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

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the quarterly period ended June 30, 2008

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

5 Houston Center
1401 McKinney, Suite 2400
Houston, Texas 77010
(Address of Principal Executive Offices)

Telephone Number – Area Code (713) 759-2600

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes _____ No X

As of July 17, 2008, 876,875,508 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)

	Three Months Ended June 30		Six Months Ended June 30	
Millions of dollars and shares except per share data	2008	2007	2008	2007
Revenue:				
Services	$ 3,292	$ 2,744	$ 6,256	$ 5,266
Product sales	1,195	991	2,260	1,891
Total revenue	4,487	3,735	8,516	7,157
Operating costs and expenses:				
Cost of services	2,480	1,980	4,753	3,797
Cost of sales	1,012	829	1,885	1,578
General and administrative	71	82	143	151
Gain on sale of assets, net	(25)	(49)	(61)	(50)
Total operating costs and expenses	3,538	2,842	6,720	5,476
Operating income	949	893	1,796	1,681
Interest expense	(39)	(41)	(77)	(79)
Interest income	9	36	29	74
Other, net	(2)	(2)	(3)	(5)
Income from continuing operations before income taxes and minority interest	917	886	1,745	1,671
Provision for income taxes	(288)	(284)	(526)	(543)
Minority interest in net income of subsidiaries	(6)	(7)	(13)	(4)
Income from continuing operations	623	595	1,206	1,124
Income (loss) from discontinued operations, net of income tax (provision) benefit of $1, $19, $0, and $(11)	(116)	935	(115)	958
Net income	$ 507	$ 1,530	$ 1,091	$ 2,082
Basic income per share:				
Income from continuing operations	$ 0.72	$ 0.66	$ 1.38	$ 1.18
Income (loss) from discontinued operations, net	(0.14)	1.03	(0.13)	1.01
Net income per share	$ 0.58	$ 1.69	$ 1.25	$ 2.19
Diluted income per share:				
Income from continuing operations	$ 0.68	$ 0.63	$ 1.32	$ 1.14
Income (loss) from discontinued operations, net	(0.13)	0.99	(0.12)	0.98
Net income per share	$ 0.55	$ 1.62	$ 1.20	$ 2.12
Cash dividends per share	$ 0.09	$ 0.09	$ 0.18	$ 0.165
Basic weighted average common shares outstanding	869	905	871	949
Diluted weighted average common shares outstanding	914	942	912	983

See notes to condensed consolidated financial statements.

HALLIBURTON COMPANY
Condensed Consolidated Balance Sheets
(Unaudited)

Millions of dollars and shares except per share data	June 30, 2008	December 31, 2007
Assets		
Current assets:		
Cash and equivalents	$ 1,880	$ 1,847
Receivables (less allowance for bad debts of $53 and $49)	3,581	3,093
Inventories	1,736	1,459
Current deferred income taxes	298	376
Investments in marketable securities	–	388
Other current assets	450	410
Total current assets	7,945	7,573
Property, plant, and equipment, net of accumulated depreciation of $4,317 and $4,126	4,146	3,630
Goodwill	838	790
Noncurrent deferred income taxes	168	348
Other assets	951	794
Total assets	$ 14,048	$ 13,135
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 954	$ 768
Employee compensation and benefits	540	575
Deferred revenue	232	209
Current maturities of long-term debt	230	159
Income tax payable	97	209
Other current liabilities	553	491
Total current liabilities	2,606	2,411
Long-term debt	2,565	2,627
Employee compensation and benefits	407	403
Other liabilities	785	734
Total liabilities	6,363	6,175
Minority interest in consolidated subsidiaries	100	94
Shareholders' equity:		
Common shares, par value $2.50 per share – authorized 2,000 shares, issued 1,066 and 1,063 shares	2,666	2,657
Paid-in capital in excess of par value	1,801	1,741
Accumulated other comprehensive loss	(101)	(104)
Retained earnings	9,127	8,202
	13,493	12,496
Less 190 and 183 shares of treasury stock, at cost	5,908	5,630
Total shareholders' equity	7,585	6,866
Total liabilities and shareholders' equity	$ 14,048	$ 13,135

See notes to condensed consolidated financial statements.

HALLIBURTON COMPANY
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30	
Millions of dollars	2008	2007
Cash flows from operating activities:		
Net income	$ 1,091	$ 2,082
Adjustments to reconcile net income to net cash from operations:		
Depreciation, depletion, and amortization	342	271
Provision (benefit) for deferred income taxes	155	(5)
(Income) loss from discontinued operations	115	(958)
Discontinued operations	(115)	–
Gain on sale of assets	(61)	(50)
Impairment of assets	23	–
Other changes:		
Receivables	(410)	(225)
Inventories	(277)	(263)
Accounts payable	180	158
Other	(58)	(16)
Cash flows from discontinued operations	–	31
Total cash flows from operating activities	985	1,025
Cash flows from investing activities:		
Capital expenditures	(837)	(682)
Sales (purchases) of short-term investments in marketable securities, net	388	(842)
Acquisitions of assets, net of cash acquired	(150)	(125)
Sales of property, plant, and equipment	84	84
Other investing activities	(26)	36
Cash flows from discontinued operations	–	(1,474)
Total cash flows from investing activities	(541)	(3,003)
Cash flows from financing activities:		
Payments to reacquire common stock	(381)	(926)
Payments of dividends to shareholders	(158)	(157)
Proceeds from exercises of stock options	84	53
Other financing activities	40	11
Cash flows from discontinued operations	–	(18)
Total cash flows from financing activities	(415)	(1,037)
Effect of exchange rate changes on cash	4	(16)
Increase (decrease) in cash and equivalents	33	(3,031)
Cash and equivalents at beginning of period, including $0 and $1,461 related to discontinued operations	1,847	4,379
Cash and equivalents at end of period	$ 1,880	$ 1,348
Supplemental disclosure of cash flow information:		
Cash payments during the period for:		
Interest from continuing operations	$ 72	$ 72
Income taxes from continuing operations	$ 473	$ 528

See notes to condensed consolidated financial statements.

HALLIBURTON COMPANY
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements were prepared using generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Regulation S-X. Accordingly, these financial statements do not include all information or footnotes required by generally accepted accounting principles for annual financial statements and should be read together with our 2007 Annual Report on Form 10-K.

Certain prior period amounts have been reclassified to be consistent with the current presentation.

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 June 30, 2008, the results of our operations for the three and six months ended June 30, 2008 and 2007, and our cash flows for the six months ended June 30, 2008 and 2007. Such adjustments are of a normal recurring nature. The results of operations for the three and six months ended June 30, 2008 may not be indicative of results for the full year.

Note 2. KBR Separation

On April 5, 2007, we completed the separation of KBR, Inc. (KBR) from us by exchanging the 135.6 million shares of KBR common stock owned by us on that date for 85.3 million shares of our common stock. In the second quarter of 2007, we recorded a gain on the disposition of KBR of approximately $933 million, net of tax and the estimated fair value of the indemnities and guarantees provided to KBR as described below, which was included in “Income (loss) from discontinued operations, net of income tax” on the condensed consolidated statement of operations. During the second quarter of 2008, adjustments of $117 million, net of tax, to these indemnities and guarantees were reflected as a loss in “Income (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, a registration rights agreement, a tax sharing agreement, transition services agreements, and an employee matters 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 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. See Note 8 for further discussion of these matters.

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 contract, 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 there under; (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 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.

During the second quarter of 2007, we recorded $190 million, as a reduction of the gain on the disposition of KBR, to reflect the estimated fair value of the above indemnities and guarantees, net of the associated estimated future tax benefit. As noted previously, during the second quarter of 2008, we recorded $117 million, net of tax, in adjustments to these indemnities and guarantees as a loss from discontinued operations to reflect our most recent assumptions regarding the resolution of the FCPA investigations and Barracuda-Caratinga bolt matter. These indemnities and guarantees are primarily included in "Other liabilities" on the condensed consolidated balance sheets and totaled $342 million at June 30, 2008.

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

Note 3. Acquisitions and Dispositions

In June 2008, we entered into an agreement with Shell Technology Ventures Fund 1 B.V. (STV Fund) to purchase its remaining 49% minority interest in WellDynamics B.V. (WellDynamics), a provider of intelligent well completion technology. As of June 30, 2008, we owned 51% of WellDynamics and consolidated its results in our condensed consolidated financial statements, with the remaining 49% interest recorded as minority interest in consolidated subsidiary. In July 2008, the transaction closed resulting in our 100% ownership of WellDynamics. WellDynamics results of operations are included in our Completion and Production segment.

In March 2008, we completed the sale of a joint venture interest to our joint venture partner. As a result of the transaction, we recorded a gain of $35 million during the first quarter of 2008. We accounted for our interest in the joint venture using the cost method in our Completion and Production segment.

In July 2007, we acquired the entire share capital of PSL Energy Services Limited (PSLES), a leading eastern hemisphere provider of process, pipeline, and well intervention services. PSLES has operational bases in the United Kingdom, Norway, the Middle East, Azerbaijan, Algeria, and Asia Pacific. We paid approximately $332 million for PSLES, consisting of $328 million in cash and $4 million in debt assumed, subject to adjustment for working capital purposes. As of June 30, 2008, we had recorded goodwill of $165 million and intangible assets of $61 million on a preliminary basis until our analysis of the fair value of assets acquired and liabilities assumed is complete. Beginning in August 2007, PSLES's results of operations are included in our Completion and Production segment.

In January 2007, we acquired all intellectual property, current assets, and existing business associated with Calgary-based Ultraline Services Corporation (Ultraline), a division of Savanna Energy Services Corp. Ultraline is a provider of wireline services in Canada. We paid approximately $178 million for Ultraline and recorded goodwill of $124 million and intangible assets of $41 million. Beginning in February 2007, Ultraline's results of operations are included in our Drilling and Evaluation segment.

Note 4. Business Segment Information

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

The following table presents information on our business segments. "Corporate and other" includes expenses related to support functions and corporate executives. Also included are certain gains and losses not attributable to a particular business segment.

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.

	Three Months Ended June 30		Six Months Ended June 30	
Millions of dollars	2008	2007	2008	2007
Revenue:				
Completion and Production	$ 2,437	$ 2,066	$ 4,628	$ 3,910
Drilling and Evaluation	2,050	1,669	3,888	3,247
Total revenue	$ 4,487	$ 3,735	$ 8,516	$ 7,157
Operating income (loss):				
Completion and Production	$ 561	$ 555	$ 1,090	$ 1,032
Drilling and Evaluation	480	348	864	710
Total operations	1,041	903	1,954	1,742
Corporate and other	(92)	(10)	(158)	(61)
Total operating income	$ 949	$ 893	$ 1,796	$ 1,681

As of June 30, 2008, 34% of our gross trade receivables were from customers in the United States. As of December 31, 2007, 35% of our gross trade receivables were from customers in the United States. No other country accounted for more than 10% of our gross trade receivables at these dates.

Note 5. 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 $86 million at June 30, 2008 and $71 million at December 31, 2007. If the average cost method was used, total inventories would have been $28 million higher than reported at June 30, 2008 and $25 million higher than reported at December 31, 2007. The cost of the remaining inventory was recorded on the average cost method. Inventories consisted of the following:

Millions of dollars	June 30, 2008	December 31, 2007
Finished products and parts	$ 1,205	$ 1,042
Raw materials and supplies	433	325
Work in process	98	92
Total	$ 1,736	$ 1,459

Finished products and parts are reported net of obsolescence reserves of $71 million at June 30, 2008 and $65 million at December 31, 2007.

Note 6. Debt

Our 3.125% convertible senior notes due July 2023 became redeemable at our option on July 15, 2008. If we choose to redeem the notes prior to their maturity or if the holders choose to convert the notes, we must settle the principal amount of the notes, which totaled $1.2 billion at June 30, 2008, plus any applicable accrued interest in cash. We have the option to settle any amounts due in excess of the principal, which has ranged between $1.6 billion to $2.0 billion since June 30, 2008, by delivering shares of our common stock, cash, or a combination of common stock and cash. In the second quarter of 2008, the stock conversion rate for the $1.2 billion of convertible senior notes increased to 53.4069 shares of common stock per each $1,000 principal amount of the convertible senior notes due to the quarterly dividend paid on our common stock. If we decide to settle any amount in excess of principal in common stock, we will do so by issuing shares of treasury stock. If we decide to settle any amount in excess of principal in cash, we will be required to take an earnings charge for the amount of the cash paid. Therefore, in the event the entire amount in excess of principal is paid in cash, we could record a loss on extinguishment of debt of up to $2.0 billion based on current conversion rates.

From July 1 through July 24, 2008, $25 million of the principal amount of the convertible debt had been converted for a total settlement amount of $62 million. We have also received additional notices to convert approximately $500 million of principal amount that will be settled during the third quarter of 2008.

We entered into an unsecured, $2.5 billion, 364-day revolving credit facility in July 2008 in order to ensure we will have sufficient cash available to pay off 100% of the convertible notes. When added to our pre-existing unsecured, five-year, revolving credit facility, this provides $3.7 billion of committed bank credit to support any commercial paper we subsequently issue. We expect to refinance all or a portion of any commercial paper issued or any other borrowings under these credit facilities through the issuance of long-term senior notes.

Note 7. Comprehensive Income

The components of comprehensive income included the following:

	Three Months Ended June 30		Six Months Ended June 30	
Millions of dollars	2008	2007	2008	2007
Net income	$ 507	$ 1,530	$ 1,091	$ 2,082
Net cumulative translation adjustments	–	(23)	1	(24)
Realized defined benefit and other postretirement plans adjustments, net	–	271	3	282
Net unrealized gains (losses) on investments	1	–	(1)	1
Total comprehensive income	$ 508	$ 1,778	$ 1,094	$ 2,341

Accumulated other comprehensive loss consisted of the following:

Millions of dollars	June 30, 2008	December 31, 2007
Cumulative translation adjustments	$ (60)	$ (61)
Defined benefit and other postretirement liability adjustments	(42)	(45)
Unrealized gains on investments and derivatives	1	2
Total accumulated other comprehensive loss	$ (101)	$ (104)

Note 8. Commitments and Contingencies

Foreign Corrupt Practices Act investigations

The Securities and Exchange Commission (SEC) is conducting a formal investigation into whether improper payments were made to government officials in Nigeria through the use of agents or subcontractors in connection with the construction and subsequent expansion by TSKJ of a multibillion dollar natural gas liquefaction complex and related facilities at Bonny Island in Rivers State, Nigeria. The Department of Justice (DOJ) is also conducting a related criminal investigation. The SEC has also issued subpoenas seeking information, which we and KBR are furnishing, regarding current and former agents used in connection with multiple projects, including current and prior projects, over the past 20 years located both in and outside of Nigeria in which the Halliburton energy services business, KBR or affiliates, subsidiaries or joint ventures of Halliburton or KBR, are or were participants. In September 2006 and October 2007, the SEC and the DOJ, respectively, each requested that we enter into an agreement to extend the statute of limitations with respect to its investigation. We have entered into tolling agreements with the SEC and the DOJ.

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% interest in the venture. 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).

The SEC and the DOJ have been reviewing these matters in light of the requirements of the FCPA. In addition to performing our own investigation, we have been cooperating with the SEC and the DOJ investigations and with other investigations in France, Nigeria, and Switzerland regarding the Bonny Island project. The government of Nigeria gave notice in 2004 to the French magistrate of a civil claim as an injured party in the French investigation. The Serious Fraud Office in the United Kingdom is also conducting an investigation relating to the Bonny Island project. Our Board of Directors has appointed a committee of independent directors to oversee and direct the FCPA investigations.

The matters under investigation relating to the Bonny Island project cover an extended period of time (in some cases significantly before our 1998 acquisition of Dresser Industries and continuing through the current time period). We have produced documents to the SEC and the DOJ from the files of numerous officers and employees of Halliburton and KBR, including current and former executives of Halliburton and KBR, both voluntarily and pursuant to company subpoenas from the SEC and a grand jury, and we are making our employees and we understand KBR is making its employees available to the SEC and the DOJ for interviews. In addition, the SEC has issued a subpoena to A. Jack Stanley, who formerly served as a consultant and chairman of Kellogg Brown & Root LLC, and to others, including certain of our and KBR's current or former executive officers or employees, and at least one subcontractor of KBR. We further understand that the DOJ has made requests for information abroad, and we understand that other partners in TSKJ have provided information to the DOJ and the SEC with respect to the investigations, either voluntarily or under subpoenas.

The SEC and DOJ investigations include an examination of whether TSKJ's engagements of Tri-Star Investments as an agent and a Japanese trading company as a subcontractor to provide services to TSKJ were utilized to make improper payments to Nigerian government officials. In connection with the Bonny Island project, TSKJ entered into a series of agency agreements, including with Tri-Star Investments, of which Jeffrey Tesler is a principal, commencing in 1995 and a series of subcontracts with a Japanese trading company commencing in 1996. We understand that a French magistrate has officially placed Mr. Tesler under investigation for corruption of a foreign public official. In Nigeria, a legislative committee of the National Assembly and the Economic and Financial Crimes Commission, which is organized as part of the executive branch of the government, are or were also investigating these matters. Our representatives have met with the French magistrate and Nigerian officials. In October 2004, representatives of TSKJ voluntarily testified before the Nigerian legislative committee.

TSKJ suspended the receipt of services from and payments to Tri-Star Investments and the Japanese trading company and has considered instituting legal proceedings to declare all agency agreements with Tri-Star Investments terminated and to recover all amounts previously paid under those agreements. In February 2005, TSKJ notified the Attorney General of Nigeria that TSKJ would not oppose the Attorney General's efforts to have sums of money held on deposit in accounts of Tri-Star Investments in banks in Switzerland transferred to Nigeria and to have the legal ownership of such sums determined in the Nigerian courts.

As a result of these investigations, information has been uncovered suggesting that, commencing at least 10 years ago, members of TSKJ planned payments to Nigerian officials. We have reason to believe that, based on the ongoing investigations, payments may have been made by agents of TSKJ to Nigerian officials. The government has recently confirmed that it has evidence of such payments. The government has also recently advised Halliburton and KBR that it has evidence of payments to Nigerian officials by another agent in connection with a separate KBR-managed project in Nigeria called the Shell EA project and possibly evidence of payments in connection with other projects in Nigeria, potentially including energy services projects. In addition, information uncovered in the summer of 2006 suggests that, prior to 1998, plans may have been made by employees of The M.W. Kellogg Company (a predecessor of a KBR subsidiary) to make payments to government officials in connection with the pursuit of a number of other projects in countries outside of Nigeria. We are reviewing a number of more recently discovered documents related to KBR's activities in countries outside of Nigeria with respect to agents for projects after 1998. Certain activities discussed in this paragraph involve current or former employees or persons who were or are consultants to KBR, and our investigation is continuing.

In June 2004, all relationships with Mr. Stanley and another consultant and former employee of M.W. Kellogg Limited were terminated. The terminations occurred because of Code of Business Conduct violations that allegedly involved the receipt of improper personal benefits from Mr. Tesler in connection with TSKJ's construction of the Bonny Island project.

In 2006 and 2007, we or KBR suspended the services of two agents in and outside of Nigeria, including the agent in connection with the Shell EA project and another agent who, until such suspension, had worked for KBR outside of Nigeria on several current projects and on numerous older projects going back to the early 1980s. Such suspensions have occurred when possible improper conduct has been discovered or alleged or when we and KBR have been unable to confirm the agent's compliance with applicable law and the Code of Business Conduct.

The SEC and DOJ are also investigating and have issued subpoenas concerning TSKJ's use of an immigration services provider, apparently managed by a Nigerian immigration official, to which approximately $1.8 million in payments in excess of costs of visas were allegedly made between approximately 1997 and the termination of the provider in December 2004. We understand that TSKJ terminated the immigration services provider after a KBR employee discovered the issue. We reported this matter to the United States government in 2007. The SEC has indicated that it believes documents concerning this immigration service provider may have been responsive to earlier subpoenas. The SEC has issued a subpoena requesting documents among other things concerning any payment of anything of value to Nigerian government officials. In response to such subpoena, we have produced and continue to produce additional documents regarding KBR and Halliburton's energy services business use of immigration and customs service providers, which may result in further inquiries. Furthermore, as a result of these matters, we have expanded our own investigation to consider any matters raised by energy services activities in Nigeria.

From time to time, we and KBR have engaged in discussions with the SEC and the DOJ regarding a settlement of these matters. There can be no assurance that a settlement will be reached or, if a settlement is reached, that the terms of any settlement would not have a material adverse effect on us.

If violations of the FCPA were found, a person or entity found in violation could be subject to fines, civil penalties of up to $500,000 per violation, equitable remedies, including disgorgement (if applicable) generally of profits, including prejudgment interest on such profits, causally connected to the violation, and injunctive relief. Criminal penalties could range up to the greater of $2 million per violation or twice the gross pecuniary gain or loss from the violation, which could be substantially greater than $2 million per violation. It is possible that both the SEC and the DOJ could assert that there have been multiple violations, which could lead to multiple fines. The amount of any fines or monetary penalties that could be assessed would depend on, among other factors, the findings regarding the amount, timing, nature, and scope of any improper payments, whether any such payments were authorized by or made with knowledge of us, KBR or our or KBR's affiliates, the amount of gross pecuniary gain or loss involved, and the level of cooperation provided the government authorities during the investigations. The government has expressed concern regarding the level of our cooperation. Agreed dispositions of these types of violations also frequently result in an acknowledgement of wrongdoing by the entity and the appointment of a monitor on terms negotiated with the SEC and the DOJ to review and monitor current and future business practices, including the retention of agents, with the goal of assuring compliance with the FCPA.

These investigations could also 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. In addition, we could incur costs and expenses for any monitor required by or agreed to with a governmental authority to review our continued compliance with FCPA law.

As of June 30, 2008, we are unable to estimate an amount of probable loss or a range of possible loss related to these matters as it relates to us directly. Therefore, we have not recorded any amounts as it relates to us directly, other than for the indemnities provided to KBR, in connection with these matters in our condensed consolidated financial statements. 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 natural gas liquefaction complex and related facilities at Bonny Island in Rivers State, Nigeria. As noted previously, our estimation of the value of the indemnity regarding FCPA matters is recorded as a liability in our condensed consolidated financial statements as of June 30, 2008 and December 31, 2007. See Note 2 for additional information.

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.

In consideration of our agreement to indemnify KBR for the liabilities referred to above, KBR has agreed that we will at all times, in our sole discretion, have and maintain control over the investigation, defense and/or settlement of these FCPA matters until such time, if any, that KBR exercises its right to assume control of the investigation, defense and/or settlement of the FCPA matters as it relates to KBR. KBR has also agreed, at our expense, to assist with our full cooperation with any governmental authority in our investigation of these FCPA matters and our investigation, defense and/or settlement of any claim made by a governmental authority or court relating to these FCPA matters, in each case even if KBR assumes control of these FCPA matters as it relates to KBR. If KBR takes control over the investigation, defense, and/or settlement of FCPA matters, refuses a settlement of FCPA matters negotiated by us, enters into a settlement of FCPA matters without our consent, or materially breaches its obligation to cooperate with respect to our investigation, defense, and/or settlement of FCPA matters, we may terminate the indemnity.

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 in lieu thereof, 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. Our estimation of the value of the indemnity regarding the Barracuda-Caratinga arbitration is recorded as a liability in our condensed consolidated financial statements as of June 30, 2008 and December 31, 2007. See Note 2 for additional information regarding the KBR indemnification.

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. A key issue in the arbitration is which party is responsible for the designation of the material to be used for the bolts. We understand that KBR believes that an instruction to use the particular bolts was issued by Petrobras, and as such, KBR believes the cost resulting from any replacement is not KBR's responsibility. We understand Petrobras disagrees. We understand KBR believes several possible solutions may exist, including replacement of the bolts. Estimates indicate that costs of these various solutions range 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 and pursuing recovery of the costs incurred to date through the arbitration process and to that end has submitted a counterclaim in the arbitration seeking the recovery of $22 million. The arbitration panel held an evidentiary hearing during the week of March 31, 2008 and took evidence and arguments under advisement.

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 early May 2003, we entered into a written memorandum of understanding setting forth the terms upon which the *Moore* class action would be settled. 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 (the "Dresser claims"). The memorandum of understanding contemplated settlement of the Dresser claims as well as the original claims.

In June 2004, the court entered an order preliminarily approving the settlement. Following the transfer of the case to another district judge, the court held that evidence of the settlement's fairness was inadequate, denied the motion for final approval of the settlement, and ordered the parties to mediate. The mediation was unsuccessful.

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 CEO. The court ordered that the case proceed against our CEO and Halliburton. In response to a motion by the lead plaintiff, on February 26, 2007, the court ordered the removal and replacement of their co-lead counsel. In June 2007, upon becoming aware of a United States Supreme Court opinion issued in that month, the court allowed further briefing on the motion to dismiss filed on behalf of our CEO. The court again denied the motion to dismiss in March 2008. In September 2007, AMSF filed a motion for class certification, and our response was filed in November 2007. A hearing was held in March 2008, and we await the court's ruling. The case is set for trial in July 2009.

As of June 30, 2008, 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 June 30, 2008, we had not recorded any liability associated with these indemnifications.

M-I, LLC antitrust litigation

On February 16, 2007, M-I, LLC, a competitor of ours in the drilling fluids market, filed an antitrust lawsuit against us alleging that our enforcement of a patent that was subject to a prior lawsuit was an improper attempt to monopolize the market for one of our drilling fluids. The lawsuit alleged that one of our drilling fluids patents was invalid as a result of its allegedly having been procured by fraud, that our prosecution of an infringement action against them amounted to predatory action, and that we had falsely advertised our product. This case was settled in the first quarter of 2008 for an immaterial amount.

Dirt, Inc. litigation

In April 2005, Dirt, Inc. brought suit in Alabama against Bredero-Shaw (a joint venture in which we formerly held a 50% interest that we sold to the other party in the venture, ShawCor Ltd., in 2002), Halliburton Energy Services, Inc., and ShawCor Ltd., claiming that Bredero-Shaw disposed of hazardous waste in a construction materials landfill owned and operated by Dirt, Inc. On November 1, 2007, the trial court in the above-referenced matter entered a judgment in the total amount of $108 million. In the second quarter of 2008, an agreement was reached among Dirt, Inc., ShawCor Ltd., and us to settle the suit, of which we agreed to fund and have funded an immaterial amount.

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 $68 million as of June 30, 2008 and $72 million as of December 31, 2007. 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 9 federal and state superfund sites for which we have established a liability. As of June 30, 2008, those 9 sites accounted for approximately $10 million of our total $68 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 banks under which approximately $2.3 billion of letters of credit, surety bonds, or bank guarantees were outstanding as of June 30, 2008, including $1.0 billion that relate to KBR. These KBR letters of credit, surety bonds, or bank guarantees 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 9. 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 June 30		Six Months Ended June 30	
Millions of shares	2008	2007	2008	2007
Basic weighted average common shares outstanding	869	905	871	949
Dilutive effect of:				
Convertible senior notes premium	38	29	35	26
Stock options	5	6	5	6
Restricted stock	2	2	1	2
Diluted weighted average common shares outstanding	914	942	912	983

Excluded from the computation of diluted income per share are options to purchase one million shares of common stock that were outstanding during both the three and six months ended June 30, 2008 and four million and three million shares during the three and six months ended June 30, 2007. These options were outstanding during these quarters but were excluded because they were antidilutive, as the option exercise price was greater than the average market price of the common shares.

Effective April 5, 2007, common shares outstanding were reduced by the 85.3 million shares of our common stock that we accepted in exchange for the shares of KBR, Inc. common stock we owned.

Note 10. Retirement Plans

The components of net periodic benefit cost related to pension benefits for the three and six months ended June 30, 2008 and June 30, 2007 were as follows:

	Three Months Ended June 30			
	2008		2007	
Millions of dollars	United States	International	United States	International
Service cost	$ –	$ 6	$ –	$ 6
Interest cost	1	13	1	10
Expected return on plan assets	(2)	(12)	(1)	(9)
Amortization of unrecognized loss	1	2	2	2
Net periodic benefit cost	$ –	$ 9	$ 2	$ 9

	Six Months Ended June 30			
	2008		2007	
Millions of dollars	United States	International	United States	International
Service cost	$ –	$ 13	$ –	$ 12
Interest cost	3	26	3	21
Expected return on plan assets	(4)	(23)	(3)	(18)
Settlements/curtailments	–	–	–	(1)
Amortization of unrecognized loss	2	3	3	4
Net periodic benefit cost	$ 1	$ 19	$ 3	$ 18

We currently expect to contribute approximately $28 million to our international pension plans in 2008. During the six months ended June 30, 2008, we contributed $20 million to our international pension plans. We do not have a required minimum contribution for our domestic plans; however, we may make additional discretionary contributions.

The components of net periodic benefit cost related to other postretirement benefits for the three and six months ended June 30, 2008 and June 30, 2007 were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
Millions of dollars	2008	2007	2008	2007
Service cost	$ –	$ –	$ –	$ –
Interest cost	2	2	3	4
Unrecognized actuarial loss	(2)	–	(3)	–
Net periodic benefit cost	$ –	$ 2	$ –	$ 4

Note 11. Common Stock

In February 2006, our Board of Directors approved a share repurchase program of up to $1.0 billion. In September 2006, our Board of Directors approved an increase to our existing common share repurchase program of up to an additional $2.0 billion. In July 2007, our Board of Directors approved an additional increase to our existing common share repurchase program of up to $2.0 billion, bringing the entire authorization to $5.0 billion. This additional authorization may be used for open market share purchases or to settle the conversion premium on our 3.125% convertible senior notes, should they be redeemed. From the inception of this program, we have repurchased approximately 89 million shares of our common stock for approximately $3.0 billion at an average price of $34.28 per share. These amounts include the repurchases of approximately 10 million shares of our common stock for approximately $360 million at an average price of $37.26 per share during the first six months of 2008. As of June 30, 2008, approximately $2.0 billion remained available under this program.

Note 12. New Accounting Standards

In June 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) Emerging Issues Task Force (EITF) 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities.” This FSP 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. We will adopt the provisions of FSP EITF 03-6-1 on January 1, 2009, which will require us to restate prior periods’ basic and diluted earnings per share to include outstanding unvested restricted common shares in the weighted average shares outstanding calculation. We estimate that, had we calculated earnings per share under these new provisions during the six months ended June 30, 2008, basic and diluted earnings per share would have decreased by approximately $0.01 for both continuing operations and net income per share.

In May 2008, the FASB issued FSP Accounting Principles Board (APB) 14-1, “Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement).” This FSP clarifies that convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement, are not addressed by paragraph 12 of APB Opinion No. 14, “Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants.” Additionally, this FSP specifies that issuers of such instruments 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. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. We will adopt the provisions of FSP APB 14-1 on January 1, 2009 and will be required to retroactively apply its provisions, which means we will restate our consolidated financial statements for prior periods. We have not yet determined the impact of this FSP on our consolidated financial statements, which may be material, as it will depend on the timing and method of any redemptions by us or conversions by the noteholders.

In March 2008, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 161, “Disclosure about Derivative Instruments and Hedging Activities – An Amendment of FASB Statement No. 133.” SFAS No. 161 requires more disclosures about an entity’s derivative and hedging activities in order to improve the transparency of financial reporting. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. We will adopt the provisions of SFAS No. 161 on January 1, 2009, which we do not expect will have a material impact on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, “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. SFAS No. 157 applies to other accounting pronouncements 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 FASB Staff Position (FSP) FAS 157-1, “Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13,” which removes certain leasing transactions from the scope of SFAS No. 157, and FSP FAS 157-2, “Effective Date of FASB Statement No. 157,” which defers the effective date of SFAS No. 157 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. On January 1, 2008, we adopted without material impact on our consolidated financial statements the provisions of SFAS No. 157 related to financial assets and liabilities and to nonfinancial assets and liabilities measured at fair value on a recurring basis. Beginning January 1, 2009, we will adopt the provisions for 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. We do not expect the provisions of SFAS No. 157 related to these items to have a material impact on our consolidated financial statements.

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

EXECUTIVE OVERVIEW

Organization

We are a leading provider of 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 well-bore 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, Landmark software and consulting services, and 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 more than 53,000 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 half of 2008, we produced revenue of $8.5 billion and operating income of $1.8 billion, reflecting an operating margin of 21%. Revenue increased $1.4 billion or 19% over the first half of 2007, while operating income improved $115 million or 7% over the first half of 2007. Consistent with our initiative to grow our non-North America operations, we experienced 25% revenue growth and 23% operating income growth outside of North America in the first six months of 2008 compared to the first six months of 2007. Revenue from our Latin America region increased 30% to $1.1 billion, and operating income increased 39% to $235 million in the first six months of 2008 compared to the first six months of 2007. Our Middle East/Asia and Europe/Africa/CIS regions also returned revenue growth in excess of 20% in the first six months of 2008 compared to the first six months of 2007.

Business outlook

The outlook for our business remains generally favorable barring significant demand declines due to high commodity prices. During 2007, the North America region experienced challenging market conditions as a result of downward pressure on the pricing of our services, as well as reduced activity in Canada. During the first six months of 2008, operating margins in the region continued to decline from prior period levels, primarily as a result of lower effective pricing for our United States fracturing services and cost inflation for fuel and other materials used in our operations. However, we saw signs of prices stabilizing for fracturing services near the end of the second quarter, and we negotiated fuel surcharges with many of our customers. We expect to see the positive impacts of these negotiations starting in the third quarter of 2008. In addition, we believe pricing has now stabilized for product lines outside of fracturing, with the exception of some weakness in cementing. Canada has also recovered from its seasonal decline in activity, and we expect stronger activity in this market in the second half of 2008. Our customers announced increases to their capital programs for the remainder of 2008 and 2009. This potential increased activity with tightening of supply capacity provides us with an improved outlook for our fracturing volumes and pricing. We also see unconventional drilling activity, such as emerging shale plays, increasing in the second half of 2008, which could create additional demand for our services.

Outside of North America, our outlook also remains positive. Worldwide demand for hydrocarbons continues to grow, and the reservoirs are becoming more complex. The trend toward exploration and exploitation of more complex reservoirs bodes well for the mix of our product line offerings and degree of service intensity on a per rig basis. Therefore, we have been investing and will continue to invest in infrastructure, capital, and technology predominantly outside of North America, consistent with our initiative to grow our operations in that part of the world and balance our geographic portfolio. As our customers award larger tranches of work, pricing competition in the international arena has intensified. However, we expect this price competition to be offset partially with continued expansion of our margins driven by value created through the introduction of new technologies, consistency of execution, and fixed cost leverage. In addition, we believe our Latin America region will continue to experience the highest growth rate of all our regions, driven by contract awards in Mexico and higher activity in Colombia, Brazil, and Venezuela.

In 2008, we are focusing on:

- maintaining optimal utilization of our equipment and resources;
- managing pricing, particularly in our North America operations;
- hiring and training additional personnel to meet the increased demand for our services;
- continuing the globalization of our manufacturing and supply chain processes;
- balancing our United States operations by capitalizing on the trend toward horizontal drilling;
- leveraging our technologies to provide our customers with the ability to more efficiently drill and complete their wells and to increase their productivity. To that end, we opened one international research and development center with global technology and training missions in 2007 and opened another in the first quarter of 2008;
- maximizing our position to win meaningful international tenders, especially in deepwater fields, complex reservoirs, and high-pressure/high-temperature environments;
- expanding our business with national oil companies, including preparing for a shift to more demand for our integrated project management services;
- pursuing strategic acquisitions that enhance our technological position and our product and service portfolio in key geographic areas such as:
  - in June 2008, we entered into a definitive agreement with Shell Technology Ventures Fund 1 B.V. to acquire its remaining 49% equity interest in WellDynamics B.V. (WellDynamics). Upon completion of the transaction in July 2008, we now own 100% of WellDynamics;
  - in June 2008, we acquired all the intellectual property and assets of Protech Centerform. Protech Centerform is a provider of casing centralization service; and
  - in May 2008, we acquired all intellectual property, assets, and existing business of Knowledge Systems Inc. (KSI). KSI is a leading provider of combined geopressure and geomechanical analysis software and services; and
- directing our capital spending primarily toward non-North America operations for service equipment additions and infrastructure. During the second quarter of 2008, we increased our capital spending forecast to provide for equipment placements on coming offshore rigs and to meet the growing demand of our customers in the emerging shale plays in North America. Capital spending for 2008 is expected to be approximately $1.9 billion to $2.0 billion.

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

Foreign Corrupt Practices Act (FCPA) investigations

The Securities and Exchange Commission (SEC) is conducting a formal investigation into whether improper payments were made to government officials in Nigeria. The Department of Justice (DOJ) is also conducting a related criminal investigation. See Note 8 to our condensed consolidated financial statements for further information.

LIQUIDITY AND CAPITAL RESOURCES

We ended the second quarter of 2008 with cash and equivalents of $1.9 billion compared to $1.8 billion at December 31, 2007.

Significant sources of cash

Cash flows from operating activities contributed $985 million to cash in the first six months of 2008. Growth in revenue and operating income in the first half of 2008 compared to the first half of 2007 is attributable to higher customer demand and increased service intensity due to a trend toward exploration and exploitation of more complex reservoirs.

During the first six months of 2008, we sold approximately $388 million of marketable securities, consisting of auction-rate securities and variable-rate demand notes.

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 June 30, 2008.

We entered into an unsecured, $2.5 billion, 364-day revolving credit facility in July 2008 in order to ensure we will have sufficient cash available to pay off 100% of our convertible notes. When added to our pre-existing unsecured, five-year, revolving credit facility, this provides $3.7 billion of committed bank credit to support any commercial paper we subsequently issue. We expect to refinance all or a portion of any commercial paper issued or any other borrowings under these credit facilities through the issuance of long-term senior notes.

Significant uses of cash

Capital expenditures were $837 million in the first six months of 2008, with increased focus toward building infrastructure and adding service equipment in support of our expanding operations outside of North America. Capital expenditures were predominantly made in the drilling services, production enhancement, cementing, and wireline and perforating product service lines.

During the first six months of 2008, we repurchased approximately 10 million shares of our common stock under our share repurchase program at a cost of approximately $360 million at an average price of $37.26 per share.

We paid $158 million in dividends to our shareholders in the first six months of 2008.

Future uses of cash. We have approximately $2.0 billion remaining available under our share repurchase authorization, which may be used for open market purchases or to settle the conversion premium over the face amount of our 3.125% convertible senior notes.

Capital spending for 2008 is expected to be approximately $1.9 billion to $2.0 billion. The capital expenditures plan for 2008 is primarily directed toward our drilling services, production enhancement, cementing, and wireline and perforating product service lines. We will continue to explore 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. Further, as market conditions change, we will continue to evaluate the allocation of our cash between acquisitions and stock buybacks.

Our 3.125% convertible senior notes due July 2023 became redeemable at our option on July 15, 2008. If we choose to redeem the notes prior to their maturity or if the holders choose to convert the notes, we must settle the principal amount of the notes, which totaled $1.2 billion at June 30, 2008, plus any applicable accrued interest in cash. We have the option to settle any amounts due in excess of the principal, which has ranged between $1.6 billion to $2.0 billion since June 30, 2008, by delivering shares of our common stock, cash, or a combination of common stock and cash.

Subject to Board of Directors approval, we expect to pay dividends of approximately $80 million per quarter for the remainder of 2008.

We are currently evaluating possible acquisitions that may result in additional borrowings and a significant use of cash.

While the timing is not necessarily under our control, any potential settlements entered into with the SEC or DOJ related to the Foreign Corrupt Practices Act investigations may lead to cash payments relating to the indemnity provided to KBR and for any matters deemed to relate to us directly. See Notes 2 and 8 to our condensed consolidated financial statements for more information.

Other factors affecting liquidity

Letters of credit. In the normal course of business, we have agreements with banks under which approximately $2.3 billion of letters of credit, surety bonds, or bank guarantees were outstanding as of June 30, 2008, including $1.0 billion that relate to KBR. These KBR letters of credit, surety bonds, or bank guarantees 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.

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

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 six months of 2008, based upon the location of the services provided and products sold, 42% of our consolidated revenue was from the United States. In the first six months of 2007, 45% 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 material to our consolidated results of operations.

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

Some of the more significant barometers of current and future spending levels of oil and natural gas companies are oil and natural gas prices, the world economy, 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) and United Kingdom Brent crude oil, and Henry Hub natural gas:

	Three Months Ended June 30		Year Ended December 31
Average Oil Prices (dollars per barrel)	2008	2007	2007
West Texas Intermediate	$ 123.42	$ 64.59	$ 71.91
United Kingdom Brent	120.90	68.63	72.21
Average United States Gas Prices (dollars per million British thermal units, or mmBtu)			
Henry Hub	$ 11.14	$ 7.65	$ 6.97

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

	Three Months Ended June 30		Six Months Ended June 30	
Land vs. Offshore	2008	2007	2008	2007
United States:				
Land	1,799	1,679	1,755	1,665
Offshore	66	77	63	80
Total	1,865	1,756	1,818	1,745
Canada:				
Land	168	136	337	333
Offshore	1	3	1	3
Total	169	139	338	336
International (excluding Canada):				
Land	776	710	769	705
Offshore	308	292	296	287
Total	1,084	1,002	1,065	992
Worldwide total	3,118	2,897	3,221	3,073
Land total	2,743	2,525	2,861	2,703
Offshore total	375	372	360	370

	Three Months Ended June 30		Six Months Ended June 30	
Oil vs. Natural Gas	2008	2007	2008	2007
United States:				
Oil	373	284	352	279
Natural Gas	1,492	1,472	1,466	1,466
Total	1,865	1,756	1,818	1,745
Canada:				
Oil	81	65	147	130
Natural Gas	88	74	191	206
Total	169	139	338	336
International (excluding Canada):				
Oil	842	781	822	772
Natural Gas	242	221	243	220
Total	1,084	1,002	1,065	992
Worldwide total	3,118	2,897	3,221	3,073
Oil total	1,296	1,130	1,321	1,181
Natural Gas total	1,822	1,767	1,900	1,892

Our customers' cash flows, in many instances, depend upon the revenue they generate from the sale of oil and natural gas. Higher oil and natural gas prices usually translate into higher exploration and production budgets. Higher prices also improve the economic attractiveness of unconventional reservoirs. This promotes additional investment by our customers. The opposite is true for lower oil and natural gas prices.

WTI oil spot prices averaged $72 per barrel in 2007 and are expected to increase to an average of $127 per barrel in 2008, according to the Energy Information Administration (EIA). From mid-December 2007 through June 2008, the WTI crude oil price increased $42 per barrel from an average of $90 per barrel to an average of $132 per barrel as a result of rising world oil consumption and low surplus production capacity. We expect that oil prices will remain at levels sufficient to sustain, and likely grow, our customers' current levels of spending due to a combination of the following factors:

- continued growth in worldwide petroleum demand, barring any significant demand reduction due to higher commodity prices;
- projected production growth in non-Organization of Petroleum Exporting Countries (non-OPEC) supplies is not expected to accommodate world wide demand growth;
- OPEC's commitment to control production;
- modest increases in OPEC's current and forecasted production capacity; and
- geopolitical tensions in major oil-exporting nations.

According to the International Energy Agency's (IEA) July 2008 "Oil Market Report," the outlook for world oil demand remains strong, with Asia, the Middle East, and Latin America accounting for nearly all of the expected demand growth in 2008. Excess oil production capacity is expected to remain constrained with OPEC producers' continuing reluctance to supply additional crude oil to the market. This constraint, along with a strong refined product market, a weaker dollar, and geopolitical tensions, is expected to keep supplies tight. Thus, any unexpected supply disruption or change in demand could lead to fluctuating prices. The IEA forecasts world petroleum demand growth in 2008 to increase 2% over 2007.

North America operations. Volatility in natural gas prices has the potential to impact our customers' drilling and production activities, particularly in North America. During 2007, we experienced a significant decline in activity from 2006 levels in our North America operations, especially in Canada. This decline caused us to move equipment and personnel from Canada to other areas in 2007. Canada has now recovered from its decline, and all indications point to stronger than anticipated activity in the second half of 2008. With continued strong natural gas fundamentals, our customers have reevaluated and appear to be increasing their North American capital programs for the remainder of 2008 and 2009. In July 2008, the EIA noted that the Henry Hub spot price averaged $7.17 per thousand cubic feet (mcf) in 2007 and was projected to increase to an average of $11.86 per mcf in 2008.

We experienced increased pricing pressure from our customers in the North American market in 2007 and in the first quarter of 2008, particularly in Canada and in our United States well stimulation operations. However, more recently, pricing declines in the transactional market are easing in areas where activity is increasing and where job and basin complexity favors our differentiated fracturing technologies. In addition, except for some weakness in cementing, we believe prices for all other product lines have stabilized. We continue to experience cost inflation for fuel and materials, which is putting additional downward pressure on operating margins. Recently, we have negotiated fuel surcharges with many of our customers, and we expect to see the impact of these negotiations starting in the third quarter of 2008. We have also begun discussions regarding material cost recoveries with our customers. We believe the improved outlook for all our businesses enhances our ability to modestly increase prices to help cover cost inflation. We also see unconventional drilling activity, such as emerging shale plays, increasing in the second half of 2008, which could create additional demand for our services.

Focus on international growth. Consistent with our strategy to grow our operations outside of North America, we expect to continue to invest capital and increase manufacturing capacity to bring new tools online to serve the high demand for our services. As our customers award larger tranches of work, pricing competition in the international arena has intensified. However, we expect this to be offset partially with continued expansion of our margins driven by introduction of new technologies, consistency of execution, and fixed cost leverage. Following is a brief discussion of some of our current initiatives:

- in order to continue to supply our customers with leading-edge services and products, we have increased our technology spending and are making our research and development efforts more geographically diverse. To that end, we opened a technology center in India in 2007, and we opened another in Singapore in the first quarter of 2008;
- we have expanded our manufacturing capability and capacity to meet the increasing demands for our services and products and to support our planned growth. In 2007 and 2008, we opened four new regional manufacturing facilities in Asia and Latin America. These new centers will enable us to be more responsive to our international customers while, building regional supply networks that support local economies;
- as our workforce becomes more global, the need for regional training centers increases. As a result, we have expanded our number of regional training centers to meet this need. We now have 12 training centers worldwide that integrate new workers and advance the technical skills of our workforce; and
- expanding our business with national oil companies, including preparing for a shift to more demand for our integrated project management services; and
- part of our growth strategy includes 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;
    - in June 2008, we entered into a definitive agreement with Shell Technology Ventures Fund 1 B.V. to acquire its 49% equity interest in WellDynamics. Upon completion of the transaction in July 2008, we now own 100% of WellDynamics. WellDynamics is the world’s leading provider of intelligent well completion technology;
    - in June 2008, we acquired all the intellectual property and assets of Protech Centerform in Houston, Ravenna, Italy, and Aberdeen, Scotland. Protech Centerform is a provider of casing centralization service; and
    - in May 2008, we acquired all intellectual property, assets, and existing business of KSI, a leading provider of combined geopressure and geomechanical analysis software and services.

Recent contract wins positioning us to grow our international operations over the coming years include:

- a contract to manage the drilling and completion of 58 onshore wells in the southern region of Mexico;
- a contract to perform workover and sidetrack services in the United Kingdom;
- a contract to provide completion equipment and services, tubing conveyed perforating services and SmartWell® completion technology for numerous oil and natural gas fields on the Norwegian continental shelf. The contract also allows for the provision of other products and services;
- a three-year contract to provide directional drilling, logging-while-drilling, cementing, wireline and perforating, coiled tubing, and stimulation services in support of the offshore portion of the Manifa mega-project in Saudi Arabia; and
- a three-year contract to provide a range of completion equipment for onshore oil and gas wells in Abu Dhabi.

RESULTS OF OPERATIONS IN 2008 COMPARED TO 2007

Three Months Ended June 30, 2008 Compared with Three Months Ended June 30, 2007

REVENUE:	Three Months Ended June 30			Percentage
Millions of dollars	2008	2007	Increase	Change
Completion and Production	$ 2,437	$ 2,066	$ 371	18%
Drilling and Evaluation	2,050	1,669	381	23
Total revenue	$ 4,487	$ 3,735	$ 752	20%
By geographic region:				
Completion and Production:				
North America	$ 1,270	$ 1,160	$ 110	9%
Latin America	258	192	66	34
Europe/Africa/CIS	545	443	102	23
Middle East/Asia	364	271	93	34
Total	2,437	2,066	371	18
Drilling and Evaluation:				
North America	720	586	134	23
Latin America	339	256	83	32
Europe/Africa/CIS	571	483	88	18
Middle East/Asia	420	344	76	22
Total	2,050	1,669	381	23
Total revenue by region:				
North America	1,990	1,746	244	14
Latin America	597	448	149	33
Europe/Africa/CIS	1,116	926	190	21
Middle East/Asia	784	615	169	27

OPERATING INCOME (LOSS):	Three Months Ended June 30		Increase	Percentage
Millions of dollars	2008	2007	(Decrease)	Change
Completion and Production	$ 561	$ 555	$ 6	1%
Drilling and Evaluation	480	348	132	38
Corporate and other	(92)	(10)	(82)	(820)
Total operating income	$ 949	$ 893	$ 56	6%
By geographic region:				
Completion and Production:				
North America	$ 312	$ 360	$ (48)	(13)%
Latin America	61	50	11	22
Europe/Africa/CIS	107	77	30	39
Middle East/Asia	81	68	13	19
Total	561	555	6	1
Drilling and Evaluation:				
North America	194	113	81	72
Latin America	67	45	22	49
Europe/Africa/CIS	110	104	6	6
Middle East/Asia	109	86	23	27
Total	480	348	132	38
Total operating income by region (excluding Corporate and other):				
North America	506	473	33	7
Latin America	128	95	33	35
Europe/Africa/CIS	217	181	36	20
Middle East/Asia	190	154	36	23

Note 1 – All periods presented reflect the new segment structure effective in the third quarter of 2007.

The increase in consolidated revenue in the second quarter of 2008 compared to the second quarter of 2007 was attributable to higher worldwide activity, particularly in the United States, Europe, and Latin America. International revenue was 58% of consolidated revenue in the second quarter of 2008 and 55% of consolidated revenue in the second quarter of 2007.

The increase in consolidated operating income was primarily due to improved demand from increased rig activity and improved pricing and asset utilization. Operating income for the second quarter of 2008 included a combined $25 million gain related to the sale of two investments in the United States and was adversely impacted by 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 revenue increase compared to the second quarter of 2007 was derived from all regions. Europe/Africa/CIS revenue grew 23% from increased completion tool sales and activity in West Africa and Norway and higher production enhancement activity throughout the region. Production enhancement services also benefited in the second quarter of 2008 from the acquisition of PSL Energy Services Limited. Middle East/Asia revenue grew 34% compared to the second quarter of 2007 from higher production enhancement activity, increased completion tool sales and service activity in the region, and increased demand for cementing products and services in the Middle East and Australia. North America revenue grew 9% from improved demand for production enhancement services due to increased rig count in the United States and Canada and higher vessel utilization in the Gulf of Mexico. The cementing revenue comparison was also favorable, benefiting from higher demand related to growing rig count and new customers in the United States. Latin America revenue grew 34% as a result of higher customer demand, new contracts, and more favorable pricing for cementing products and services throughout the region. Production enhancement activity increased throughout the region, and Mexico benefited from improved vessel utilization. International revenue was 49% of total segment revenue in the second quarter of 2008 and 45% of total segment revenue in the second quarter of 2007.

Completion and Production segment operating income remained relatively flat compared to the second quarter of 2007, with improved international results offsetting declines in the United States. Europe/Africa/CIS operating income grew 39%, benefiting from increased production enhancement activity, reduced costs, and increased sales and higher profit margins for completion tools in Africa. Middle East/Asia operating income increased 19%, primarily due to increased performance and improved asset utilization within the production enhancement product service line and increased sales and service revenue for completion tools throughout the region. North America operating income decreased 13% due to pricing declines and cost increases in the United States for production enhancement, partially offset by improved completion tools sales and services. Latin America operating income increased 22%, with improved cementing and production enhancement performance throughout the region.

Drilling and Evaluation revenue increase for the second quarter of 2008 compared to the second quarter of 2007 was derived from all four regions in all product service lines. Europe/Africa/CIS revenue increased 18% from increased drilling services activity throughout the region and higher customer demand and better pricing for wireline and perforating and fluid services in Africa. Middle East/Asia revenue grew 22%, primarily due to increased drilling services activity in Asia and increased fluid and wireline and perforating services activity in the Middle East. North America revenue increased 23% from higher activity across all segment product service lines primarily due to increased rig count. Latin America revenue increased 32% as a result of increased demand and new contracts for drilling, wireline and perforating, and project management services. International revenue was 67% of total segment revenue in both the second quarter of 2008 and in the second quarter of 2007.

The increase in segment operating income compared to the second quarter of 2007 was led by improved results across all product service lines in North America. North America operating income increased 72%, benefiting from increased drilling activity from higher rig count. North America results also reflect the $25 million gain related to the sale of two investments in the United States. Europe/Africa/CIS operating income grew 6%, primarily from higher activity and beneficial pricing for fluids and wireline and perforating services in Africa. Middle East/Asia operating income grew 27%, primarily due to increased fluid services results and drill bit sales in the Middle East, as well as improved wireline results and increased customer demand for drilling services in Asia. Latin America operating income increased 49% with additional deployments of equipment resulting in increased wireline and perforating and drilling services activity. Landmark software and consulting services also contributed to the improved results.

Corporate and other expenses were $92 million in the second quarter of 2008 compared to $10 million in the second quarter of 2007. The second quarter of 2008 included a $30 million charge related to a drill bits patent dispute settlement and increased costs related to acquisition evaluation activity. The second quarter of 2007 included a $49 million gain on the sale of our remaining interest in Dresser, Ltd.

NONOPERATING ITEMS

Interest income decreased $27 million in the second quarter of 2008 compared to the second quarter of 2007 due to lower interest rates.

Provision for income taxes on continuing operations in the second quarter of 2008 of $288 million resulted in an effective tax rate of 31% compared to an effective tax rate on continuing operations of 32% in the second quarter of 2007.

Income (loss) from discontinued operations, net of income tax in the second quarter of 2008 included a $117 million charge reflecting the impact of our most recent assumptions regarding the resolution of the FCPA investigations and Barracuda-Caratinga bolt arbitration matter related to the indemnities and guarantees provided to KBR during the separation process. The second quarter of 2007 included a $933 million net gain on the separation of KBR, which included the estimated fair value of the indemnities provided to KBR, Inc.

RESULTS OF OPERATIONS IN 2008 COMPARED TO 2007

Six Months Ended June 30, 2008 Compared with Six Months Ended June 30, 2007

REVENUE:	Six Months Ended June 30			Percentage
Millions of dollars	2008	2007	Increase	Change
Completion and Production	$ 4,628	$ 3,910	$ 718	18%
Drilling and Evaluation	3,888	3,247	641	20
Total revenue	$ 8,516	$ 7,157	$ 1,359	19%
By geographic region:				
Completion and Production:				
North America	$ 2,439	$ 2,222	$ 217	10%
Latin America	501	358	143	40
Europe/Africa/CIS	978	820	158	19
Middle East/Asia	710	510	200	39
Total	4,628	3,910	718	18
Drilling and Evaluation:				
North America	1,413	1,196	217	18
Latin America	605	494	111	22
Europe/Africa/CIS	1,096	889	207	23
Middle East/Asia	774	668	106	16
Total	3,888	3,247	641	20
Total revenue by region:				
North America	3,852	3,418	434	13
Latin America	1,106	852	254	30
Europe/Africa/CIS	2,074	1,709	365	21
Middle East/Asia	1,484	1,178	306	26

OPERATING INCOME (LOSS):	Six Months Ended June 30		Increase	Percentage
Millions of dollars	2008	2007	(Decrease)	Change
Completion and Production	$ 1,090	$ 1,032	$ 58	6%
Drilling and Evaluation	864	710	154	22
Corporate and other	(158)	(61)	(97)	(159)
Total operating income	$ 1,796	$ 1,681	$ 115	7%
By geographic region:				
Completion and Production:				
North America	$ 629	$ 682	$ (53)	(8)%
Latin America	127	88	39	44
Europe/Africa/CIS	179	148	31	21
Middle East/Asia	155	114	41	36
Total	1,090	1,032	58	6
Drilling and Evaluation:				
North America	368	280	88	31
Latin America	108	81	27	33
Europe/Africa/CIS	213	182	31	17
Middle East/Asia	175	167	8	5
Total	864	710	154	22
Total operating income by region (excluding Corporate and other):				
North America	997	962	35	4
Latin America	235	169	66	39
Europe/Africa/CIS	392	330	62	19
Middle East/Asia	330	281	49	17

Note 1 – All periods presented reflect the new segment structure effective in the third quarter of 2007.

The increase in consolidated revenue in the first six months of 2008 compared to the first six months of 2007 spanned all four regions and was attributable to higher worldwide activity, particularly in the United States, Europe, and Latin America. International revenue was 58% of consolidated revenue in the first six months of 2008 and 55% of consolidated revenue in the first six months of 2007.

The increase in consolidated operating income in the first six months of 2008 compared to the first six months of 2007 was primarily due to a 39% increase in Latin America and an 18% increase in the eastern hemisphere and stemmed from increased customer activity, new contracts, and improved pricing. Operating income in the first six months of 2008 was 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 half of 2008 was adversely impacted by 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. Operating income in the first six months of 2007 was impacted by a $49 million gain on the sale of our remaining interest in Dresser, Ltd.

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

Completion and Production increase in revenue compared to the first six months of 2007 was derived from all regions. Europe/Africa/CIS revenue grew 19% primarily from increased production enhancement services activity, largely related to the acquisition of PSL Energy Services Limited. Additionally, completion tools revenue benefited from increased sales and service in Africa. Middle East/Asia revenue grew 39% from increased completion tools sales and deliveries and new contracts for production enhancement services in the region. Increased demand for cementing products and services in the Middle East and Australia also contributed to the increase. North America revenue grew 10% from improved demand for production enhancement services due to increased rig count in the United States and Canada. The region also benefited from higher demand for cementing products and services in the United States, largely driven by increased capacity and rig count. Latin America revenue grew 40% as a result of higher activity for all product service lines, particularly in Mexico. Higher demand for production enhancement services and new cementing contracts with more favorable pricing were large contributors to the increase in revenue. International revenue was 50% of total segment revenue in the first six months of 2008 and 46% in the first six months of 2007.

The increase in segment operating income in the first six months of 2008 compared to the first six months of 2007 spanned all regions except North America. Europe/Africa/CIS operating income increased 21% from increased completion tools sales and services and production enhancement activity in Africa. Middle East/Asia operating income increased 36% primarily due to increased sales and service revenue from completion tools and increased production enhancement activity in the region. North America operating income decreased 8% due to pricing declines and cost increases in the United States for production enhancement, partially offset by improved completion tools sales and services and a $35 million gain on the sale of a joint venture interest in the United States. Latin America operating income increased 44% with improved cementing and production enhancement performance primarily in Mexico and Brazil.

Drilling and Evaluation revenue increase compared to the first six months of 2007 was derived from all regions. Europe/Africa/CIS revenue grew 23% from increased drilling services activity, higher customer demand, and better pricing for fluid and wireline and perforating services throughout the region. Middle East/Asia revenue grew 16% primarily due to increased fluid services activity throughout the region and higher customer demand for drilling services in Asia. North America revenue grew 18% from higher activity across all product service lines in the United States primarily due to increased rig count. The region also benefited from higher activity for fluid services in Canada. Latin America revenue grew 22% as a result of increased customer demand for drilling services, increased activity and new contracts for wireline and perforating services, and increased Landmark service sales. International revenue was 67% of total segment revenue in the first six months of 2008 and in the first six months of 2007.

The increase in segment operating income in the first six months of 2008 compared to the first six months of 2007 was derived from all regions led by growth in Latin America and the United States. Europe/Africa/CIS operating income increased 17% benefiting from increased drilling services activity and higher customer demand for wireline and perforating services in Europe and Africa. Higher demand for Landmark software sales and consulting services in Europe also contributed to the increase. Middle East/Asia operating income grew 5% primarily due to increased fluid services results in the region as well as higher demand for drilling services and improved wireline and perforating services in Asia. Operating income was impacted by a $23 million impairment charge related to an oil and gas property in Bangladesh in the first quarter of 2008. North America operating income increased 31% from increased activity for all product service lines in the United States. This region's results also reflect $25 million of gains related to the sale of two investments in the United States in the second quarter of 2008. Latin America operating income increased 33% primarily due to increased activity in drilling services and wireline and perforating services.

Corporate and other expenses were $158 million in the first six months of 2008 compared to $61 million in the first six months of 2007. The first six months of 2008 included a $30 million charge related to a drill bits patent dispute settlement, higher legal costs, and increased corporate development costs. The first six months of 2007 were impacted by a $49 million gain on the sale of our remaining interest in Dresser, Ltd.

NONOPERATING ITEMS

Interest income decreased $45 million in the first six months of 2008 compared to the first six months of 2007 due to lower interest-rate driven income and divestment of our marketable securities.

Provision for income taxes from continuing operations of $526 million in the first six months of 2008 resulted in an effective tax rate of 30% compared to an effective tax rate of 33% in the first six months of 2007. The lower effective tax rate in the first six months of 2008 was driven by growth in international operations, which generally are subject to lower income tax rates than our United States operations, by favorable settlements with foreign tax jurisdictions, and by the ability to recognize additional foreign tax credits that have been substantiated.

Minority interest in net income of subsidiaries increased $9 million compared to the first six months of 2007, primarily due to increased earnings from joint venture interests in Malaysia and Saudi Arabia.

Income (loss) from discontinued operations, net of income tax in the first six months of 2008 included a $117 million charge reflecting the impact of our most recent assumptions regarding the resolution of the FCPA investigations and Barracuda-Caratinga bolt arbitration matter related to the indemnities and guarantees provided to KBR during the separation process. The first six months of 2007 included a $933 million net gain on the separation of KBR, which included the estimated fair value of the indemnities and guarantees provided to KBR and our 81% share of KBR's $28 million in net income in the first quarter of 2007.

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 $68 million as of June 30, 2008 and $72 million as of December 31, 2007. 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 9 federal and state superfund sites for which we have established a liability. As of June 30, 2008, those 9 sites accounted for approximately $10 million of our total $68 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

In June 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) Emerging Issues Task Force (EITF) 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities.” This FSP 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. We will adopt the provisions of FSP EITF 03-6-1 on January 1, 2009, which will require us to restate prior periods’ basic and diluted earnings per share to include outstanding unvested restricted common shares in the weighted average shares outstanding calculation. We estimate that, had we calculated earnings per share under these new provisions during the six months ended June 30, 2008, basic and diluted earnings per share would have decreased by approximately $0.01 for both continuing operations and net income per share.

In May 2008, the FASB issued FSP Accounting Principles Board (APB) 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)." This FSP clarifies that convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement, are not addressed by paragraph 12 of APB Opinion No. 14, "Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants." Additionally, this FSP specifies that issuers of such instruments 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. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. We will adopt the provisions of FSP APB 14-1 on January 1, 2009 and will be required to retroactively apply its provisions, which means we will restate our consolidated financial statements for prior periods. We have not yet determined the impact of this FSP on our consolidated financial statements, which may be material, as it will depend on the timing of any redemptions by us or conversions by the bondholders.

In March 2008, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 161, "Disclosure about Derivative Instruments and Hedging Activities – An Amendment of FASB Statement No. 133." SFAS No. 161 requires more disclosures about an entity's derivative and hedging activities in order to improve the transparency of financial reporting. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. We will adopt the provisions of SFAS No. 161 on January 1, 2009, which we do not expect will have a material impact on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "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. SFAS No. 157 applies to other accounting pronouncements 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 FASB Staff Position (FSP) FAS 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13," which removes certain leasing transactions from the scope of SFAS No. 157, and FSP FAS 157-2, "Effective Date of FASB Statement No. 157," which defers the effective date of SFAS No. 157 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. On January 1, 2008, we adopted without material impact on our consolidated financial statements the provisions of SFAS No. 157 related to financial assets and liabilities and to nonfinancial assets and liabilities measured at fair value on a recurring basis. Beginning January 1, 2009, we will adopt the provisions for 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. We do not expect the provisions of SFAS No. 157 related to these items to have a material impact on our consolidated financial statements.

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.

While it is not possible to identify all factors, we continue to face many risks and uncertainties that could cause actual results to differ from our forward-looking statements and potentially materially and adversely affect our financial condition and results of operations.

The risk factors discussed below update the risk factors previously disclosed in our 2007 annual report on Form 10-K.

RISK FACTORS

Foreign Corrupt Practices Act Investigations

The SEC is conducting a formal investigation into whether improper payments were made to government officials in Nigeria through the use of agents or subcontractors in connection with the construction and subsequent expansion by TSKJ of a multibillion dollar natural gas liquefaction complex and related facilities at Bonny Island in Rivers State, Nigeria. The DOJ is also conducting a related criminal investigation. The SEC has also issued subpoenas seeking information, which we and KBR are furnishing, regarding current and former agents used in connection with multiple projects, including current and prior projects, over the past 20 years located both in and outside of Nigeria in which the Halliburton energy services business, KBR or affiliates, subsidiaries or joint ventures of Halliburton or KBR, are or were participants. In September 2006 and October 2007, the SEC and the DOJ, respectively, each requested that we enter into an agreement to extend the statute of limitations with respect to its investigation. We have entered into tolling agreements with the SEC and the DOJ.

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% interest in the venture. 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).

The SEC and the DOJ have been reviewing these matters in light of the requirements of the FCPA. In addition to performing our own investigation, we have been cooperating with the SEC and the DOJ investigations and with other investigations in France, Nigeria, and Switzerland regarding the Bonny Island project. The government of Nigeria gave notice in 2004 to the French magistrate of a civil claim as an injured party in the French investigation. The Serious Fraud Office in the United Kingdom is also conducting an investigation relating to the Bonny Island project. Our Board of Directors has appointed a committee of independent directors to oversee and direct the FCPA investigations.

The matters under investigation relating to the Bonny Island project cover an extended period of time (in some cases significantly before our 1998 acquisition of Dresser Industries and continuing through the current time period). We have produced documents to the SEC and the DOJ from the files of numerous officers and employees of Halliburton and KBR, including current and former executives of Halliburton and KBR, both voluntarily and pursuant to company subpoenas from the SEC and a grand jury, and we are making our employees and we understand KBR is making its employees available to the SEC and the DOJ for interviews. In addition, the SEC has issued a subpoena to A. Jack Stanley, who formerly served as a consultant and chairman of Kellogg Brown & Root LLC, and to others, including certain of our and KBR's current or former executive officers or employees, and at least one subcontractor of KBR. We further understand that the DOJ has made requests for information abroad, and we understand that other partners in TSKJ have provided information to the DOJ and the SEC with respect to the investigations, either voluntarily or under subpoenas.

The SEC and DOJ investigations include an examination of whether TSKJ's engagements of Tri-Star Investments as an agent and a Japanese trading company as a subcontractor to provide services to TSKJ were utilized to make improper payments to Nigerian government officials. In connection with the Bonny Island project, TSKJ entered into a series of agency agreements, including with Tri-Star Investments, of which Jeffrey Tesler is a principal, commencing in 1995 and a series of subcontracts with a Japanese trading company commencing in 1996. We understand that a French magistrate has officially placed Mr. Tesler under investigation for corruption of a foreign public official. In Nigeria, a legislative committee of the National Assembly and the Economic and Financial Crimes Commission, which is organized as part of the executive branch of the government, are or were also investigating these matters. Our representatives have met with the French magistrate and Nigerian officials. In October 2004, representatives of TSKJ voluntarily testified before the Nigerian legislative committee.

TSKJ suspended the receipt of services from and payments to Tri-Star Investments and the Japanese trading company and has considered instituting legal proceedings to declare all agency agreements with Tri-Star Investments terminated and to recover all amounts previously paid under those agreements. In February 2005, TSKJ notified the Attorney General of Nigeria that TSKJ would not oppose the Attorney General's efforts to have sums of money held on deposit in accounts of Tri-Star Investments in banks in Switzerland transferred to Nigeria and to have the legal ownership of such sums determined in the Nigerian courts.

As a result of these investigations, information has been uncovered suggesting that, commencing at least 10 years ago, members of TSKJ planned payments to Nigerian officials. We have reason to believe that, based on the ongoing investigations, payments may have been made by agents of TSKJ to Nigerian officials. The government has recently confirmed that it has evidence of such payments. The government has also recently advised Halliburton and KBR that it has evidence of payments to Nigerian officials by another agent in connection with a separate KBR-managed project in Nigeria called the Shell EA project and possibly evidence of payments in connection with other projects in Nigeria, potentially including energy services projects. In addition, information uncovered in the summer of 2006 suggests that, prior to 1998, plans may have been made by employees of The M.W. Kellogg Company (a predecessor of a KBR subsidiary) to make payments to government officials in connection with the pursuit of a number of other projects in countries outside of Nigeria. We are reviewing a number of more recently discovered documents related to KBR's activities in countries outside of Nigeria with respect to agents for projects after 1998. Certain activities discussed in this paragraph involve current or former employees or persons who were or are consultants to KBR, and our investigation is continuing.

In June 2004, all relationships with Mr. Stanley and another consultant and former employee of M.W. Kellogg Limited were terminated. The terminations occurred because of Code of Business Conduct violations that allegedly involved the receipt of improper personal benefits from Mr. Tesler in connection with TSKJ's construction of the Bonny Island project.

In 2006 and 2007, we or KBR suspended the services of two agents in and outside of Nigeria, including the agent in connection with the Shell EA project and another agent who, until such suspension, had worked for KBR outside of Nigeria on several current projects and on numerous older projects going back to the early 1980s. Such suspensions have occurred when possible improper conduct has been discovered or alleged or when we and KBR have been unable to confirm the agent's compliance with applicable law and the Code of Business Conduct.

The SEC and DOJ are also investigating and have issued subpoenas concerning TSKJ's use of an immigration services provider, apparently managed by a Nigerian immigration official, to which approximately $1.8 million in payments in excess of costs of visas were allegedly made between approximately 1997 and the termination of the provider in December 2004. We understand that TSKJ terminated the immigration services provider after a KBR employee discovered the issue. We reported this matter to the United States government in 2007. The SEC has indicated that it believes documents concerning this immigration service provider may have been responsive to earlier subpoenas. The SEC has issued a subpoena requesting documents among other things concerning any payment of anything of value to Nigerian government officials. In response to such subpoena, we have produced and continue to produce additional documents regarding KBR and Halliburton's energy services business use of immigration and customs service providers, which may result in further inquiries. Furthermore, as a result of these matters, we have expanded our own investigation to consider any matters raised by energy services activities in Nigeria.

From time to time, we and KBR have engaged in discussions with the SEC and the DOJ regarding a settlement of these matters. There can be no assurance that a settlement will be reached or, if a settlement is reached, that the terms of any settlement would not have a material adverse effect on us.

If violations of the FCPA were found, a person or entity found in violation could be subject to fines, civil penalties of up to $500,000 per violation, equitable remedies, including disgorgement (if applicable) generally of profits, including prejudgment interest on such profits, causally connected to the violation, and injunctive relief. Criminal penalties could range up to the greater of $2 million per violation or twice the gross pecuniary gain or loss from the violation, which could be substantially greater than $2 million per violation. It is possible that both the SEC and the DOJ could assert that there have been multiple violations, which could lead to multiple fines. The amount of any fines or monetary penalties that could be assessed would depend on, among other factors, the findings regarding the amount, timing, nature, and scope of any improper payments, whether any such payments were authorized by or made with knowledge of us, KBR or our or KBR's affiliates, the amount of gross pecuniary gain or loss involved, and the level of cooperation provided the government authorities during the investigations. The government has expressed concern regarding the level of our cooperation. Agreed dispositions of these types of violations also frequently result in an acknowledgement of wrongdoing by the entity and the appointment of a monitor on terms negotiated with the SEC and the DOJ to review and monitor current and future business practices, including the retention of agents, with the goal of assuring compliance with the FCPA.

These investigations could also 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. In addition, we could incur costs and expenses for any monitor required by or agreed to with a governmental authority to review our continued compliance with FCPA law.

As of June 30, 2008, we are unable to estimate an amount of probable loss or a range of possible loss related to these matters as it relates to us directly. Therefore, we have not recorded any amounts as it relates to us directly, other than for the indemnities provided to KBR, in connection with these matters in our condensed consolidated financial statements. 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 natural gas liquefaction complex and related facilities at Bonny Island in Rivers State, Nigeria. As noted previously, our estimation of the value of the indemnity regarding FCPA matters is recorded as a liability in our condensed consolidated financial statements as of June 30, 2008 and December 31, 2007. See Note 2 to our condensed consolidated financial statements for additional information.

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.

In consideration of our agreement to indemnify KBR for the liabilities referred to above, KBR has agreed that we will at all times, in our sole discretion, have and maintain control over the investigation, defense and/or settlement of these FCPA matters until such time, if any, that KBR exercises its right to assume control of the investigation, defense and/or settlement of the FCPA matters as it relates to KBR. KBR has also agreed, at our expense, to assist with our full cooperation with any governmental authority in our investigation of these FCPA matters and our investigation, defense and/or settlement of any claim made by a governmental authority or court relating to these FCPA matters, in each case even if KBR assumes control of these FCPA matters as it relates to KBR. If KBR takes control over the investigation, defense, and/or settlement of FCPA matters, refuses a settlement of FCPA matters negotiated by us, enters into a settlement of FCPA matters without our consent, or materially breaches its obligation to cooperate with respect to our investigation, defense, and/or settlement of FCPA matters, we may terminate the indemnity.

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 in lieu thereof, 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. Our estimation of the value of the indemnity regarding the Barracuda-Caratinga arbitration is recorded as a liability in our condensed consolidated financial statements as of June 30, 2008 and December 31, 2007. See Note 2 to our condensed consolidated financial statements for additional information regarding the KBR indemnification.

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. A key issue in the arbitration is which party is responsible for the designation of the material to be used for the bolts. We understand that KBR believes that an instruction to use the particular bolts was issued by Petrobras, and as such, KBR believes the cost resulting from any replacement is not KBR's responsibility. We understand Petrobras disagrees. We understand KBR believes several possible solutions may exist, including replacement of the bolts. Estimates indicate that costs of these various solutions range 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 and pursuing recovery of the costs incurred to date through the arbitration process and to that end has submitted a counterclaim in the arbitration seeking the recovery of $22 million. The arbitration panel held an evidentiary hearing during the week of March 31, 2008 and took evidence and arguments under advisement.

Impairment of Oil and Gas Properties

At June 30, 2008, we had interests in oil and gas properties totaling $103 million, net of accumulated depletion, which we account for under the successful efforts method. The majority of this amount is related to one property in Bangladesh in which we have a 25% nonoperating interest. These oil and gas properties are assessed for impairment whenever changes in facts and circumstances indicate that the properties' carrying amounts may not be recoverable. The expected future cash flows used for impairment reviews and related fair-value calculations are based on judgmental assessments of future production volumes, prices, and costs, considering all available information at the date of review.

A downward trend in estimates of production volumes or prices or an upward trend in costs could result in an impairment of our oil and gas properties, which in turn could have a material and adverse effect on our results of operations.

Long-Term, Fixed-Price Contracts

Much of the world's oil and gas reserves are controlled by national or state-owned oil companies (NOCs). Several of the NOCs are among our top 20 customers. Increasingly, NOCs are turning to oilfield services companies like us to provide the services, technologies, and expertise needed to develop their reserves. Reserve estimation is a subjective process that involves estimating location and volumes based on a variety of assumptions and variables that cannot be directly measured. As such, the NOCs may provide us with inaccurate information in relation to their reserves that may result in cost overruns, delays, and project losses. In addition, NOCs often operate in countries with unsettled political conditions, war, civil unrest, or other types of community issues. These types of issues may also result in similar cost overruns, losses, and contract delays. NOCs also often require integrated, long-term, fixed-price contracts that could require us to provide integrated project management services outside our normal discrete business to act as project managers as well as service providers. Providing services on an integrated basis may require us to assume additional risks associated with cost over-runs, operating cost inflation, labor availability and productivity, supplier and contractor pricing and performance, and potential claims for liquidated damages. For example, we generally rely on third-party subcontractors and equipment providers to assist us with the completion of our contracts. To the extent that we cannot engage subcontractors or acquire equipment or materials, our ability to complete a project in a timely fashion or at a profit may be impaired. If the amount we are required to pay for these goods and services exceeds the amount we have estimated in bidding for fixed-price work, we could experience losses in the performance of these contracts. These delays and additional costs may be substantial, and we may be required to compensate the NOCs for these delays. This may reduce the profit to be realized or result in a loss on a project.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial instrument market risk from changes in foreign currency exchange rates, interest rates, and, to a limited extent, 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 is to protect our cash flows related to sales or purchases of goods or services from market fluctuations in currency rates. Our use of derivative instruments includes the following types of market risk:

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

We do not use derivative instruments for trading purposes. We 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 June 30, 2008 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There has been no change in our internal control over financial reporting that occurred during the three months ended June 30, 2008 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," in "Forward-Looking Information" and "Risk Factors," and in Notes 2 and 8 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" under "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 June 30, 2008.

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)
April 1-30	183,758	$ 44.18	–
May 1-31	5,268	$ 43.72	–
June 1-30	99,252	$ 48.96	–
Total	288,278	$ 45.82	–

(a) All of the shares purchased during the three-month period ended June 30, 2008 were acquired from employees in connection with the settlement of income tax and related benefit withholding obligations arising from vesting in restricted stock grants. These shares were not part of a publicly announced program to purchase common shares.

(b) In July 2007, our Board of Directors approved an additional increase to our existing common share repurchase program of up to $2.0 billion, bringing the entire authorization to $5.0 billion. This additional authorization may be used for open market share purchases or to settle the conversion premium on our 3.125% convertible senior notes, should they be redeemed. From the inception of this program, we have repurchased approximately 89 million shares of our common stock for approximately $3.0 billion at an average price of $34.28 per share. These numbers include the repurchases of approximately 10 million shares of our common stock for approximately $360 million at an average price of $37.26 per share during the first six months of 2008. As of June 30, 2008, approximately $2.0 billion remained available under this program.

Item 3. Defaults Upon Senior Securities

None.

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

At our Annual Meeting of Stockholders held on May 21, 2008, stockholders were asked to consider and act upon:

(1) the election of Directors for the ensuing year;
(2) a proposal to ratify the appointment of KPMG LLP as independent accountants to examine the financial statements and books and records of Halliburton for the year 2008;
(3) a proposal to reapprove material terms of performance goals under the 1993 Stock and Incentive Plan;
(4) a stockholder proposal regarding a human rights policy;
(5) a stockholder proposal regarding political contributions; and
(6) a stockholder proposal regarding human rights board committee.

The following table sets out, for each matter where applicable, the number of votes cast for, against, or withheld, as well as the number of abstentions and broker non-votes.

(1) Election of Directors:

Name of Nominee	Votes For	Votes Against	Votes Abstain
Alan M. Bennett	723,883,531	8,099,364	8,131,880
James R. Boyd	727,049,749	4,968,657	8,096,369
Milton Carroll	726,971,790	5,028,041	8,114,944
Kenneth T. Derr	726,773,660	5,253,459	8,087,656
S. Malcolm Gillis	711,592,896	20,100,365	8,421,514
James T. Hackett	692,943,782	38,797,361	8,373,631
David J. Lesar	723,651,335	8,320,804	8,142,636
J. Landis Martin	725,800,221	6,186,775	8,127,778
Jay A. Precourt	726,831,163	5,164,285	8,119,326
Debra L. Reed	725,561,111	6,220,476	8,333,188

(2) Proposal for ratification of the selection of auditors:

Number of Votes For	726,736,322
Number of Votes Against	5,785,845
Number of Votes Abstain	7,592,609

(3) Proposal to reapprove material terms of performance goals under 1993 Stock and Incentive Plan:

Number of Votes For	709,911,093
Number of Votes Against	20,902,191
Number of Votes Abstain	9,301,491

(4) Stockholder proposal regarding a human rights policy:

Number of Votes For	153,831,231
Number of Votes Against	355,149,135
Number of Votes Abstain	100,675,513
Number of Broker Non-Votes	130,458,897

(5) Stockholder proposal regarding political contributions:

Number of Votes For	164,436,764
Number of Votes Against	347,853,152
Number of Votes Abstain	97,365,963
Number of Broker Non-Votes	130,458,897

(6) Stockholder proposal regarding a human rights board committee:

Number of Votes For	34,113,322
Number of Votes Against	494,629,405
Number of Votes Abstain	80,913,153
Number of Broker Non-Votes	130,458,896

Item 5. Other Information

a) On July 23, 2008, we entered into a Revolving Bridge Facility Credit Agreement among Halliburton, as Borrower, the Banks party thereto, and Citibank, N.A., as Agent. The Credit Agreement is for the purpose of refinancing our 3.125% Convertible Senior Notes due July 15, 2023, backstopping commercial paper, and general corporate purposes and expires on July 22, 2009. The Revolving Bridge Facility Credit Agreement is attached to this report as Exhibit 10.1.

Item 6. Exhibits

*	10.1	Revolving Bridge Facility Credit Agreement among Halliburton, as Borrower, the Banks party thereto, and Citibank, N.A., as Agent
*	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.

* 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
Mark A. McCollum
Executive Vice President and
Chief Financial Officer

/s/ Evelyn M. Angelle
Evelyn M. Angelle
Vice President, Corporate Controller, and
Principal Accounting Officer

Date: July 25, 2008

CONFORMED COPY

U.S. $2,500,000,000

REVOLVING BRIDGE FACILITY CREDIT AGREEMENT

Dated as of July 23, 2008

Among

HALLIBURTON COMPANY

as Borrower,

THE BANKS NAMED HEREIN

as Banks,

and

CITIBANK, N.A.

as Agent,

THE ROYAL BANK OF SCOTLAND plc

as Syndication Agent,

HSBC BANK USA, NATIONAL ASSOCIATION
as Documentation Agent

Co-Lead Arrangers and Joint Book Running Managers:

CITIGROUP GLOBAL MARKETS INC.

RBS SECURITIES CORPORATION D/B/A RBS GREENWICH CAPITAL

and

HSBC SECURITIES (USA) INC.

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EXHIBITS

Exhibit A	- -	Form of Note
Exhibit B	-	Form of Notice of Borrowing
Exhibit C-1	-	Form of Opinion of Bruce A. Metzinger
Exhibit C-2	-	Form of Opinion of Baker Botts L.L.P. counsel to the Borrower
Exhibit D	-	Form of Assignment and Acceptance

REVOLVING BRIDGE FACILITY CREDIT AGREEMENT

Dated as of July 23, 2008

Halliburton Company, a Delaware corporation (the "Borrower"), the lenders party hereto and Citibank, N.A. ("Citibank"), as Agent hereunder, agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

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

"Additional Amount" has the meaning specified in Section 2.12(a).

"Additional Change in Control Commitment Banks" has the meaning specified in Section 2.18(d).

"Advance" means an Advance by a Bank to the Borrower under Section 2.01 and refers to a Base Rate Advance or a Eurodollar Rate Advance (each of which shall be a “Type” of Advance).

"Affected Bank" has the meaning specified in Section 2.14.

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

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

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

"Agent Parties" has the meaning specified in Section 8.02(b).

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

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

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

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

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

"Availability Period" means, subject to Section 2.04 and Section 2.09(b)(i), the period from the Effective Date until the Commitment Termination Date.

"Banks" means (i) each of Citibank, The Royal Bank of Scotland plc and HSBC Bank USA, National Association and (ii) any other banks and other financial institutions party hereto from time to time as lenders, including each Eligible Assignee that becomes a party hereto pursuant to Section 8.08(a).

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

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

(b) the sum (adjusted to the nearest 1/8 of 1% or, if there is no nearest 1/8 of 1%, to the next higher 1/8 of 1%) of (i) ½ of one percent per annum plus (ii) the rate obtained by dividing (A) the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average (adjusted to the basis of a year of 360 days) being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing selected by Citibank, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three-week period by the Federal Reserve Board for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for Citibank with respect to liabilities consisting of or including (among other liabilities) three-month Dollar non-personal time deposits in the United States, plus (iii) the average during such three-week period of the annual assessment rates estimated by Citibank for determining the then current annual assessment payable by Citibank to the Federal Deposit Insurance Corporation (or any successor) for insuring Dollar deposits of Citibank in the United States; and

(c) the sum of ½ of one percent per annum plus the Federal Funds Rate in effect from time to time.

"Base Rate Advance" means an Advance which bears interest as provided in Section 2.06(a).

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

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

"Change in Control" means that any Person or group of Persons (within the meaning of Section 13 or Section 14 of the Securities Exchange Act of 1934, as amended) shall have acquired, directly or indirectly, beneficial ownership (with the meaning of Rule 13d-3 promulgated by the SEC under said Act) of 50% or more of the outstanding shares of equity securities of the Borrower at the time entitled to vote for election of directors (or equivalent governing body) of the Borrower.

"Citibank" has the meaning set forth in the preamble hereto.

"Co-Lead Arrangers" means Citigroup Global Markets Inc., RBS Securities Corporation d/b/a RBS Greenwich Capital and HSBC Securities (USA) Inc.

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

"Commitment" means, with respect to any Bank at any time, the amount set forth opposite such Bank's name on Schedule I hereto under the caption "Commitment" or, if such Bank has entered into one or more Assignment and Acceptances, set forth for such Bank in the Register maintained by the Agent pursuant to Section 8.08(c) as such Bank's "Commitment", as such amount may be reduced, increased or terminated at or prior to such time pursuant to Section 2.04, 2.09, 2.18 or 6.01.

"Commitment Termination Date" means, subject to Section 2.09(b)(i) and 2.18, the date which is 364 days after the Effective Date.

"Communications" has the meaning specified in Section 8.02(b).

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

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

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

"Convertible Notes Indenture" means the Indenture dated as of June 30, 2003 between the Borrower, as issuer and The Bank of New York, as Trustee.

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

"Documentation Agent" means HSBC Bank USA, National Association, solely in its capacity as documentation agent under this Agreement.

"Dollar Equivalent" means, on any date, (i) in relation to an amount denominated in a currency other than Dollars, the equivalent in Dollars determined by using the quoted spot rate at which Citibank's principal office in London offers to exchange Dollars for such currency in London prior to 4:00 P.M. (London time) on such date and (ii) in relation to an amount denominated in Dollars, such amount.

"Dollars" and "$" means lawful money of the United States of America.

"Domestic Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Domestic Lending Office" opposite its name on Schedule II hereto or as on file with the Agent or in the Assignment and Acceptance pursuant to which it became a Bank, or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Agent.

"Early Maturity Date" has the meaning specified in Section 2.18.

"Effective Date" has the meaning specified in Section 3.01.

"Eligible Assignee" means (i) any Bank, (ii) any Affiliate of any Bank and (iii) with the consent of the Agent (which consent shall not be unreasonably withheld) and, so long as no Event of Default under Section 6.01(a) or 6.01(e) shall have occurred and be continuing, the Borrower (which consent shall not be unreasonably withheld), any other Person not covered by clause (i) or (ii) of this definition; provided, however, that neither the Borrower nor any Affiliate of the Borrower shall be an Eligible Assignee.

"Equity Interests" means, with respect to any Person, shares of capital stock of (or other ownership or profit interests in) such Person, warrants, options or other rights for the purchase or other acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or other acquisition from such Person of such shares (or such other interests), and other ownership or profit interests in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any Person that for purposes of Title IV of ERISA is a member of the Borrower's controlled group, or under common control with the Borrower, within the meaning of Section 414(a) or (b) of the Internal Revenue Code, and, for purposes of Section 412 of the Internal Revenue Code, Section 414(m) of the Internal Revenue Code.

"ERISA Event" means (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of the Borrower or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 303(k) of ERISA (or Section 302(f) of ERISA, for plan years beginning prior to 2007) shall have been met with respect to any Plan; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, a Plan.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Federal Reserve Board, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Eurodollar Lending Office" opposite its name on Schedule II hereto or as on file with the Agent or in the Assignment and Acceptance pursuant to which it became a Bank (or, if no such office is specified, its Domestic Lending Office), or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Agent.

"Eurodollar Rate" means, for any Interest Period for each Eurodollar Rate Advance comprising part of the same Borrowing, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing at Reuters Reference LIBOR01 page (or on any successor thereto or substitute therefor provided by Reuters, providing rate quotations comparable to those currently provided on such page, as determined by the Agent from time to time, for purposes of providing quotations of interest rates applicable to Dollar deposits in the London interbank market) at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period as the rate for Dollar deposits for a period equal to such Interest Period (provided that, if for any reason the rate specified above in this definition does not so appear at Reuters Reference LIBOR01 page (or any successor thereto or substitute therefor provided by Reuters) as the rate for Dollar deposits, the term "Eurodollar Rate" shall mean, for any Interest Period for all Eurodollar Rate Advances comprising part of the same Borrowing, an interest rate per annum (rounded upward to the nearest whole multiple of 1/100 of 1% per annum, if such rate per annum is not such a multiple) equal to the rate per annum at which deposits in Dollars are offered by the principal office of Citibank in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to Citibank's Eurodollar Rate Advance comprising part of such Borrowing and for a period equal to such Interest Period).

"Eurodollar Rate Advance" means an Advance which bears interest as provided in Section 2.06(b).

"Eurodollar Rate Reserve Percentage" of any Bank for any Interest Period for all Eurodollar Rate Advances comprising part of the same Borrowing means the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for such Bank with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 6.01.

"Exercising Banks" has the meaning specified in Section 2.18.

"Existing Revolving Facility" means that certain Five Year Revolving Credit Agreement dated as of July 9, 2007, among the Borrower, Citicorp North America Inc., as administrative agent, The Royal Bank of Scotland plc, as syndication agent, ABN Amro Bank N.V., as co-documentation agent, HSBC Bank USA, National Association, as co-documentation agent, JPMorgan Chase Bank, N.A., as co-documentation agent, Citigroup Global Markets Inc., as co-lead arranger and joint book running manager, RBS Securities Corporation, as co-lead arranger and joint book running manager, the issuing banks named therein and the banks named therein, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Facility" means, at any time, the aggregate amount of the Banks' Commitments at such time.

"Facility Fee" has the meaning specified in Section 2.03(a).

"Federal Funds Rate" means, for any day, a fluctuating interest rate per annum equal for such day to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System or any successor thereof.

"Financial Statements" means (i) the consolidated balance sheet and other financial statements of the Borrower and its consolidated subsidiaries dated December 31, 2007 included in the Borrower's Form 10-K filed with the SEC for the fiscal year ended December 31, 2007, and (ii) the consolidated balance sheet and other financial statements of the Borrower and its consolidated subsidiaries dated March 31, 2008 included in the Borrower's Form 10-Q filed with the SEC for the fiscal quarter ended March 31, 2008.

"Foreign Currency" means any lawful currency (other than Dollars) that is freely transferable and convertible into Dollars.

"GAAP" means generally accepted accounting principles in the United States of America.

"Indebtedness" means, for any Person, (a) its liabilities for borrowed money or the deferred purchase price of property or services (other than current accounts and salaries payable or accrued in the ordinary course of business), (b) obligations of such Person for borrowed money evidenced by bonds, debentures, notes or other similar instruments, (c) all Indebtedness of others the payment, purchase or other acquisition or obligation of which such Person has assumed, or the payment, purchase or other acquisition or obligation of which such Person has otherwise become directly or contingently liable for and (d) leases required to be capitalized, each determined in accordance with GAAP, provided that for the avoidance of doubt, Indebtedness shall not include obligations under letter of credit reimbursement agreements so long as such letters of credit remain undrawn.

"Indemnified Costs" has the meaning specified in Section 7.05.

"Indemnified Party" has the meaning specified in Section 8.04(c).

"Initial Extension of Credit" means the initial Borrowing hereunder.

"Interest Period" means, for each Eurodollar Rate Advance comprising part of the same Borrowing, the period commencing on the date of such Eurodollar Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurodollar Rate Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, with respect to Eurodollar Rate Advances, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one week or one, two or three months (or, as to any Interest Period, such other period as the Borrower and each of the Banks may agree to for such Interest Period), in each case as the Borrower may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest

Period (or, as to any Interest Period, at such other time as the Borrower and the Banks may agree to for such Interest Period), select; provided, however, that:

(i) Interest Periods commencing on the same date for Advances comprising part of the same Borrowing shall be of the same duration;

(ii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day;

(iii) any Interest Period which begins on the last Business Day of the calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month in which it would have ended if there were a numerically corresponding day in such calendar month; and

(iv) the Borrower may not select an Interest Period for any Advance if the last day of such Interest Period would be later than the date on which the Advances are then payable in full or if any Event of Default under Section 6.01(a) shall have occurred and be continuing at the time of selection.

"Joint Venture Debt" has the meaning specified in Section 5.02(a)(vii).

"JV Subsidiary" means each Subsidiary of the Borrower (a) that, at any time, directly holds an Equity Interest in any joint venture that is not a Subsidiary of the Borrower and (b) that has no other material assets.

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor, a statutory deemed trust and any easement, right of way or other encumbrance on title to real property; provided, however, that for the avoidance of doubt, the interest of a Person as owner or lessor under charters or leases of property and the rights of setoff of banks shall not constitute a "Lien" on or in respect of the relevant property.

"Loan Documents" means this Agreement and the Notes.

"Material Adverse Effect" means a material adverse effect on (a) the business, condition (financial or otherwise), operations, performance or properties of the Borrower and its Subsidiaries, taken as a whole, (b) the rights and remedies of the Agent or any Bank under any Loan Document or (c) the ability of the Borrower to perform its Obligations under any Loan Document to which it is or is to be a party.

"Moody's" means Moody's Investors Service, Inc. or any successor to its debt ratings business.

"Multiemployer Plan" means any multiemployer plan, as defined in Section 4001(a)(3) of ERISA, which is maintained by (or to which there is an obligation to contribute of) the Borrower or any ERISA Affiliate.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and at least one Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Net Securities Proceeds" means the cash proceeds (net of underwriting discounts and commissions and other reasonable costs and expenses associated therewith, including reasonable legal fees and expenses) from the issuance of Equity Interests (excluding Equity Interests granted, issued, distributed or dividended to its directors, officers and employees, including the vesting, lapse, exercise of payment of Equity Interests in options, restricted stock, performance awards (in the form of stock of the Borrower), and other similar grants and awards pursuant to compensation plans, programs or practices) or the issuance of debt securities, in each case, by the Borrower (excluding any commercial paper issued by the Borrower and any advances under the Borrower's Existing Revolving Facility).

"Note" means a promissory note of the Borrower payable to the order of any Bank, in substantially the form of Exhibit A hereto, evidencing the aggregate indebtedness of the Borrower to such Bank resulting from the Advances owing to such Bank.

"Notice of Borrowing" has the meaning specified in Section 2.02(a).

"Obligation" means, with respect to any Person, any payment, performance or other obligation of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed or otherwise affected by any proceeding referred to in Section 6.01(e). Without limiting the generality of the foregoing, the Obligations of the Borrower under the Loan Documents include (a) the obligation to pay principal, interest, charges, expenses, fees, attorneys' fees and disbursements, indemnities and other amounts payable by the Borrower under any Loan Document and (b) the obligation of the Borrower to reimburse any amount in respect of any of the foregoing that any Bank, in its sole discretion, may elect to pay or advance on behalf of the Borrower.

"Other Taxes" has the meaning specified in Section 2.12(b).

"Patriot Act" shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. 107-56, signed into law October 26, 2001, as amended.

"PBGC" means the Pension Benefit of Guaranty Corporation.

"Permitted Non-Recourse Indebtedness" means Indebtedness and other obligations of the Borrower or any Subsidiary incurred in connection with the acquisition or construction by the Borrower or such Subsidiary of any property with respect to which:

(a) the holders of such Indebtedness and other obligations agree that they will look solely to the property so acquired or constructed and securing such Indebtedness and other obligations, and neither the Borrower nor any Subsidiary (i) provides any direct or indirect credit support, including any undertaking, agreement or instrument that would constitute Indebtedness or (ii) is otherwise directly or indirectly liable for such Indebtedness; and

(b) no default with respect to such Indebtedness or obligations would cause, or permit (after notice or passage of time or otherwise), according to the terms thereof, any holder (or any representative of any such holder) of any other Indebtedness of the Borrower or such Subsidiary to declare a default on such Indebtedness or cause the payment, repurchase, redemption, defeasance or other acquisition or retirement for value thereof to be accelerated or payable prior to any scheduled principal payment, scheduled sinking fund or scheduled maturity.

"Permitted Purpose" means that the Borrower shall apply all amounts borrowed by it under the Facility to (a) refinance the Convertible Notes, (b) backstop the issuance of commercial paper by the Borrower and (c) for general corporate purposes.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof or any trustee, receiver, custodian or similar official.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Platform" has the meaning specified in Section 8.02(b).

"Pro Rata Share" of any amount means, with respect to any Bank at any time, such amount times a fraction the numerator of which is the amount of such Bank's Commitment at such time (or, if the Commitments shall have been terminated pursuant to Section 2.04, 2.18 or 6.01, such Bank's Commitment as in effect immediately prior to such termination) and the denominator of which is the Facility at such time (or, if the Commitments shall have been terminated pursuant to Section 2.04, 2.09, 2.18 or 6.01, the Facility as in effect immediately prior to such termination).

"Project Finance Subsidiary" means a Subsidiary that is a special-purpose entity created solely to (i) construct or acquire any asset or project that will be or is financed solely with Project Financing for such asset or project and related equity investments in, loans to, or capital contributions in, such Subsidiary that are not prohibited hereby and/or (ii) own an interest in any such asset or project.

"Project Financing" means Indebtedness and other obligations that (a) are incurred by a Project Finance Subsidiary, (b) are secured by a Lien of the type permitted under clause (iii) of Section 5.02(a) and (c) constitute Permitted Non-Recourse Indebtedness (other than recourse to the assets of, and Equity Interests in, any Project Finance Subsidiary).

"Projections" has the meaning specified in Section 4.01(i).

"Property" or "asset" (in each case, whether or not capitalized) means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Rating Agencies" means S&P and Moody's.

"Receivables Subsidiary" means any special purpose entity created in connection with a Securitization Transaction.

"Register" has the meaning specified in Section 8.08(c).

"Regulation U" means Regulation U of the Federal Reserve Board, as the same is from time to time in effect, and all official rulings and interpretations thereunder or thereof.

"Required Banks" means at any time Banks owed or holding at least a majority in interest of the sum of (i) the aggregate principal amount of the Advances outstanding at such time and (ii) the aggregate Unused Commitments at such time.

"Responsible Officer" means each of the chairman and chief executive officer, the president, the chief financial officer, the treasurer, the secretary or any vice president (whether or not further described by other terms, such as, for example, senior vice president or vice president-operations) of the Borrower or, if any such office is vacant, any Person performing any of the functions of such office.

"S&P" means Standard & Poor's Ratings Service Group, a division of The McGraw-Hill Companies, Inc. on the date hereof, or any successor to its debt ratings business.

"SEC" means the Securities and Exchange Commission or any successor thereof.

"Securitization Transaction" means any transfer by the Borrower or any Subsidiary of accounts receivable or interests therein (including, without limitation, all collateral securing such accounts receivable, all contracts and guarantees or other obligations in respect of such accounts receivable, the proceeds of such receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitizations involving accounts receivable), or grant of a security interest therein, (a) to a trust, in part, directly or indirectly, by the incurrence or issuance by the transferee or any successor transferee of Indebtedness or securities that are to receive payments from, or that represent interests in, the cash flow derived from such accounts receivable or interests, or (b) directly to one or more investors or other purchasers.

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and no Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"Subsidiary" of any Person means any corporation (including a business trust), partnership, joint stock company, trust, unincorporated association, joint venture or other entity of which more than 50% of the outstanding capital stock, securities or other ownership interests having ordinary voting power to elect directors of such corporation or, in the case of any other entity, others performing similar functions (irrespective of whether or not at the time capital stock, securities or other ownership interests of any other class or classes of such corporation or such other entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person, by such Person and one or more other Subsidiaries of such Person or by one or more other Subsidiaries of such Person.

"Syndication Agent" means The Royal Bank of Scotland plc, solely in its capacity as syndication agent under this Agreement.

"Taxes" has the meaning specified in Section 2.12(a).

"Type" has the meaning specified in the definition of Advance.

"Unused Commitment" means, with respect to any Bank at any time, (a) such Bank's Commitment at such time minus (b) the aggregate principal amount of all Advances made by such Bank and outstanding at such time.

Section 1.02 Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

Section 1.02 Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Agent notifies the Borrower that the Required Banks request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

Section 1.03 Miscellaneous. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Article, Section, Annex, Schedule and Exhibit references are to Articles and Sections of and Annexes, Schedules and Exhibits to this Agreement, unless otherwise specified. The term "including" shall mean "including, without limitation".

Section 1.04 Ratings. A rating, whether public or private, by S&P or Moody's shall be deemed to be in effect on the date of announcement or publication by S&P or Moody's, as the case may be, of such rating or, in the absence of such announcement or publication, on the effective date of such rating and will remain in effect until the announcement or publication of, or (in the absence of such announcement or publication) the effective date of, any change in such rating. In the event the standards for any rating by Moody's or S&P are revised, or such rating is designated differently (such as by changing letter designations to numerical designations), then the references herein to such rating shall be deemed to refer to the revised or redesignated rating for which the standards are closest to, but not lower than, the standards at the date hereof for the rating which has been revised or redesignated, all as determined by the Required Banks in good faith. Long-term debt supported by a letter of credit, guaranty or other similar credit enhancement mechanism shall not be considered as senior unsecured long-term debt. If either Moody's or S&P has at any time more than one rating applicable to senior unsecured long-term debt of any Person, the lowest such rating shall be applicable for purposes hereof. For example, if Moody's rates some senior unsecured long-term debt of the Borrower Baa1 and other such debt of the Borrower Baa2, the senior unsecured long-term debt of the Borrower shall be deemed to be rated Baa2 by Moody's.

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

Section 2.01 The Advances. Each Bank severally agrees, on the terms and conditions hereinafter set forth, to make Advances in Dollars to the Borrower from time to time on any Business Day during the Availability Period in an aggregate amount not to exceed such Bank's Unused Commitment at such time; provided that no Advance shall be required to be made, except as a part of a Borrowing that is in an aggregate amount not less than $5,000,000 and in an integral multiple of $1,000,000, and each Borrowing shall consist of Advances of the same Type made on the same day by the Banks ratably according to their respective Commitments. Within the limits of each Bank's Unused Commitment in effect from time to time, the Borrower may borrow, prepay pursuant to Section 2.09 and reborrow under this Section 2.01. The Borrower agrees to give a Notice of Borrowing in accordance with Section 2.02(a) as to each Advance.

Section 2.02 Making the Advances. (a) Each Borrowing shall be made on notice in the form of Exhibit B (a "Notice of Borrowing"), given not later than 11:00 A.M. (New York City time) (i) on the date of a proposed Borrowing comprised of Base Rate Advances and (ii) on the third Business Day prior to the date of a proposed Borrowing comprised of Eurodollar Rate Advances, by the Borrower to the Agent, which shall give to each Bank prompt notice thereof by facsimile. Each Notice of Borrowing shall be consistent with the requirements of Section 2.01 and shall be by facsimile, confirmed immediately in writing, in substantially the form of Exhibit B, specifying therein the requested (i) date of such Borrowing, (ii) Type of Advances comprising such Borrowing, (iii) aggregate amount of such Borrowing, and (iv) if such Borrowing is to be comprised of Eurodollar Rate Advances, the initial Interest Period for each such Advance. Each Bank shall, before 2:00 p.m. (New York City time) on the date of such Borrowing, make available for the account of its Applicable Lending Office to the Agent at its address referred to in Section 8.02, in same day funds, such Bank's ratable portion of such Borrowing. After the Agent's receipt of such funds, the Agent will make such funds available to the Borrower at the Agent's aforesaid address; provided that the Agent shall not be required to make such funds available if the applicable conditions set forth in Article III have not been fulfilled.

(b) Notwithstanding any other provision in this Agreement, at no time on or prior to the Commitment Termination Date shall there be more than ten Borrowings outstanding; provided that for purposes of the limitation set forth in this sentence, all Borrowings consisting of Base Rate Advances shall constitute a single Borrowing.

(c) Each Notice of Borrowing shall be irrevocable and binding on the Borrower. In the case of any Borrowing that the related Notice of Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower shall indemnify each Bank against any loss, cost or expense incurred by such Bank as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund the Advance to be made by such Bank as part of such Borrowing when such Advance, as a result of such failure, is not made on such date.

(d) Unless the Agent shall have received notice from a Bank prior to the time of any Borrowing that such Bank will not make available to the Agent such Bank's ratable portion of such Borrowing, the Agent may assume that such Bank has made such portion available to the Agent on the date of such Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If

and to the extent that such Bank shall not have so made such ratable portion available to the Agent, such Bank and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to Advances comprising such Borrowing and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Bank's Advance as part of such Borrowing for all purposes.

(e) The failure of any Bank to make the Advance to be made by it as part of any Borrowing shall not relieve any other Bank of its obligation, if any, hereunder to make its Advance on the date of such Borrowing, but no Bank shall be responsible for the failure of any other Bank to make the Advance to be made by such other Bank on the date of any Borrowing.

Section 2.03 Fees. (a) Facility Fees. The Borrower agrees to pay to the Agent for the account of each Bank a facility fee through the Commitment Termination Date on the amount of such Bank's Unused Commitment, (i) from the date of this Agreement in the case of each Bank listed on the signature pages hereof or (ii) from the effective date specified in the Assignment and Acceptance pursuant to which it became a Bank, payable quarterly in arrears (within three Business Days after receipt from the Agent of an invoice therefor) for each period ending on the last day of each March, June, September and December hereafter, commencing September 30, 2008, on the Commitment Termination Date and on any earlier date on which the Commitments generally or the Commitment of any Bank is terminated with respect to the Commitment(s) so terminated, at a rate per annum equal to the Applicable Facility Fee Rate in effect from time to time (the "Facility Fee").

(b) Other Fees. The Borrower agrees to pay to the Agent, the Co-Lead Arrangers, and the Banks such other fees as may be separately agreed to in writing.

Section 2.04 Reduction of Commitments. The Borrower shall have the right, upon at least three Business Days' notice to the Agent, to terminate in whole or reduce ratably in part the Unused Commitments; provided that each partial reduction shall be in the minimum aggregate amount of $10,000,000 and in an integral multiple of $1,000,000. Any termination or reduction of any of the Commitments shall be permanent.

Section 2.05 Repayment of Advances. The Borrower shall repay the principal amount of each Advance owing to each Bank together with any accrued but unpaid interest thereon, no later than the Commitment Termination Date.

Section 2.06 Interest. The Borrower shall pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(a) During such periods as such Advance is a Base Rate Advance, a rate per annum equal at all times to the Base Rate in effect from time to time plus the Applicable Margin in effect from time to time, payable quarterly in arrears on the last day of each March, June, September and December and on the date such Base Rate Advance shall be Converted or paid in full; provided, that any amount of principal of a Base Rate Advance which is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest, from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to the sum of the rate otherwise payable thereon plus 2%.

(b) During such periods as such Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of the Eurodollar Rate for such Interest Period plus the Applicable Margin in effect from time to time, payable on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Advance shall be Converted or paid in full; provided, that any amount of principal of a Eurodollar Rate Advance which is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest, payable on demand, (i) from the date on which such amount is due until the end of the Interest Period for such Advance, at a rate per annum equal at all times to the sum of the Eurodollar Rate for such Interest Period plus the Applicable Margin in effect from time to time plus 2%, and (ii) from the end of such Interest Period until such amount is paid in full, at a rate per annum equal at all times to the sum of the rate of interest in effect from time to time for Base Rate Advances plus 2%.

(c) Upon the occurrence and during the continuance of an Event of Default under Section 6.01(a), the Borrower shall pay simple interest, to the fullest extent permitted by law, on the amount of any interest, fee or other amount (other than principal of Advances which is covered by Sections 2.06(a) and 2.06(b)) payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to the sum of the rate of interest in effect from time to time for Base Rate Advances plus 2% per annum.

Section 2.07 Additional Interest on Eurodollar Rate Advances. The Borrower shall pay to each Bank, so long as such Bank shall be required under regulations of the Federal Reserve Board to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Advance of such Bank during such periods as such Advance is a Eurodollar Rate Advance, from the date of such Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the Eurodollar Rate for the Interest Period then in effect for such Eurodollar Rate Advance from (ii) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Bank for such Interest Period, payable on each date on which interest is payable on such Eurodollar Rate Advance. Such additional interest shall be determined by such Bank and notified to the Borrower through the Agent.

Section 2.08 Interest Rate Determination. (a) The Agent shall give prompt notice to the Borrower and the Banks of the applicable interest rate determined by the Agent for purposes of Section 2.06(b).

(b) If the Agent is unable to determine the Eurodollar Rate for any Eurodollar Rate Advances:

(i) the Agent shall forthwith notify the Borrower and the Banks that the interest rate cannot be determined for such Eurodollar Rate Advances,

(ii) each such Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance (or if such Advance is then a Base Rate Advance, will continue as a Base Rate Advance), and

(iii) the obligation of the Banks to make Eurodollar Rate Advances or to Convert Advances into Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Banks that the circumstances causing such suspension no longer exist.

(c) If, with respect to any Eurodollar Rate Advances, the Required Banks notify the Agent (A) that the Eurodollar Rate for any Interest Period for such Advances will not adequately reflect the cost to such Required Banks of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period or (B) that Dollar deposits for the relevant amounts and Interest Period for their respective Advances are not available to them in the London interbank market, the Agent shall forthwith so notify the Borrower and the Banks, whereupon

(i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance, and

(ii) the obligation of the Banks to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Banks that the circumstances causing such suspension no longer exist.

(d) If the Borrower shall fail to select the duration of any Interest Period for any Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify the Borrower and the Banks and such Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances (or if such Advances are then Base Rate Advances, will continue as Base Rate Advances).

(e) On the date on which the aggregate unpaid principal amount of Eurodollar Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than $10,000,000, such Advances shall automatically Convert into Base Rate Advances, and on and after such date the right of the Borrower to Convert such Advances into Eurodollar Rate Advances shall terminate.

(f) Upon the occurrence and during the continuance of any Event of Default under Section 6.01(a), (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance and (ii) the obligation of the Banks to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended.

Section 2.09 Prepayments. (a) Optional Prepayments. The Borrower shall have no right to prepay any principal amount of any Advance other than as provided in this Section 2.09. The Borrower may, upon notice given to the Agent before 11:00 A.M. (New York City time) on the first Business Day prior to the date of prepayment in the case of Base Rate Advances or upon at least three Business Days' notice to the Agent in the case of Eurodollar Rate Advances, in each case stating the proposed date (which shall be a Business Day) and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amounts of the Advances comprising part of the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (x) each partial prepayment shall be in an aggregate principal amount not less than $10,000,000 in the case of Eurodollar Rate Advances and $5,000,000 in the case of Base Rate Advances and in integral multiples of $1,000,000, and after giving effect thereto no Borrowing then outstanding shall have a principal amount of less than $5,000,000; and (y) in the case of any such prepayment of a Eurodollar Rate Advance, the Borrower shall be obligated to reimburse the Banks in respect thereof pursuant to Section 8.04(b).

(b) Mandatory Prepayments.

(i) Net Securities Proceeds. The Advances shall be prepaid, and/or the Commitments shall be permanently reduced, promptly, but in any event within two Business Days of receipt of any Net Securities Proceeds from the issuance of any Equity Interests of the Borrower or the issuance or incurrence of any debt securities (excluding commercial paper and advances under the Existing Revolving Facility) of the Borrower in an aggregate amount equal to such Net Securities Proceeds. The amount of any prepayments required pursuant to this clause (i) of Section 2.09(b) shall be applied, *first*, to the prepayment of outstanding Advances under this Facility, accompanied by a permanent reduction of the Commitments in an amount equal to the amount of the Advances so prepaid and, *second*, to the extent no Advances are outstanding on the date of any required prepayment, to the permanent reduction of the Commitments.

(ii) Application of Prepayments to Base Rate Advances and Eurodollar Rate Advances. Considering Advances being prepaid separately, any prepayment thereof shall be applied first to Base Rate Advances to the full extent thereof before application to Eurodollar Rate Advances. The Borrower shall bear all costs related to the prepayment of a Eurodollar Rate Advance prior to the last day of any Interest Period in accordance with Section 8.06(b).

Section 2.10 Payments and Computations. (a) The Borrower shall make each payment hereunder and under the Notes not later than 11:00 A.M. (New York City time) on the day when due in Dollars to the Agent (except that payments under Section 2.07 shall be paid directly to the Bank entitled thereto) at Two Penns Way, Suite 200, New Castle, Delaware 19720, in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest or Facility Fees ratably (except amounts payable pursuant to Section 2.11, Section 2.12 or 2.16 and except that (i) any Bank may receive less than its ratable share of interest to the extent Section 8.06 is applicable to it and (ii) if, in respect of any Change in Control, not all Banks are Exercising Banks, then payments due from the Borrower pursuant to Section 2.18 shall be distributed ratably among all such Exercising Banks (and not to those Banks that are not Exercising Banks)) to the Banks for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Bank to such Bank for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.08(c), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Bank assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves. At the time of each payment of any principal of or interest on any Borrowing to the Agent, the Borrower shall notify the Agent of the Borrowing to which such payment shall apply. In the absence of such notice the Agent may specify the Borrowing to which such payment shall apply.

(b) All computations of interest based on the Base Rate (except during such times as the Base Rate is determined pursuant to clause (b) or (c) of the definition thereof) and of Facility Fees shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate, the Federal Funds Rate or, during such times as the Base Rate is determined pursuant to clause (b) or (c) of the definition thereof, the Base Rate shall be made by the Agent, on the basis of a year of 360 days, in each case for the actual number of days (including the first

day but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payments of interest and Facility Fees, as the case may be; provided, however, if such extension would cause payment of interest on or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Borrower shall not have so made such payment in full to the Agent, each Bank shall repay to the Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent, at the Federal Funds Rate.

Section 2.11 Increased Costs and Capital Requirements. (a) If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements included in the Eurodollar Rate Reserve Percentage) in or in the interpretation of any law or regulation by any governmental authority charged with the interpretation or administration thereof or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Bank of agreeing to make or making, funding or maintaining any Eurodollar Rate Advance (excluding, for purposes of this Section 2.11, any such increased costs resulting from (x) Taxes or Other Taxes (as to which Section 2.12 shall govern) and (y) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Bank is organized or has its Applicable Lending Office or any political subdivision thereof), then the Borrower shall from time to time, within 15 days after demand by such Bank (with a copy of such demand to the Agent), pay to the Agent for the account of such Bank additional amounts sufficient to compensate such Bank for such increased cost; provided, however, that the Borrower shall not be required to pay to such Bank any portion of such additional amounts that are incurred more than 90 days prior to any such demand, unless such additional amounts had not been imposed or were not determinable on the date that is 90 days prior to such demand. A certificate setting forth in reasonable detail the amount of such increased cost, submitted to the Borrower and the Agent by such Bank, shall be conclusive and binding for all purposes, absent manifest error.

(b) If following the introduction of or any change in any applicable law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) any Bank determines that compliance by such Bank with any such law or regulation or guideline or request regarding capital adequacy affects or would affect the amount of capital required or expected to be maintained by such Bank or any Person controlling such Bank and that the amount of such capital is increased by or based upon the existence of such Bank's commitment to lend hereunder and other commitments of such type (or similar contingent obligations), then, within 15 days after demand by such Bank (with a copy of such demand to the Agent), the Borrower shall pay to the Agent for the account of such Bank, from time to time as specified by such Bank, additional amounts sufficient to compensate such Bank or such Person in the light of such circumstances, to the extent that such Bank

reasonably determines such increase in capital to be allocable to the existence of such Bank's commitment to lend hereunder; provided, however, that the Borrower shall not be required to pay to such Bank any portion of such additional amounts that are incurred more than 90 days prior to any such demand, unless such additional amounts had not been imposed or were not determinable on the date that is 90 days prior to such demand. A certificate setting forth in reasonable detail such amounts submitted to the Borrower and the Agent by such Bank shall be conclusive and binding for all purposes, absent manifest error.

(c) Each Bank shall make reasonable efforts (consistent with its internal policies and legal and regulatory restrictions) to select a jurisdiction for its Applicable Lending Office or change the jurisdiction of its Applicable Lending Office, as the case may be, so as to avoid the imposition of any increased costs under this Section 2.11 or to eliminate the amount of any such increased cost which may thereafter accrue; provided that no such selection or change of the jurisdiction for its Applicable Lending Office shall be made if, in the reasonable judgment of such Bank, such selection or change would be disadvantageous to such Bank.

Section 2.12 Taxes. (a) Any and all payments by the Borrower hereunder or under the Notes shall be made, in accordance with Section 2.10, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges and withholdings, and all liabilities with respect thereto, excluding, in the case of each Bank and the Agent, taxes imposed on its overall net income (including branch profits), and franchise taxes imposed on or measured by net income, by the jurisdiction under the laws of which such Bank or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Bank, taxes imposed on its overall net income (including branch profits), and franchise taxes imposed on or measured by net income, by the jurisdiction of such Bank's Applicable Lending Office or principal executive office or any political subdivision thereof, and all liabilities with respect thereto (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"), except as may otherwise be required by law. If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Bank or the Agent, (i) the sum payable shall be increased by such amount (an "Additional Amount") as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.12) such Bank or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. Any such payment by the Borrower shall be made in the name of the relevant Bank or the Agent (as the case may be).

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement or any of the Notes (hereinafter referred to as "Other Taxes").

(c) The Borrower will indemnify each Bank and the Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.12) imposed on or paid by such Bank or the Agent (as the case may be) and any liability (including penalties, interest and reasonable expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Payments under any indemnification provided for in this Section 2.12(c) shall be made within 30 days from the date such Bank or the Agent (as the case may be) makes written demand therefor describing such Taxes or Other Taxes in reasonable detail.

(d) If the Agent or a Bank reasonably determines that it has finally and irrevocably received a refund in respect of any Taxes or Other Taxes as to which it has been indemnified by the Borrower, or with respect to which the Borrower has paid Additional Amounts, pursuant to this Section 2.12, it shall within 30 days from the date of such receipt pay over such refund to the Borrower (but only to the extent such refund is attributable, as reasonably determined by such Agent or Bank, to such indemnity payments made, or Additional Amounts paid, by the Borrower under this Section 2.12 with respect to the Taxes or Other Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses of the Agent or Bank and without interest (other than interest paid by the relevant taxation authority with respect to such refund); provided, however, that the Borrower, upon the request of the Agent or Bank, agrees to repay the amount paid over to the Borrower (plus penalties, interest or other charges, if any, imposed by the relevant taxation authority in respect of such repayment) to the Agent or Bank in the event the Agent or Bank is required to repay such refund to the applicable taxation authority. Nothing contained in this Section 2.12(d) shall interfere with the right of the Agent or any Bank to arrange its tax affairs in whatever manner it determines appropriate nor oblige the Agent or any Bank to claim any tax credit or to disclose any information relating to its tax affairs or any computations in respect thereof or require the Agent or any Bank to do anything that would prejudice its ability to benefit from any other tax relief to which it may be entitled.

(e) Within 30 days after the date of any payment of Taxes, the Borrower will furnish to the Agent, at its address referred to in Section 8.02, the original or a certified copy of a receipt evidencing payment thereof (or other evidence of payment reasonably satisfactory to the Agent). In the case of any payment hereunder or under the Notes by or on behalf of the Borrower through an account or branch outside the United States or by or on behalf of the Borrower by a payor that is not a United States person, if the Borrower determines that no Taxes are payable in respect thereof, the Borrower shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel reasonably acceptable to the Agent stating that such payment is exempt from Taxes imposed by the jurisdiction from which such payment is made. For purposes of this Section 2.12(e) and Section 2.12(f), the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Code.

(f) Each Bank organized under the laws of a jurisdiction outside the United States, (i) on or prior to the date of the Initial Extension of Credit in the case of each such Bank listed on the signature pages hereof, (ii) on the date of the Assignment and Acceptance pursuant to which it becomes a Bank, (iii) on or before the date, if any, it changes its Applicable Lending Office, and (iv) from time to time thereafter if reasonably requested in writing by the Borrower or the Agent or promptly upon the obsolescence or invalidity of any form previously delivered by such Bank (but only so long as such Bank remains lawfully able to do so), shall provide the Agent and the Borrower with two original Internal Revenue Service Forms W-8BEN or W-8ECI (or, in the case of a Bank that is entitled to claim exemption from withholding of United States federal income tax under Section 871(h) or 881(c) of the Code, (A) a certificate representing that such Bank is not a "bank" for purposes of Section 881(c) of the Code, is not a 10-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of the Borrower and is not a controlled foreign corporation related to the Borrower (within the meaning of Section 864(d)(4) of the Code) and (B) Internal Revenue Service Form W-8BEN), as appropriate, or any successor or other form prescribed by the Internal Revenue Service, properly completed and duly executed by such Bank, certifying that such Bank is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or the Notes (or, in the case of a Bank providing the certificate described in clause (A), certifying that such Bank is a foreign corporation, partnership, estate or trust). If the forms provided by a Bank at the time such Bank first becomes a party to this Agreement indicate or require a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes for purposes of this Section 2.12 unless and until such Bank provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such forms; provided, however, that if,

at the effective date of the Assignment and Acceptance pursuant to which a Bank becomes a party to this Agreement (or the date, if any, a Bank changes its Applicable Lending Office), the Bank assignor (or such Bank) was entitled to payments under subsection (a) of this Section 2.12 in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes, subject to the provisions of this subsection (f)) United States withholding tax, if any, applicable with respect to the Bank assignor (or such Bank) on such date.

(g) For any period with respect to which a Bank has failed to provide the Borrower with the appropriate form described in subsection (f) above (other than if such failure is due to a change in law, or in the interpretation or application thereof by any governmental authority charged with the interpretation or application thereof, occurring after the date on which a form originally was required to be provided or if such form otherwise is not required under subsection (f) above), such Bank shall not be entitled to indemnification or payment of an Additional Amount under subsection (a) or (c) of this Section 2.12 with respect to Taxes imposed by the United States to the extent such United States Taxes exceed the United States Taxes that would have been imposed had such form been provided; provided, however, that should a Bank become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Bank shall reasonably request to assist such Bank to recover such Taxes.

(h) Any Bank claiming any indemnity payment or Additional Amounts payable pursuant to this Section 2.12 shall use commercially reasonable efforts (consistent with its generally applicable internal policy and legal and regulatory restrictions) to file any certificate or document reasonably requested in writing by the Borrower or to designate a different Applicable Lending Office following the reasonable request in writing of the Borrower if the making of such a filing or change would avoid the need for or reduce the amount of any such indemnity payment or Additional Amounts that may thereafter accrue and would not, in the sole determination of such Bank, require the disclosure of information that the Bank reasonably considers confidential, or be otherwise disadvantageous to such Bank.

Section 2.13 Sharing of Payments, Etc. If any Bank shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the principal of or interest on the Advances owing to it (except amounts payable pursuant to Section 2.07, 2.11, 2.12, 2.16 or 8.08 and except that (a) any Bank may receive less than its ratable share of interest to the extent Section 8.06 is applicable to it and (b) if, in respect of any Change in Control, not all Banks are Exercising Banks, then payments due from the Borrower pursuant to Section 2.18 shall be distributed ratably among all such Exercising Banks (and not to those Banks that are not Exercising Banks)) in excess of its ratable share of payments on account of the principal of or interest on the Advances obtained by all the Banks, such Bank shall forthwith purchase from the other Banks such participations in the Advances owing to them as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them, provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Bank, such purchase from each Bank shall be rescinded and such Bank shall repay to the purchasing Bank the purchase price to the extent of such Bank's ratable share (according to the proportion of (i) the amount of the participation purchased from such Bank as a result of such excess payment to (ii) the total amount of such excess payment) of such recovery together with an amount equal to such Bank's ratable share (according to the proportion of (x) the amount of such Bank's required repayment to (y) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 2.13 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation.

Section 2.14 Illegality. Notwithstanding any other provision of this Agreement, if any Bank ("Affected Bank") shall notify the Borrower and the Agent that the introduction of or any change in any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for any Bank, or its Eurodollar Lending Office, to perform its obligations hereunder to make Eurodollar Rate Advances or to fund or maintain Eurodollar Rate Advances hereunder, (i) the obligation of the Affected Bank to make, or to Convert Advances into, Eurodollar Rate Advances shall forthwith be suspended (and any request by the Borrower for a Borrowing comprised of Eurodollar Rate Advances shall, as to each Affected Bank, be deemed a request for a Base Rate Advance to be made on the same day as the Eurodollar Rate Advances of the Banks that are not Affected Banks and such Base Rate Advance shall be considered as part of such Borrowing) until the Affected Bank shall notify the Borrower, the Banks and the Agent that the circumstances causing such suspension no longer exist and (ii) forthwith after such notice from an Affected Bank to the Agent and the Borrower, all Eurodollar Rate Advances of such Affected Bank shall be deemed to be Converted to Base Rate Advances (but will otherwise continue to be considered as a part of the respective Borrowings that they were a part of prior to such Conversion); provided, however, that, before making any such demand, such Bank agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Eurodollar Lending Office if the making of such a designation would allow such Bank or its Eurodollar Lending Office to continue to perform its obligations to make Eurodollar Rate Advances or to continue to fund or maintain Eurodollar Rate Advances and would not, in the judgment of such Bank, be otherwise materially disadvantageous to such Bank. In the event any Bank shall notify the Agent of the occurrence of any circumstance contemplated under this Section 2.14, all payments and prepayments of principal that would otherwise have been applied to repay the Eurodollar Rate Advances that would have been made by such Bank or the Converted Eurodollar Rate Advances shall instead be applied to repay the Base Rate Advances made by such Bank in lieu of such Eurodollar Rate Advances or resulting from the Conversion of such Eurodollar Rate Advances and shall be made at the time that payments on the Eurodollar Rate Advances of the Banks that are not Affected Banks are made. Each Bank that has delivered a notice of illegality pursuant to this Section 2.14 above agrees that it will notify the Borrower as soon as practicable if the conditions giving rise to the illegality cease to exist.

Section 2.15 Conversion of Advances. The Borrower may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.02(b), 2.08 and 2.14, Convert all Advances of one Type comprising the same Borrowing into Advances of the other Type; provided, however, that (i) any Conversion of any Eurodollar Rate Advances into Base Rate Advances shall be made on, and only on, the last day of an Interest Period for such Eurodollar Rate Advances, except as provided in Section 2.14, and (ii) Advances comprising a Borrowing may not be Converted into Eurodollar Rate Advances if the outstanding principal amount of such Borrowing is less than $5,000,000 or if any Event of Default under Section 6.01(a) shall have occurred and be continuing on the date the related notice of Conversion would otherwise be given pursuant to this Section 2.15. Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Advances to be Converted, and (iii) if such Conversion is into Eurodollar Rate Advances, the duration of the initial Interest Period for each such Advance. Each notice of Conversion shall be irrevocable and binding on the Borrower. If any Event of Default under Section 6.01(a) shall have occurred and be continuing on the third Business Day prior to the last day of any Interest Period for any Eurodollar Rate Advances, the Borrower agrees to Convert all such Advances into Base Rate Advances on the last day of such Interest Period.

Section 2.16 Replacement or Removal of Bank. In the event that any Bank shall claim payment of any increased costs pursuant to Section 2.11 or the Borrower is required to pay any Additional Amounts, Taxes or Other Taxes to or on account of any Bank pursuant to Section 2.12, or any Bank exercises its rights under Section 2.14, or if any Bank fails to execute and deliver a consent, amendment

or waiver to this Agreement requested by the Borrower by the date specified by the Borrower (or gives the Borrower written notice prior to such date of its intention not to do so), the Borrower shall have the right, if no Default or Event of Default then exists, to (a) replace such Bank with an Eligible Assignee in accordance with Section 8.08(a), (b) and (d) (including execution of an appropriate Assignment and Acceptance); provided that such Eligible Assignee (i) shall unconditionally offer in writing (with a copy to the Agent) to purchase on a date therein specified all of such Bank's rights hereunder and interest in the Advances owing to such Bank and the Note held by such Bank without recourse at the principal amount of such Note plus interest and Facility Fees accrued but unpaid thereon to the date of such purchase and (ii) shall execute and deliver to the Agent an Assignment and Acceptance, as assignee, pursuant to which such Eligible Assignee becomes a party hereto with a Commitment equal to that of the Bank being replaced (plus, if such Eligible Assignee is already a Bank, the amount of its Commitment prior to such replacement), provided, further, that no Bank or other Person shall have any obligation to increase its Commitment or otherwise to replace, in whole or in part, any Bank or (b) remove such Bank without replacing it by (x) giving notice to such Bank and the Agent of such removal and (y) simultaneously with such notice paying to the Agent for the account of such Bank all principal owed to such Bank, all accrued interest and Facility Fees owed to such Bank, all requested costs accruing to the date of removal which the Borrower is obligated to pay to such Bank under Section 8.04 and all other amounts owed by the Borrower to such Bank under this Agreement; provided that the Borrower may not remove a Bank pursuant to this clause (b) if the aggregate Commitments of all Banks so removed would exceed $150,000,000 or, if immediately after giving effect to such removal and payment, the aggregate Unused Commitments of the Banks not so removed would be less than zero. Upon satisfaction of the requirements for replacement set forth in the first sentence of this Section 2.16, payment to such Bank of the purchase price in immediately available funds by the Eligible Assignee replacing such Bank, execution of such Assignment and Acceptance by such Bank (which Bank shall execute such Assignment and Acceptance contemporaneously with or prior to the payment of all amounts required to be paid to it pursuant to this sentence), such Eligible Assignee and the Agent, the payment by the Borrower of all requested costs accruing to the date of purchase which the Borrower is obligated to pay under Section 8.04 and all other amounts owed by the Borrower to such Bank under this Agreement (other than Facility Fees accrued for the account of such Bank and the principal of and interest on the Advances of such Bank purchased by such Eligible Assignee) and notice by the Borrower to the Agent that such payment has been made, such Eligible Assignee shall constitute a "Bank" hereunder with a Commitment as so specified and the Bank being so replaced shall no longer constitute a "Bank" hereunder except that the rights under Sections 2.07, 2.11, 2.12 and 8.04 of the Bank being so replaced shall continue with respect to events and occurrences occurring before or concurrently with its ceasing to be a "Bank" hereunder. If, however, such Eligible Assignee fails to purchase such rights and interest on such specified date in accordance with the terms of such offer or such Eligible Assignee or the Agent fails to execute the relevant Assignment and Acceptance, the Borrower shall continue to be obligated to pay the increased costs to such Bank pursuant to Section 2.11 or the additional amounts pursuant to Section 2.12, as the case may be. Upon satisfaction of the requirements for removal set forth in the first sentence of this Section 2.16, the Bank being so removed shall no longer constitute a "Bank" hereunder except that the rights under Sections 2.07, 2.11, 2.12 and 8.04 of the Bank being so removed shall continue with respect to events and occurrences occurring before or concurrently with its ceasing to be a "Bank" hereunder.

Section 2.17 Evidence of Indebtedness. Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Bank resulting from each Advance owing to such Bank from time to time, including the amounts of principal and interest payable and paid to such Bank from time to time hereunder. The Borrower agrees that upon notice by any Bank to the Borrower (with a copy of such notice to the Agent) to the effect that a promissory note or other evidence of indebtedness is required or appropriate in order for such Bank to evidence (whether for purposes of pledge, enforcement or otherwise) the Advances owing to, or to be made by, such Bank, the Borrower shall promptly execute and deliver to such Bank, with a copy to the Agent, a Note in

substantially the form of Exhibit A hereto, payable to the order of such Bank in a principal amount equal to the Commitment of such Bank. All references to Notes in the Loan Documents shall mean Notes, if any, to the extent issued hereunder.

Section 2.18 Change in Control. (a) If a Change in Control occurs, (i) the Borrower shall promptly notify the Agent (which shall promptly notify the Banks) of such occurrence and specify in such notice a date (the "Early Maturity Date") on which the matters referred to in clause (ii) of this Section 2.18(a) shall occur as to each Bank, at the option of such Bank, which date shall be any Business Day not earlier than 60 days after, and not later than 90 days after, the Borrower gives such notice, (ii) any Bank may, at its sole option, elect to require the following to occur on the Early Maturity Date: (x) termination of its Commitment, if any and (y) payment in full by the Borrower of all Obligations owed to such Bank; provided that any such election shall elect all (and not less than all) of the actions referred to in such clauses (x) and (y).

(b) Any Bank (an "Exercising Bank") may exercise its rights pursuant to Section 2.18(a) by giving the Agent and the Borrower a written notice of such exercise not earlier than 20 days after, and not later than 40 days after, such Bank's receipt of a notice from the Agent under Section 2.18(a) (but the failure to so exercise such rights in respect of any Change in Control shall not impair the exercise of any such rights in respect of any other Change in Control).

(c) On the relevant Early Maturity Date, each Exercising Bank's Commitment shall terminate, and the Borrower shall pay in full all Obligations owed to such Bank hereunder, including all of such Bank's outstanding Advances together with interest thereon accrued to such Early Maturity Date and any amounts payable pursuant to subsection 8.04(b), all Facility Fees accrued to such Early Maturity Date with respect to such Bank's Commitment and all amounts then owing to such Bank pursuant to Sections 2.07, 2.11, 2.12 and 8.04. Upon termination of such Bank's Commitment in accordance with this Section 2.18(c), such Bank shall cease to be a party hereto, except that (i) rights of such Bank under Sections 2.07, 2.11, 2.12 and 8.04 shall continue with respect to events and occurrences occurring before or on such Early Maturity Date, (ii) the obligations of such Bank under Section 7.05 shall continue as to events, actions and circumstances arising on or prior to such Early Maturity Date. Nothing contained in this Section 2.18 shall impair the obligation of the Borrower to pay any amount owing to the Banks hereunder when due prior to an Early Maturity Date.

(d) The Borrower shall have the right, on or before the Early Maturity Date, to replace each Exercising Bank with, and add as "Banks" under this Agreement in place thereof, one or more Eligible Assignees (each, an "Additional Change in Control Commitment Bank") as provided in Section 8.08, each of which Additional Change in Control Commitment Banks shall have entered into an Assignment and Acceptance pursuant to which such Additional Change in Control Commitment Bank shall, effective as of such Early Maturity Date, undertake a Commitment (and, if any such Additional Change in Control Commitment Bank is already a Bank, its Commitment shall be in addition to any other Commitment of such Bank hereunder on such date).

ARTICLE III
CONDITIONS OF LENDING

Section 3.01 Conditions Precedent to Effectiveness. This Agreement shall become effective on and as of the first date (the "Effective Date") on which the Agent shall have received a counterpart of this Agreement duly executed by the Borrower and a counterpart of, or a copy of a signature page to, this Agreement duly executed by all of the Banks and the following additional conditions precedent shall have been satisfied, except that Section 2.03(a) shall become effective as of the first date on which the Agent

shall have received counterparts of (or, in the case of any Bank, a copy of a signature page to) this Agreement duly executed by the Borrower and all of the Banks:

(a) The Borrower shall have notified the Agent in writing as to the proposed Effective Date.

(b) The Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance reasonably satisfactory to the Agent:

(i) The Notes to the order of the Banks to the extent requested by any Bank pursuant to Section 2.17.

(ii) Certified copies of the resolutions of the Board of Directors of the Borrower approving each Loan Document, and of all documents evidencing other necessary corporate or organizational action and governmental approvals, if any, with respect to each Loan Document.

(iii) A certificate of the secretary or an assistant secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign each Loan Document and the other documents to be delivered by the Borrower hereunder.

(iv) A certificate of an officer of the Borrower stating the respective ratings by each of S&P and Moody's of the senior unsecured long-term debt of the Borrower as in effect on the Effective Date.

(v) A favorable opinion of Bruce A. Metzinger, Assistant Secretary and Assistant General Counsel for the Borrower, in substantially the form of Exhibit C-1 hereto.

(vi) A favorable opinion of Baker Botts L.L.P., counsel for the Borrower, in substantially the form of Exhibit C-2 hereto.

(vii) A favorable opinion of Linklaters LLP, counsel for the Agent, in form and substance satisfactory to the Agent.

(c) On the Effective Date, the following statements shall be true and the Agent shall have received a certificate signed by a duly authorized officer of the Borrower, dated the Effective Date, stating that:

(i) The representations and warranties contained in Section 4.01 are correct on and as of the Effective Date, and

(ii) No event has occurred and is continuing that constitutes a Default or an Event of Default.

(d) All accrued fees and reasonable out-of-pocket expenses of the Co-Lead Arrangers shall have been paid (including the reasonable fees and expenses of counsel to the Co-Lead Arrangers for which invoices have been submitted).

(e) The Borrower shall have paid all accrued fees and reasonable out-of-pocket expenses of the Agent (including reasonable fees and expenses of counsel to the Agent for which invoices have been submitted).

Section 3.02 Conditions Precedent to Each Advance. The obligation of each Bank to make an Advance (including, without limitation, the initial Advance) shall be subject to the conditions precedent that on the date of such Advance, the following statements shall be true (and each of the giving of the applicable Notice of Borrowing and the acceptance by the Borrower of the proceeds of such Advance shall constitute a representation and warranty by the Borrower that on the date of such Advance such statements are true):

(i) the representations and warranties contained in Section 4.01 are correct on and as of the date of such Advance (other than those representations and warranties contained in Section 4.01(e) and Section 4.01(f) and those other representations and warranties that expressly relate solely to a specific earlier date, which shall remain correct as of such earlier date) before and after giving effect to such Advance and to the application of the proceeds of such Advance, as though made on and as of such date,

(ii) no event has occurred and is continuing, or would result from such Advance or from the application of the proceeds of such Advance, which constitutes a Default or an Event of Default, and

(iii) there exists no request or directive issued by any governmental authority, central bank or comparable agency, injunction, stay, order, litigation or proceeding purporting to affect or calling into question the legality, validity or enforceability of any Loan Document or the consummation of any transaction (including any Advance or proposed Advance) contemplated hereby.

Section 3.03 Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, the Agent, the Co-Lead Arrangers and each Bank shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to such Persons unless an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Person prior to the date that the Borrower, by notice to the Agent, designates as the proposed Effective Date, specifying its objection thereto. The Agent shall promptly notify the Banks and the Borrower of the occurrence of the Effective Date, which notice shall be conclusive and binding.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

Section 4.01 Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) The Borrower and each of its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite organizational power and authority to own its properties, to conduct its business as now being conducted and to execute, deliver and perform each Loan Document to which it is or is to be a party, except for any failures to be so organized, existing, qualified to do business or in good standing or to have such power and authority as would not, individually or in the aggregate, have a Material Adverse Effect.

(b) The execution, delivery and performance by the Borrower of each Loan Document and the consummation of the transactions contemplated hereby (including, without limitation, each Borrowing hereunder and the use of the proceeds thereof) and the transactions contemplated thereby (i) are within the Borrower's corporate power, (ii) have been duly authorized by all necessary corporate action, and (iii) do not contravene (x) the Borrower's certificate of incorporation or by-laws, (y) any law, rule, regulation, order, writ, injunction or decree, or (z) any contractual restriction under any material agreements binding on or affecting the Borrower or any Subsidiary or any other contractual restriction the contravention of which would have a Material Adverse Effect.

(c) No authorization, approval, consent, license or other action by, and no notice to or filing with, any governmental authority, regulatory body or other Person is required for the due execution, delivery and performance by the Borrower of each Loan Document to which it is or is to be a party, or for the consummation of the transactions contemplated hereby (including, without limitation, each Borrowing hereunder and the use of the proceeds thereof) and the transactions contemplated thereby, except (i) consents, authorizations, filings and notices which have been obtained or made and are in full force and effect, (ii) approvals that would be required under agreements that are not material agreements and (iii) as otherwise permitted by the Loan Documents.

(d) This Agreement has been, and each other Loan Document when delivered hereunder will have been, duly executed and delivered by the Borrower and constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally.

(e) The Financial Statements referred to in clause (i) of the definition herein of Financial Statements have been reported on by KPMG LLP and fairly present in all material respects the consolidated financial position of the Borrower and its consolidated subsidiaries as at December 31, 2007 and the consolidated results of their operations and cash flows for the year then ended, all in accordance with GAAP. The Financial Statements referred to in clause (ii) of the definition herein of Financial Statements fairly present in all material respects, subject to year-end audit adjustments and the absence of footnotes, the consolidated financial position of the Borrower and its consolidated subsidiaries as at March 31, 2008 and the consolidated results of their operations and cash flows for the three months then ended, all in accordance with GAAP. Since December 31, 2007 through the date hereof there has been no material adverse change in the business, condition (financial or otherwise), operations, performance or properties of the Borrower and its Subsidiaries, taken as a whole, except as disclosed in any filing by the Borrower with the SEC on Form 10-K, Form 10-Q or Form 8-K not less than five days prior to the date hereof.

(f) As of the date hereof, except as disclosed in any filing by the Borrower with the SEC on Form 10-K, Form 10-Q or Form 8-K not less than five days prior to the date hereof, there is no litigation, investigation or proceeding pending or, to the Borrower's knowledge, threatened against or affecting the Borrower, any of its Subsidiaries or any of its or their respective rights or properties before any court or by or before any arbitrator or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, (i) that could reasonably be expected to have a Material Adverse Effect or (ii) that in any manner draws into question or purports to affect any transaction contemplated hereby or the legality, validity, binding effect or enforceability of the Borrower's obligations or the rights and remedies of the Banks relating to this Agreement and the other Loan Documents.

(g) Neither the Borrower nor any Subsidiary is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U). Following the application of the proceeds of each Advance, (i) not more than 25% of the value of the assets of the

Borrower that are subject to any arrangement with the Agent or any Bank (herein or otherwise) whereby the Borrower's right or ability to sell, pledge or otherwise dispose of assets is in any way restricted (or pursuant to which the exercise of any such right is or may be cause for accelerating the maturity of all or any portion of the Advances or any other amount payable hereunder or under any such other arrangement), will be margin stock (within the meaning of Regulation U); and (ii) not more than 25% of the value of the assets of the Borrower and its Subsidiaries that are subject to any arrangement with the Agent or any Bank (herein or otherwise) whereby the right or ability of the Borrower or any of its Subsidiaries to sell, pledge or otherwise dispose of assets is in any way restricted (or pursuant to which the exercise of any such right is or may be cause for accelerating the maturity of all or any portion of the Advances or any other amount payable hereunder or under any such other arrangement), will be any such margin stock (within the meaning of Regulation U). No proceeds of any Advance will be used in any manner that is not permitted by Section 5.02.

(h) The Borrower is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(i) No statement or information contained in this Agreement or any other document, certificate or statement furnished to the Agent or the Banks by or on behalf of the Borrower for use in connection with the transactions contemplated by this Agreement or the Notes (as modified or supplemented by other information furnished) contains as of the date such statement, information, document or certificate was so furnished any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made; provided, however, that, with respect to any such information, exhibit or report consisting of statements, estimates, pro forma financial information, forward-looking statements and projections regarding the future performance of the Borrower or any of its Subsidiaries ("Projections"), no representation or warranty is made other than that such Projections have been prepared in good faith based upon assumptions believed to be reasonable at the time.

(j) Neither the Borrower nor any of its Subsidiaries is in violation of any laws relating to terrorism or money laundering, including, without limitation, the Patriot Act, except to the extent such violation could not reasonably be expected to have a Material Adverse Effect.

ARTICLE V
COVENANTS OF THE BORROWER

Section 5.01 Affirmative Covenants. So long as any Advance or any other amount payable by the Borrower hereunder or under any other Loan Document shall remain unpaid, the Borrower will, unless the Required Banks shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, with all applicable law, rules, regulations and orders (including, without limitation, ERISA and environmental laws and permits) except to the extent that failure to so comply (in the aggregate for all such failures) could not reasonably be expected to have a Material Adverse Effect.

(b) Preservation of Corporate or Organizational Existence, Etc. (i) Preserve and maintain and cause each of its Subsidiaries to preserve and maintain (unless, in the case of any Subsidiary, the Borrower or such Subsidiary determines that such preservation and maintenance is no longer necessary in the conduct of the business of the Borrower and its Subsidiaries, taken as a whole), its corporate or organizational existence, rights (charter and statutory), franchises, permits, licenses, approvals and privileges in the jurisdiction of its organization; provided, however, that the Borrower and its Subsidiaries may consummate any merger, consolidation conveyance, transfer, lease or disposition permitted under

Section 5.02(b); and provided further that neither the Borrower nor any of its Subsidiaries shall be required to preserve any right, permit, license, approval, privilege, franchise or, solely in the case of Subsidiaries, existence, if the failure to do so would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and (ii) qualify and remain qualified and cause each of its Subsidiaries to qualify and remain qualified, as a foreign organization in each jurisdiction in which qualification is necessary or desirable in view of its business and operations or the ownership of its Properties, except where the failure to so qualify or remain qualified could not, individually or in the aggregate, reasonably be expected to give rise to a Material Adverse Effect.

(c) Payment of Taxes, Etc. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, within 90 days after becoming due or, in the case of taxes, assessments, charges and like levies, if later, prior to the date on which penalties are imposed for such unpaid taxes, assessments, charges and like levies (i) all taxes, assessments, charges and like levies levied or imposed upon it or upon its income, profits or Property and (ii) all lawful claims that, if unpaid, might by law become a Lien upon its Property; provided that neither the Borrower nor any Subsidiary shall be required to pay and discharge any such tax, assessment, charge, levy or claim if (x) the failure to do so (in the aggregate for all such failures) could not reasonably be expected to have a Material Adverse Effect or (y) the same is being contested in good faith and by appropriate proceedings and reserves, if required by GAAP, have been established in conformity with GAAP.

(d) Reporting Requirements. Furnish to the Agent:

(i) not later than 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, (x) the consolidated balance sheet of the Borrower and its consolidated subsidiaries as at the end of such quarter and the consolidated statements of income and cash flows of the Borrower and its consolidated subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, all in reasonable detail, (y) a copy of the Borrower's Form 10-Q for such quarter as filed with the SEC and (z) a certificate of a Responsible Officer of the Borrower as to compliance with the terms of this Agreement;

(ii) not later than 120 days after the end of each fiscal year of the Borrower, (x) copies of the audited consolidated balance sheet of the Borrower and its consolidated subsidiaries as at the end of such fiscal year and audited consolidated statements of income, retained earnings and cash flows of the Borrower and its consolidated subsidiaries for such fiscal year, (y) a copy of the Borrower's Form 10-K for such year as filed with the SEC and (z) a certificate of a Responsible Officer of the Borrower as to compliance with the terms of this Agreement;

(iii) within five Business Days after filing with the SEC, copies of all registration statements (other than on Form S-8), proxy statements, Forms 8-K (other than press releases) and Schedules 13-D filed by, or in respect of, the Borrower or any of its Subsidiaries with the SEC;

(iv) as soon as possible, and in any event within ten days after any Responsible Officer has obtained knowledge of the occurrence of any Default or Event of Default, written notice thereof setting forth details of such Default or Event of Default and the actions that the Borrower has taken and proposes to take with respect thereto;

(v) promptly (and in any event within five Business Days) after any change in, or withdrawal or termination of, the rating of any senior unsecured long-term debt of the Borrower by S&P or Moody's, notice thereof;

(vi) promptly after the sending or filing thereof, copies of all reports that the Borrower sends to any of its holders of common stock; and

(vii) such other information as any Bank through the Agent may from time to time reasonably request.

Information required to be delivered pursuant to Section 5.01(d)(i) or 5.01(d)(ii) shall be deemed to have been delivered on the date on which the Borrower provides notice to the Agent that such information has been posted on the Borrower's website on the Internet at www.halliburton.com, at sec.gov/edaux/searches.htm or at another website identified in such notice and accessible by the Banks without charge; provided that the Borrower shall deliver paper copies of the information referred to in such Sections to the Agent for distribution to (A) any Bank to which the above referenced websites are for any reason not available if such Bank has so notified the Borrower and (B) any Bank that has notified the Borrower that it desires paper copies of all such information; provided further that the Agent shall notify the Banks as provided in Section 8.02 of any materials delivered pursuant to this Section 5.01(d) (other than clauses (iii) and (vi) hereof). Information required to be delivered pursuant to Section 5.01(d)(iii) or 5.01(d)(vi) shall be deemed to have been delivered on the date when posted on a website as provided in the preceding sentence.

(e) Inspections. At any reasonable time and from time to time, in each case upon reasonable notice to the Borrower and subject to any applicable restrictions or limitations on access to any facility or information that is classified or restricted by contract or by law, regulation or governmental guidelines, permit each Bank to visit and inspect the properties of the Borrower or any material Subsidiary of the Borrower, and to examine and make copies of and abstracts from the records and books of account of the Borrower and its material Subsidiaries and discuss the affairs, finances and accounts of the Borrower and its material Subsidiaries with its and their officers and independent accountants; provided, however, that advance notice of any discussion with such independent public accountants shall be given to the Borrower and the Borrower shall have the opportunity to be present at any such discussion.

(f) Keeping of Books. Keep proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and each Subsidiary in accordance with GAAP on a consolidated basis.

(g) Maintenance of Properties, Etc. Maintain and preserve, and cause each of its material Subsidiaries to maintain and preserve, all of its material properties that are used or useful in the conduct of the business of the Borrower and its material Subsidiaries, taken as a whole, in good working order and condition, ordinary wear and tear excepted.

(h) Transactions with Affiliates. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under this Agreement with any of their Affiliates on terms that are fair and reasonable and, if a comparable arm's-length transaction is known by the Borrower, no less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate; provided, however, that the foregoing restriction shall not apply to

(i) transactions between or among the Borrower and its Subsidiaries;

(ii) transactions or payments pursuant to any employment arrangements or employee, officer or director benefit plans or arrangements entered into by the Borrower or any of its Subsidiaries in the ordinary course of business;

(iii) to the extent permitted by law, customary loans, advances, fees and compensation paid to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Borrower or any of its Subsidiaries;

(iv) transactions pursuant to any contract or agreement in effect on the date hereof, as the same may be amended, modified or replaced from time to time, so long as any such contract or agreement as so amended, modified or replaced is, taken as a whole, no less favorable to the Borrower and its Subsidiaries in any material respect than the contract or agreement as in effect on the date hereof; or

(v) any transaction or series of transactions between the Borrower or any Subsidiary and any of their joint ventures, provided that (a) such transaction or series of transactions is in the ordinary course of business and consistent with past practices of the Borrower, and/or its Subsidiaries and their joint ventures and (b) such Affiliate transaction involves aggregate consideration paid to such Affiliate not in excess of $35 million.

Section 5.02 Negative Covenants. During the Availability Period and so long as any Advance or any other amount payable by the Borrower hereunder or under any other Loan Document shall remain unpaid, the Borrower will not, without the written consent of the Required Banks:

(a) Liens, Etc. (x) Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Lien on or with respect to any of its Properties whether now owned or hereafter acquired to secure Indebtedness or reimbursement obligations in respect of letters of credit, or (y) except for collateral assignments, which are governed by Section 5.02 (a)(x), assign, or permit any of its Subsidiaries to assign, any accounts or other right to receive income, except:

(i) Liens incurred pursuant to, and assignments made in connection with, Securitization Transactions;

(ii) Liens on or with respect to any of the properties of the Borrower and any of its Subsidiaries existing on the date hereof;

(iii) (A) Liens upon or in property acquired (including acquisitions through merger or consolidation) or constructed or improved by the Borrower or any of its Subsidiaries including general tangibles, proceeds and improvements, accessories and upgrades thereto and created contemporaneously with, or within 12 months after, such acquisition or the completion of construction or improvement to secure or provide for the payment of all or a portion of the purchase price of such property or the cost of construction or improvement thereof (including any Indebtedness incurred to finance such acquisition, construction or improvement), as the case may be and (B) Liens on property (including any unimproved portion of partially improved property) of the Borrower or any of its Subsidiaries created within 12 months of completion of construction of a new plant or plants on such property to secure all or part of the cost of such construction (including any Indebtedness incurred to finance such construction) if, in the opinion of the Borrower, such property or such portion thereof was prior to such construction substantially unimproved for the use intended by the Borrower; provided,

however, no such Lien shall extend to or cover any property other than the property being acquired, constructed or improved (including any unimproved portion of a partially improved property) including general intangibles, proceeds and improvements, accessories and upgrades thereto;

(iv) Liens arising in connection with capitalized leases, provided that no such Lien shall extend to or cover any assets other than the assets subject to such capitalized leases; and proceeds (including, without limitation, proceeds from associated contracts and insurances) of, and improvements, accessories and upgrades to, the property leased pursuant thereto;

(v) Any Lien existing on any property including general intangibles, proceeds and improvements, accessories and upgrades thereto prior to the acquisition (including acquisition through merger or consolidation) thereof by the Borrower or any of its Subsidiaries or existing on any property of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary, provided that such a Lien is not created in contemplation or in connection with such acquisition or such Person becoming a Subsidiary and no such Lien shall be extended to cover property other than the asset being acquired including general intangibles, proceeds and improvements, accessories and upgrades thereto;

(vi) Liens to secure any extension, renewal, refinancing, refunding or replacement (or successive extensions, renewals, refinancings, refundings or replacements), in whole or in part, of any Indebtedness or other obligation secured by any Lien referred to in the foregoing clauses (ii), (iii), (iv) and (v), provided that (A) the principal amount of the Indebtedness or other obligation secured thereby is no greater than the outstanding principal amount of such Indebtedness or other obligation immediately before such extension, renewal, refinancing, refunding or replacement and (B) such Lien shall only extend to such assets as are already subject to a Lien in respect of such Indebtedness or other obligation;

(vii) Liens arising in connection with the pledge of any Equity Interests in any joint venture (that is not a Subsidiary), and liens on the assets of a JV Subsidiary, in each case to secure Joint Venture Debt of such joint venture and/or such JV Subsidiary. For purposes hereof, "Joint Venture Debt" shall mean Indebtedness and other obligations as to which the lenders will not, pursuant to the terms in the agreements governing such Indebtedness, have any recourse to the stock or assets of the Borrower or any Subsidiary, other than such pledged assets of such JV Subsidiary;

(viii) Liens arising in connection with the pledge of any Equity Interests in any Project Finance Subsidiary, so long as such Liens secure only Project Financing;

(ix) Liens securing other Indebtedness and reimbursement obligations in respect of letters of credit, provided that at the time of the creation, incurrence or assumption of any Indebtedness or reimbursement obligations in respect of letters of credit secured by such Liens and after giving effect thereto, the sum of the principal amount of such Indebtedness and the maximum possible amount of reimbursement obligations in respect of letters of credit (assuming compliance at such time with all conditions to drawing) secured by Liens permitted by this clause (ix) shall not exceed 15% of Consolidated Net Worth as reflected in the most recent financial statements delivered pursuant to Sections 5.01(d)(i) and (ii);

(x) Liens securing Indebtedness existing on the Effective Date and listed on Schedule 5.02(a) (or securing any extension, renewal, refinancing, refunding or replacement (or successive extensions, renewals, refinancings, refundings or replacements), in whole or in part, of such Indebtedness, if the aggregate principal amount of such Indebtedness (as so extended, renewed, refinanced, refunded or replaced) is no greater than the outstanding principal amount of such Indebtedness immediately before such extension, renewal, refinancing, refunding or replacement), provided that the Obligations of the Borrower hereunder and under the other Loan Documents are secured equally and ratably with such Indebtedness and all extensions, renewals, refinancings, refundings and replacements, whether or not initial or successive and whether in or whole or in part, of such Indebtedness; and

(xi) Liens arising as a result of the operation of Section 2.22 or 6.02 of the Existing Revolving Facility.

(b) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions, all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person; provided, however, that (i) this Section 5.02(b) shall not prohibit any such merger or consolidation if (x) at the time of, and immediately after giving effect to, such merger or consolidation, no Default or Event of Default exists or would result therefrom, and (y) either (A) the Borrower is the surviving corporation in such merger or consolidation or (B) if the Borrower is not the surviving corporation, the survivor shall be an entity organized and existing under the laws of the United States or a state thereof and, as the successor in such consolidation or merger, shall have assumed all Obligations and other liabilities of the Borrower under the Loan Documents, and (ii) any Subsidiary of the Borrower may transfer assets to, or merge into or consolidate with, the Borrower, any other Subsidiary of the Borrower or any Person that becomes a Subsidiary of the Borrower as a result of any such merger or consolidation; provided, however, that (x) at the time of, and immediately after giving effect to, such transfer, merger or consolidation, no Default of Event of Default exists or would result therefrom and (y) if the Borrower is a party to any such merger or consolidation, either (A) the Borrower shall be the surviving corporation or (B) if the Borrower is not the surviving corporation, the survivor shall be an entity organized and existing under the laws of the United States or a state thereof and, as the successor in such consolidation or merger, shall have assumed all Obligations and other liabilities of the Borrower under the Loan Documents.

(c) Use of Proceeds. Use the proceeds of any Advance for any purpose other than a Permitted Purpose or use any such proceeds (i) in a manner which violates or results in a violation of any law or regulation, (ii) to purchase or carry any margin stock (as defined in Regulation U), except that this clause (ii) shall not prohibit the Borrower from using proceeds of the Advances to purchase its own common stock, (iii) to extend credit to others for the purpose of purchasing or carrying any margin stock (as defined in Regulation U), or (iv) to acquire any equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, if such acquisition would give the Borrower a controlling interest in the Person that has issued such security, unless the board of directors or equivalent governing body of such Person or of the parent of such Person shall have approved such acquisition.

ARTICLE VI
EVENTS OF DEFAULT

Section 6.01 Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) (i) The Borrower shall fail to pay any principal of any Advance when the same becomes due and payable, whether at the due date thereof or by acceleration thereof or otherwise or (ii) the Borrower shall fail to pay any interest on any Advance or any fees hereunder or other amount payable hereunder, in each case under this clause (ii), within five Business Days of when the same becomes due and payable, whether at the due date thereof or by acceleration thereof or otherwise; or

(b) Any representation, warranty or certification made by the Borrower (or any of its Responsible Officers) herein pursuant to or in connection with any Loan Document or in any certificate or document furnished to any Bank pursuant to or in connection with any Loan Document, or any representation or warranty deemed to have been made by the Borrower pursuant to Section 3.02, shall prove to have been incorrect or misleading in any material respect when made or so deemed to have been made; or

(c) (i) The Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(b), 5.01(c) or 5.02 of this Agreement; or (ii) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed (other than any term, covenant or agreement covered by Section 6.01(a)) and, in each case under this clause (ii), such failure shall remain unremedied for 30 days after notice thereof shall have been given to the Borrower by the Agent or by any Bank; or

(d) (i) The Borrower or any material Subsidiary of the Borrower shall default in the payment when due (subject to any applicable grace period), whether by acceleration or otherwise, of any Indebtedness (other than the Advances (which are covered by Section 6.01(a)), Project Financing or Permitted Non-Recourse Indebtedness) (whether principal, interest, premium or otherwise) of, or directly or indirectly guaranteed by, the Borrower or any such material Subsidiary, as the case may be, in excess of $100,000,000 or (ii) the Borrower or any material Subsidiary of the Borrower shall default in the performance or observance of any obligation or condition with respect to any such Indebtedness (other than the Advances (which are covered by Section 6.01(a)), Project Financing or Permitted Non-Recourse Indebtedness) if the effect of such default is to accelerate the maturity of or require the posting of cash collateral with respect to any such Indebtedness or, in any case, any such Indebtedness shall become due prior to its stated maturity (other than by a regularly-scheduled required payment and mandatory prepayments from proceeds of asset sales, debt incurrence, excess cash flow, equity issuances and insurance proceeds); provided that for the avoidance of doubt the parties acknowledge and agree that (x) any payment required to be made under an assumption or other direct or contingent liability referred to in clause (c) of the definition herein of Indebtedness shall be due and payable at the time such payment is due and payable under the terms of such assumption or liability (taking into account any applicable grace period) and such payment shall not be deemed to have been accelerated or have become due as a result of the obligation assumed or for which the Borrower or any material Subsidiary of the Borrower is otherwise liable having become due and (y) the conversion of the Convertible Notes shall not be a Default or Event of Default hereunder; or

(e) The Borrower or any material Subsidiary of the Borrower shall be adjudicated a bankrupt or insolvent by a court of competent jurisdiction, or generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any such material Subsidiary seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its Property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 90 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its Property) shall occur; or the Borrower or any such material Subsidiary shall take any corporate or organizational action to authorize any of the actions set forth above in this subsection (e); or

(f) Any final, non-appealable judgment or order by a court of competent jurisdiction for the payment of money in excess of $100,000,000 over and above the amount of insurance coverage available from a financially sound insurer that has acknowledged coverage shall be rendered against the Borrower or any material Subsidiary of the Borrower and not discharged within 30 days after such order or judgment becomes final (or 60 days in the case of any foreign order or judgment); or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against a substantial part of the property of the Borrower or any material Subsidiary of the Borrower and such judgment, writ, warrant of attachment or execution or similar process shall not be released, stayed, vacated or fully bonded within 30 days after its issue or levy (or 60 days in the case of any foreign judgment, writ, warrant or similar process); or

(g) The Borrower or any of its ERISA Affiliates shall both (i) incur liability in excess of $250,000,000 in the aggregate as a result of one or more of the following: (x) the occurrence of any ERISA Event; (y) the partial or complete withdrawal of the Borrower or any of its ERISA Affiliates from a Multiemployer Plan; or (z) the reorganization or termination of a Multiemployer Plan and (ii) fail to pay such liability within fifteen days of such incurrence;

then, and in any such event, the Agent (i) shall at the request, or may with the consent, of the Required Banks, by notice to the Borrower, declare the obligation of each Bank to make Advances to be terminated, whereupon the same (and all of the Commitments) shall forthwith terminate and (ii) shall at the request, or may with the consent, of the Required Banks, by notice to the Borrower, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such other amounts shall become and be forthwith due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or any other notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the event of any actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code, (x) the Commitment of each Bank and the obligation of each Bank to make Advances shall automatically be terminated, and (y) the Advances, all interest thereon and all other amounts payable under this Agreement shall automatically and immediately become and be due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration, or any other notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE VII
THE AGENT

Section 7.01 Authorization and Action. Each Bank hereby appoints and authorizes the Agent to take such action as Agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Agent by the terms hereof or of any other Loan Document, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Banks and such instructions shall be binding upon all Banks and all holders of Notes; provided, however, that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to any Loan Document or applicable law. The Agent agrees to give to each Bank prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

Section 7.02 Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with any Loan Document, except for their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may consult with legal counsel (including, without limitation, counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations (whether written or oral) made in or in connection with any of the Loan Documents or any other instrument or document; (iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any of Loan Documents or any other instrument or document on the part of the Borrower or any Subsidiary of the Borrower or to inspect the Property (including the books and records) of the Borrower or any Subsidiary of the Borrower; (iv) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any of the Loan Documents or any other instrument or document; and (v) shall incur no liability under or in respect of any of Loan Documents or any other instrument or document by acting upon any notice (including telephonic notice), consent, certificate or other instrument or writing (which may be by facsimile, telegram or telex) believed by it to be genuine and signed, given or sent by the proper party or parties.

Section 7.03 The Agent and its Affiliates. With respect to its Commitment, the Advances owed to it and the Notes issued to it, each Bank which is also the Agent shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Agent; and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include any Bank serving as the Agent in its individual capacity. Any Bank serving as the Agent and its affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Borrower, any Affiliate of the Borrower and any Person who may do business with or own securities of the Borrower or any Affiliate of the Borrower, all as if such Bank were not the Agent and without any duty to account therefor to the Banks. In the event that Citibank or any of its affiliates shall be or become an indenture trustee under the Trust Indenture Act of 1939 (as amended, the "Trust Indenture Act") in respect of any securities issued or guaranteed by the Borrower, the parties hereto acknowledge and agree that any payment or property received in satisfaction of or in respect of any Obligation of the Borrower hereunder or under any other Loan Document by or on behalf of Citibank in its capacity as the Agent for the benefit of any Bank under any Loan Document

(other than Citibank or an affiliate of Citibank) and which is applied in accordance with the Loan Documents shall be deemed to be exempt from the requirements of Section 311 of the Trust Indenture Act pursuant to Section 311(b)(3) of the Trust Indenture Act.

Section 7.04 Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank and based on the Financial Statements and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents or any other instrument or document.

Section 7.05 Indemnification. The Banks agree to indemnify the Agent (to the extent not promptly reimbursed by the Borrower), ratably according to the respective principal amounts of the Advances then held by each of such Banks (or if no Advances are at the time outstanding or if any Advances are held by Persons which are not such Banks, ratably according to either (a) the respective amounts of the Banks' Commitments, or (b) if no Commitments are at the time outstanding, the respective amounts of the Commitments immediately prior to the time the Commitments ceased to be outstanding), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith, or any action taken or omitted by the Agent under any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith ("Indemnified Costs"); provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct as found in a final, non-appealable judgment by a court of competent jurisdiction. Without limitation of the foregoing, each Bank agrees to reimburse the Agent promptly upon demand for such Bank's ratable share of any costs and expenses (including, without limitation, counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith to the extent that the Agent is not reimbursed for such expenses by the Borrower. In the case of any investigation, litigation or proceeding giving rise to any Indemnified Costs, this Section 7.05 applies whether any such investigation, litigation or proceeding is brought by the Agent, any other Agent, any Bank or a third party.

Section 7.06 Successor Agent. The Agent may resign at any time by giving written notice thereof to the Banks and the Borrower and may be removed at any time with or without cause by the Required Banks. Upon any such resignation or removal, the Required Banks shall have the right to appoint a successor Agent which, if such successor Agent is not a Bank, is approved by the Borrower (which approval will not be unreasonably withheld). If no successor Agent shall have been so appointed by the Required Banks (and, if not a Bank, approved by the Borrower), and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Required Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and

duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

Section 7.07 Co-Lead Arrangers, Syndication Agent, Documentation Agents. The Co-Lead Arrangers, Syndication Agent and Documentation Agent shall have no duties, obligations or liabilities hereunder or in connection herewith.

ARTICLE VIII
MISCELLANEOUS

Section 8.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any Note, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall: (a) waive any of the conditions specified in Section 3.01 without the written consent of each Bank, (b) increase the Commitment of any Bank or subject any Bank to any additional obligations without the written consent of such Bank, (c) reduce the principal of, or interest on, the Advances or any fees or other amounts payable hereunder, without the written consent of each Bank affected thereby, (d) postpone any date fixed for any payment of principal of, or interest on, the Advances or any fees or other amounts payable hereunder without the written consent of each Bank affected thereby, (e) amend the definition of "Required Banks" without the written consent of each Bank; or (f) amend Section 2.13 or this Section 8.01 without the written consent of each Bank; and provided, further, that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Banks required above to take such action, affect the rights or duties of the Agent under this Agreement or any of the Notes.

Section 8.02 Notices, Etc. (a) Except as otherwise provided in Section 8.02(b) or in the proviso to this Section 8.02(a), all notices and other communications provided for hereunder shall be in writing (including facsimile communication) and mailed, telecopied, or delivered (i) if to the Borrower, at its address at 1401 McKinney, Suite 2400, Houston, Texas 77010-4035 Attention: Treasurer, Facsimile: (713) 759-2686; (ii) if to any Bank listed on the signature pages hereof, at its Domestic Lending Office specified opposite its name on Schedule II hereto or as on file with the Agent; (iii) if to any other Banks, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it becomes a Bank; (iv) if to the Agent, at the addresses set forth below:

Two Penns Way, Suite 200
New Castle, Delaware 19720
Facsimile No.: (302) 894-6120
Attention: Bank Loan Syndications Department

with a copy to:

333 Clay, Suite 3700
Houston, Texas 77002
Facsimile No.: (713) 654-2849
Attention: Amy Pincu, Director

(but references herein to the address of the Agent for purposes of payments or making available funds or for purposes of Section 8.08(c) shall not include the address to which copies are to be sent); or, as to the Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent, provided that materials required to be delivered pursuant to Section 5.01(d)(i), (ii), (iii) or (vi), unless delivered by posting to a website as provided in Section 5.01(d), shall be delivered to the Agent as specified in Section 8.02(b) or as otherwise specified to the Borrower by the Agent. Each such notice or communication shall be effective (x) if mailed, upon receipt, (y) if delivered by hand, upon delivery with written receipt, and (z) if telecopied, when receipt is confirmed by telephone, except that any notice or communication to the Agent pursuant to this Agreement shall not be effective until actually received by the Agent.

(b) The Borrower hereby agrees that it will provide to the Agent all information, documents and other materials that it is obligated to furnish to the Agent pursuant to the Loan Documents, including, without limitation, all notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding any such communication that (i) relates to a request for a new, or a Conversion of an existing, Borrowing or other extension of credit (including any election of an interest rate or interest period relating thereto), (ii) relates to the payment of any principal or other amount due under this Agreement prior to the scheduled date therefor, (iii) provides notice of any Default or Event of Default, (iv) is required to be delivered to satisfy any condition precedent to the effectiveness of this Agreement and/or any Borrowing or other extension of credit hereunder or (v) is delivered by posting to a website as provided in Section 5.01(d) (all such non-excluded communications being referred to herein collectively as "Communications"), by transmitting the Communications in an electronic/soft medium in a format acceptable to the Agent to oploanswebadmin@citigroup.com. In addition, the Borrower agrees to continue to provide the Communications to the Agent in the manner specified in the Loan Documents but only to the extent requested by the Agent. The Borrower further agrees that the Agent may make the Communications available to the Banks by posting the Communications on Intralinks or a substantially similar electronic transmission system (the "Platform"). **The platform is provided "as is" and "as available". The Agent Parties (as defined below) do not warrant the accuracy or completeness of the communications, or the adequacy of the Platform and expressly disclaim liability for errors or omissions in the communications. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by the Agent Parties in connection with the Communications or the Platform. In no event shall the Agent or any of its affiliates or any of their respective officers, directors, employees, agents, advisors or representatives (collectively, "Agent Parties") have any liability to the Borrower, any Bank or any other Person or entity for damages of any kind, including, without limitation, direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of the Borrower's or the Agent's transmission of Communications through the internet, except to the extent the liability of any Agent Party is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted primarily from such Agent Party's gross negligence or willful misconduct.** The Agent agrees that the receipt of the Communications by the Agent at its e-mail address set forth above shall constitute effective delivery of the Communications to the Agent for purposes of the Loan Documents.

(c) Each Bank agrees that notice to it (as provided in the next sentence) (a "Notice") specifying that any Communications have been posted to the Platform shall constitute effective delivery of such information, documents or other materials to such Bank for purposes of this Agreement; provided that if requested by any Bank the Agent shall deliver a copy of the Communications to such Bank by email or facsimile. Each Bank agrees (i) to notify the Agent in writing of such Bank's e-mail address to which a Notice may be sent by electronic transmission (including by electronic communication) on or before the date such Bank becomes a party to this Agreement (and from time to time thereafter to ensure that the Agent has on record an effective e-mail address for such Bank) and (ii) that any Notice may be sent to such e-mail address.

(d) Nothing herein shall prejudice the right of the Agent or any Bank to give any notice or other communication pursuant to any Loan Document in any other manner specified in such Loan Document.

Section 8.03 No Waiver; Remedies. No failure on the part of any Bank or the Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 8.04 Expenses and Taxes; Compensation. (a) The Borrower agrees to pay on demand (i) all reasonable out-of-pocket costs and expenses (including, without limitation, reasonable fees and expenses of counsel) of the Co-Lead Arrangers and the Agent and each of their respective affiliates in connection with the preparation, execution, delivery and administration of the Loan Documents and the other documents and instruments delivered hereunder or in connection with any amendments, modifications, consents or waivers in connection with the Loan Documents, (ii) all reasonable fees and expenses of counsel for the Co-Lead Arrangers and the Agent and, during the existence of any Event of Default, any Bank with respect to advising either Co-Lead Arranger or the Agent or, during the existence of any Event of Default, any Bank as to its rights and responsibilities under the Loan Documents and (iii) all reasonable out-of-pocket costs and expenses (including, without limitation, reasonable fees and expenses of counsel) of the Co-Lead Arrangers, the Agent and each Bank in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of the Loan Documents (including the enforcement of rights under this Section 8.04(a)) and the other documents and instruments delivered hereunder and rights and remedies hereunder and thereunder.

(b) If any payment or purchase of principal of, or Conversion of, any Eurodollar Rate Advance is made other than on the last day of the Interest Period for such Advance, as a result of a payment, purchase or Conversion pursuant to Section 2.08, Section 2.09, Section 2.14, Section 2.15 or Section 2.16, acceleration of the maturity of the Advances pursuant to Section 6.01 or for any other reason, the Borrower shall, within 15 days after demand by any Bank (with a copy of such demand to the Agent), pay to the Agent for the account of such Bank any amounts required to compensate such Bank for any additional losses, costs or expenses which it may reasonably incur as a result of such payment, purchase or Conversion, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense reasonably incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Bank to fund or maintain such Advance. A certificate as to the amount of such additional losses, costs or expenses, submitted to the Borrower and the Agent by such Bank, shall be conclusive and binding for all purposes, absent manifest error.

(c) The Borrower agrees to indemnify and hold harmless the Agent, the Banks, the Co-Lead Arrangers and their respective directors, officers, employees, affiliates, advisors, attorneys and agents (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, fees and expenses of counsel) for which any of them may become liable or which may be incurred by or asserted against any of the Indemnified Parties in connection with or arising out of (i) any Loan Document or any other document or instrument delivered in connection herewith or the actual or proposed use of the proceeds of any Advance or any of the transactions contemplated hereby or thereby, (ii) the existence of any condition on any property of the Borrower or any of its Subsidiaries that constitutes a violation of any environmental protection law or any other law, rule, regulation or order, or (iii) any investigation, litigation, or proceeding, whether or not any of the Indemnified Parties is a party thereto, related to or in connection with any of the foregoing or any Loan Document, including, without limitation, any transaction in which any proceeds of any Advance are applied, including, without limitation, in each of the foregoing cases, any such claim, damage, loss, liability or expense resulting from the negligence of any Indemnified Party, but excluding any such claim, damage, loss, liability or expense sought to be recovered by any Indemnified Party to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnified Party.

(d) Except as set forth in the next succeeding sentence, each of the Banks and the Agent and each of their respective directors, officers, employees, affiliates, advisors and agents shall not be liable to the Borrower for, and the Borrower agrees not to assert any claim for, amounts constituting special, indirect, consequential, punitive, treble or exemplary damages arising out of or in connection with any breach by such Bank or the Agent of any of its obligations hereunder. If the Borrower becomes liable to a third party for amounts constituting punitive, treble or exemplary damages as a result of a breach of an obligation hereunder by a Bank or the Agent, as the case may be, the Borrower shall be entitled to claim and recover (and does not waive its rights to claim and recover) such amounts from such Bank or the Agent, as the case may be, to the extent such Bank or the Agent, as the case may be, would be liable to the Borrower for such amounts but for the limitation set forth in the preceding sentence.

(e) Without prejudice to the survival of any other agreement of the Borrower hereunder, all obligations of the Borrower under Section 2.11, Section 2.12 and this Section 8.04 shall survive the termination of the Commitments and this Agreement and the payment in full of all amounts hereunder and under the Notes.

Section 8.05 Right of Set-Off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making by the Required Banks of the request or the granting by the Required Banks of the consent specified by Section 6.01 to authorize the Agent to declare the Advances due and payable pursuant to the provisions of Section 6.01, each Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank (or by any branch, agency, subsidiary or other Affiliate of such Bank, wherever located) to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement or any Note held by such Bank, whether or not such Bank shall have made any demand under this Agreement or any such Note and although such obligations may be unmatured. Each Bank agrees promptly to notify the Borrower after any such set-off and application made by such Bank, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of setoff) which such Bank may have.

Section 8.06 Limitation and Adjustment of Interest. (a) Notwithstanding anything to the contrary set forth herein, in any other Loan Document or in any other document or instrument, no provision of any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith is intended or shall be construed to require the payment or permit the collection of interest in excess of the maximum non-usurious rate permitted by applicable law. Accordingly, if the transactions with any Bank contemplated hereby would be usurious under applicable law, if any, then, in that event, notwithstanding anything to the contrary in any Note payable to such Bank, this Agreement or any other document or instrument, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under applicable law that is contracted for, taken, reserved, charged or received by such Bank under any Note payable to such Bank, this Agreement or any other document or instrument shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be canceled automatically and, if theretofore paid, shall, at the option of such Bank, be credited by such Bank on the principal amount of the indebtedness owed to such Bank by the Borrower or refunded by such Bank to the Borrower, and (ii) in the event that the maturity of any Note payable to such Bank is accelerated or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to such Bank may never include more than the maximum amount allowed by such applicable law and excess interest, if any, to such Bank provided for in this Agreement or otherwise shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall, at the option of such Bank, be credited by such Bank on the principal amount of the indebtedness owed to such Bank by the Borrower or refunded by such Bank to the Borrower. In determining whether or not the interest contracted for, taken, reserved, charged or received by any Bank exceeds the maximum non-usurious rate permitted by applicable law, such determination shall be made, to the extent that doing so does not result in a violation of applicable law, by amortizing, prorating, allocating and spreading, in equal parts during the period of the full stated term of the loans hereunder, all interest at any time contracted for, taken, charged, received or reserved by such Bank in connection with such loans.

(b) In the event that at any time the interest rate applicable to any Advance made by any Bank would exceed the maximum non-usurious rate allowed by applicable law, the rate of interest to accrue on the Advances by such Bank shall be limited to the maximum non-usurious rate allowed by applicable law, but shall accrue, to the extent permitted by law, on the principal amount of the Advances made by such Bank from time to time outstanding, if any, at the maximum non-usurious rate allowed by applicable law until the total amount of interest accrued on the Advances made by such Bank equals the amount of interest which would have accrued if the interest rates applicable to the Advances pursuant to Article II had at all times been in effect. In the event that upon the final payment of the Advances made by any Bank and termination of the Commitment of such Bank, the total amount of interest paid to such Bank hereunder and under the Notes is less than the total amount of interest which would have accrued if the interest rates applicable to such Advances pursuant to Article II had at all times been in effect, then the Borrower agrees to pay to such Bank, to the extent permitted by law, an amount equal to the excess of (a) the lesser of (i) the amount of interest which would have accrued on such Advances if the maximum non-usurious rate allowed by applicable law had at all times been in effect or (ii) the amount of interest which would have accrued on such Advances if the interest rates applicable to such Advances pursuant to Article II had at all times been in effect over (b) the amount of interest otherwise accrued on such Advances in accordance with this Agreement.

Section 8.07 Binding Effect. This Agreement shall become effective as provided in Section 3.01 hereof and thereafter shall be binding upon and inure to the benefit of the Borrower and the Agent and each Bank and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights or obligations hereunder or under any other Loan Document or any interest herein or therein without the prior written consent of all of the Banks.

Section 8.08 Assignments and Participations. (a) Each Bank may assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and the Notes held by it); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement, (ii) except in the case of an assignment of all of a Bank's rights and obligations under this Agreement, the amount of the Commitment of the assigning Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than $5,000,000, (iii) each such assignment shall be to an Eligible Assignee, and (iv) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with the Notes subject to such assignment and a processing and recordation fee of $3,000. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank hereunder and (y) the Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Bank assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with any Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith or the execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith; (ii) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any other Person or the performance or observance by the Borrower or any other Person of any of its respective obligations under any Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the Financial Statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement, any of the other Loan Documents or any other instrument or document; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as Agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Bank.

(c) The Agent shall maintain at its address referred to in Section 8.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the Commitment of, and the principal amount of the Advances owing to, each Bank from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this

Agreement. The Register shall be available for inspection by the Borrower or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of an Assignment and Acceptance executed by an assigning Bank and an assignee representing that it is an Eligible Assignee, together with the Notes, if any, subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit D, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. Within five Business Days after its receipt of such notice, the Borrower shall execute and deliver to the Agent in exchange for the surrendered Notes, if any, a new Note (if requested by the assignee) payable to the order of such Eligible Assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance (plus any Commitment already held by it) and, if the assigning Bank has retained a Commitment hereunder, a new Note payable to the order of the assigning Bank in an amount equal to the Commitment retained by it hereunder (such new Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A).

(e) Each Bank may sell participations to one or more banks or other entities (other than the Borrower or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and the Notes held by it); provided, however, that (i) such Bank's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Bank shall remain the holder of any such Notes for all purposes of this Agreement, (iv) the Borrower, the Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement, and (v) the terms of any such participation shall not restrict such Bank's ability to make any amendment or waiver of this Agreement or any Note or such Bank's ability to consent to any departure by the Borrower therefrom without the approval of the participant, except that the approval of the participant may be required to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation.

(f) Any Bank may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.08, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower or any of its Subsidiaries furnished to such Bank by or on behalf of the Borrower or any of its Subsidiaries; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to comply with Section 8.14.

(g) Notwithstanding any other provision set forth in this Agreement, any Bank may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and the Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Federal Reserve Board.

Section 8.09 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of a copy of a signature page to this Agreement by facsimile shall be as effective as delivery of a manually executed counterpart of this Agreement.

Section 8.10 Judgment. (a) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in Dollars into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase Dollars with such other currency at Citibank's principal office in London at 11:00 A.M. (London time) on the Business Day preceding that on which final judgment is given.

(b) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in a Foreign Currency into Dollars, the parties agree to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase such Foreign Currency with Dollars at Citibank's principal office in London at 11:00 A.M. (London time) on the Business Day preceding that on which final judgment is given.

(c) The obligation of the Borrower in respect of any sum due from it in any currency (the "Primary Currency") to any Bank or the Agent hereunder shall, notwithstanding any judgment in any other currency, be discharged only to the extent that on the Business Day following receipt by such Bank or the Agent (as the case may be), of any sum adjudged to be so due in such other currency, such Bank or the Agent (as the case may be) may in accordance with normal banking procedures purchase the applicable Primary Currency with such other currency; if the amount of the applicable Primary Currency so purchased is less than such sum due to such Bank or the Agent (as the case may be) in the applicable Primary Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Bank or the Agent (as the case may be) against such loss, and if the amount of the applicable Primary Currency so purchased exceeds such sum due to any Bank or the Agent (as the case may be) in the applicable Primary Currency, such Bank or the Agent (as the case may be) agrees to remit to the Borrower such excess.

Section 8.11 Governing Law. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN ANY SUCH LOAN DOCUMENT), AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THAT WOULD REQUIRE APPLICATION OF ANOTHER LAW.

Section 8.12 Jurisdiction; Damages. To the fullest extent it may effectively do so under applicable law, (i) each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its Property, to the non-exclusive jurisdiction of any New York state court or federal court sitting in New York City, and any appellate court from any appeal thereof, in any action or proceeding arising out of or relating to this Agreement, any of the Notes, or any other instrument or document furnished pursuant hereto or in connection herewith or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of such action or proceeding may be heard and determined in any such court; (ii) each of the parties hereto hereby irrevocably and unconditionally waives the defense of an inconvenient forum to the maintenance of such action or proceeding and any objection that it may now or hereafter have to the laying of venue of any such action or proceeding in any such court; (iii) the Borrower hereby agrees that service of copies of the summons and complaint and any other process which may be served in any such action or proceeding may be made by mailing or delivering a copy of such process to the Borrower at its address specified in Section 8.02; and (iv) each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in

any other manner provided by law. Nothing herein shall affect the rights of any Bank or the Agent to serve legal process in any other manner permitted by law or affect the right that any party hereto may otherwise have to bring any action or proceeding relating to this Agreement, any of the Notes or any other instrument or document furnished pursuant hereto or in connection herewith in the courts of any other jurisdiction. Each of the Borrower, the Agent and the Banks hereby irrevocably and unconditionally waives, to the fullest extent it may effectively do so under applicable law, any right it may have to claim or recover in any action or proceeding referred to in this Section 8.12 any exemplary or punitive damages. The Borrower hereby further irrevocably waives, to the fullest extent it may effectively do so under applicable law, any right it may have to claim or recover in any action or proceeding referred to in this Section 8.12 any special or consequential damages.

Section 8.13 Confidentiality. Each Bank agrees that it will use reasonable efforts, to the extent not inconsistent with practical business requirements, not to disclose without the prior consent of the Borrower (other than to employees, auditors, accountants, counsel or other professional advisors of the Agent or any Bank) any information with respect to the Borrower or its Subsidiaries which is furnished pursuant to this Agreement, provided that any Bank may disclose any such information (a) as has become generally available to the public, (b) as may be required or appropriate in any report, statement or testimony submitted to or required by any municipal, state or Federal regulatory body having or claiming to have jurisdiction over any Bank or its Affiliates or submitted to or required by the Federal Reserve Board or the Federal Deposit Insurance Corporation or similar organizations (whether in the United States or elsewhere) or their successors, and including any self-regulatory body having or claiming authority to regulate or oversee any aspect of any Bank's or its Affiliates' businesses, (c) as may be required or appropriate in response to any summons or subpoena in connection with any litigation, (d) in order to comply with any law, order, regulation or ruling applicable to any Bank, (e) to any assignee, participant, prospective assignee, or prospective participant that has agreed to comply with this Section 8.13, (f) in connection with the exercise of any remedy by any Bank pertaining to this Agreement, any of the Notes or any other document or instrument delivered in connection herewith, (g) in connection with any litigation involving any Bank pertaining to any Loan Document or any other document or instrument delivered in connection herewith, (h) to any Bank or the Agent, or (i) to any Affiliate of any Bank.

Section 8.14 Patriot Act Notice. Each Bank and the Agent (for itself and not on behalf of any Bank) hereby notifies the Borrower that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Bank or the Agent, as applicable, to identify the Borrower in accordance with the Patriot Act. The Borrower shall provide, to the extent commercially reasonable in light of applicable restrictions or limitations under contract or law, regulation or governmental guidelines, such information and take such actions as are reasonably requested by the Agent or any Banks in order to assist the Agent and the Banks in maintaining compliance with the Patriot Act.

Section 8.15 Waiver of Jury Trial. EACH OF THE BORROWER, THE AGENT AND THE BANKS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OF THE NOTES, ANY OTHER LOAN DOCUMENT OR ANY OTHER INSTRUMENT OR DOCUMENT FURNISHED PURSUANT HERETO OR IN CONNECTION HEREWITH OR THE TRANSACTIONS CONTEMPLATED HEREBY.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWER:

HALLIBURTON COMPANY

By: /s/ CRAIG W. NUNEZ
Name: Craig W. Nunez
Title: Senior Vice President and Treasurer

Taxpayer Identification of Borrower: 75-2677995

Address of Principal Place of Business of Borrower:
1401 McKinney, Suite 2400
Houston, Texas 77010-4035

CITIBANK, N.A., as Agent and as a Bank

By: /s/ CAROLYN KEE
Name: Carolyn Kee
Title: Managing Director

THE ROYAL BANK OF SCOTLAND plc, as
Syndication Agent and as a Bank

By: /s/ PATRICIA J. DUNDEE
Name: Patricia J. Dundee
Title: Managing Director

HSBC BANK USA, NATIONAL ASSOCIATION, as
Documentation Agent and as a Bank

By: /s/ MERCEDES AHUMADA
Name: Mercedes Ahumada
Title: Vice President

ANNEX A

"Applicable Facility Fee Rate" means, for any date, the rate per annum set forth in the table below under the heading "Applicable Facility Fee Rate" opposite the debt rating from S&P and Moody's, respectively, in effect on such date for the senior unsecured long-term debt of the Borrower, with the higher of the two ratings to be determinative in the case where the ratings from S&P and Moody's would result in different Applicable Facility Fee Rates; provided, that if the debt rating from one of the Rating Agencies is more than one level below the debt rating from the other Rating Agency, then the debt rating one level below the higher of the two shall be used in determining the Applicable Facility Fee Rate; provided further that (a) if only one Rating Agency has a rating in effect on such date for the senior unsecured long-term debt of the Borrower, then only such rating shall be used in determining the Applicable Facility Fee Rate and (b) if neither Rating Agency has a rating in effect on such date for the senior unsecured long-term debt of the Borrower, then the lowest level (i. e., highest Applicable Facility Fee Rate) shall be used in determining the Applicable Facility Fee Rate.

"Applicable Margin" means, for any date, the rate per annum set forth in the table below opposite the debt rating from S&P and Moody's, respectively, in effect on such date for the senior unsecured long-term debt of the Borrower, with the higher of the two ratings to be determinative; provided that if the debt rating from one of the Rating Agencies is more than one level below the debt rating from the other Rating Agency, then the debt rating one level below the higher of the two shall be used in determining the Applicable Margin; provided further that (a) if only one Rating Agency has a relevant debt rating in effect on such date, then only such rating shall be used and (b) if neither Rating Agency has a relevant debt rating in effect on such date, then the lowest level (i.e., highest Applicable Margin) shall be used:

	Applicable Facility Fee Rate (bps)	**Margin during first 6 months (Eurodollar Rate / Base Rate) (bps)**	**Margin during 6-9 month period (Eurodollar Rate / Base Rate) (bps)**	**Margin during 9-12 month period (Eurodollar Rate / Base Rate) (bps)**
A+ / A1	6.0	44.0 / 0	69.0 / 0	94.0 / 0
A / A2	8.0	54.5 / 0	92.0 / 0	117.0 / 17.0
A- / A3	10.0	65.0 / 0	115.0 / 15.0	140.0 / 40.0
BBB+ / Baa1	12.5	87.5 / 0	137.5 / 37.5	187.5 / 87.5
‹ BBB+ / Baa1	15.0	135.0 / 35.0	185.0 / 85.0	235.0 / 135.0

Exhibit 31.1

Section 302 Certification

I, David J. Lesar, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2008 of Halliburton Company;

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

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

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

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

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

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

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

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

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

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

Date: July 25, 2008

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

Exhibit 31.2

Section 302 Certification

I, Mark A. McCollum, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2008 of Halliburton Company;

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

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

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

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

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

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

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

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

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

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

Date: July 25, 2008

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

Exhibit 32.1

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

This certification is provided pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. § 1350, and accompanies the Quarterly Report on Form 10-Q for the period ended June 30, 2008 of Halliburton Company (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report").

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

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

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

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

Date: July 25, 2008

Exhibit 32.2

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

This certification is provided pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. § 1350, and accompanies the Quarterly Report on Form 10-Q for the period ended June 30, 2008 of Halliburton Company (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report").

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

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

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

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

Date: July 25, 2008