participación en el Plan, no deberán ser consideradas como parte de mi salario u alguna otra remuneración que reciba como empleado de Halliburton Mexico, siendo que no forma parte de la contraprestación que recibo por los servicios que presto a dicha Subsidiaria /Afiliada como Participante.

2. Las ganancias o pérdidas que puedan resultar de mi participación en el Plan podrán variar substancialmente de un año a otro, derivado de las fluctuaciones del valor de mercado de las acciones de Halliburton, por tanto, el suscrito expresamente libera a Halliburton Mexico y Halliburton de cualquier responsabilidad en la que el suscrito pueda incurrir por virtud de dichas fluctuaciones, incluyendo, sin limitación, aquellas pérdidas que resulten de la variación en la paridad Peso- Dólar.

3. El suscrito he recibido una copia del Plan ("Stock and incentive Plan"), mismo que contiene los términos y condiciones del mismo, y confirmo haberlo leído y entendido su alcance legal. El suscrito confirmo que es mi voluntad sujetarme a los términos del Plan, así como de los términos y condiciones de cualquier documento relacionado con dicho Plan. Es de mi conocimiento que el Plan se encuentra a mi disposición para consulta en las
oficinas ubicadas en Servicios Profesionales Petroleros, S. de R.L. de C.V., Av. Paseo de la Reforma 389 Piso num. 9, Col. Cuauhtemoc Del. Cuauhtemoc, Entre Rio Guadalquivir y Rio Nilo, Cuauhtemoc, Mexico, Distrito Federal 06500.

Singapore

Securities Law Notice
This grant of an Option or Restricted Stock Unit and the Common Stock to be issued upon the exercise or vesting of such Option or Restricted Stock Unit shall be made available only to an employee of the Company or its Subsidiary, in reliance of the prospectus exemption set out in Section 173(1)(f) of the Securities and Futures Act (Chapter 289) of Singapore. In addition, you agree, by your acceptance of this grant, not to sell any Common Stock within six months of the date of grant.

Please note that neither this agreement nor any other document or material in connection with this offer of the Option or Restricted Stock Unit and the Common Stock thereunder has been or will be lodged, registered or reviewed by any regulatory authority in Singapore.

Thailand

Foreign Exchange Information
Please note that any dividends received from foreign stock owned and all proceeds from the sale of such stock must be remitted to Thailand and must be deposited or converted into Thai Baht with a commercial bank in Thailand within seven (7) days of receipt according to the Ministerial Regulation No. 13, dated 3 December 1954. If the transfer of funds abroad exceeds US $1 million per annum, participants must obtain approval from the Bank of Thailand to such remittance.

EXHIBIT 12.1

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

	Nine Months Ended September 30, 2009	Year Ended December 31 2008	2007	2006	2005	2004
Earnings available for fixed charges:						
Income from continuing operations before income taxes and noncontrolling interest	$ 1,336	$ 3,849	$ 3,447	$ 3,185	$ 1,985	$ 978
Add:						
Distributed earnings from equity in unconsolidated affiliates	8	30	43	28	34	30
Fixed charges	263	232	222	238	260	278
Subtotal	1,607	4,111	3,712	3,451	2,279	1,286
Less:						
Equity in earnings of unconsolidated affiliates	11	50	57	65	42	47
Total earnings available for fixed charges	$ 1,596	$ 4,061	$ 3,655	$ 3,386	$ 2,237	$ 1,239
Fixed charges:						
Interest expense	$ 215	$ 167	$ 168	$ 179	$ 208	$ 232
Rental expense representative of interest	48	65	54	59	52	46
Total fixed charges	$ 263	$ 232	$ 222	$ 238	$ 260	$ 278
Ratio of earnings to fixed charges	6.1	17.5	16.5	14.2	8.6	4.5

All periods presented reflect the adoption of new accounting standards and the reclassification of KBR, Inc. to discontinued operations.

Exhibit 31.1

Section 302 Certification

I, David J. Lesar, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2009 of Halliburton Company;

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

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

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

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

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

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

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

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

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

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

Date: October 23, 2009

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

Exhibit 31.2

Section 302 Certification

I, Mark A. McCollum, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2009 of Halliburton Company;

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

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

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

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

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

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

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

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

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

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

Date: October 23, 2009

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

Exhibit 32.1

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

This certification is provided pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. § 1350, and accompanies the Quarterly Report on Form 10-Q for the period ended September 30, 2009 of Halliburton Company (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report").

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

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

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

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

Date: October 23, 2009

Exhibit 32.2

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

This certification is provided pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. § 1350, and accompanies the Quarterly Report on Form 10-Q for the period ended September 30, 2009 of Halliburton Company (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report").

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

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

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

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

Date: October 23, 2009