HALLIBURTON CO
Form S-4
November 12, 2003

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 12, 2003

REGISTRATION NO. 333-

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

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

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

1401 MCKINNEY STREET, SUITE 2400
HOUSTON, TEXAS 77010
(713) 759-2600
(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

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

COPY TO:

DARRELL W. TAYLOR
BAKER BOTTS L.L.P.
910 LOUISIANA STREET
HOUSTON, TEXAS 77002-4995
(713) 229-1234

ANDREW M. BAKER
BAKER BOTTS L.L.P.
2001 ROSS AVENUE
DALLAS, TEXAS 75201-2980
(214) 953-6500

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

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

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

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

CALCULATION OF REGISTRATION FEE

| TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED | AMOUNT TO BE REGISTERED | PROPOSED MAXIMUM OFFERING PRICE PER UNIT(1) | PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1) |
|---|---|---|---|
| Senior Notes due 2005............. | $300,000,000 | 100% | $300,000,000 |
| 5 1/2% Senior Notes due 2010...... | $750,000,000 | 100% | $750,000,000 |
| Total...................................... | | | |

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(f) under the Securities Act of 1933, as amended.

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

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

SUBJECT TO COMPLETION, DATED NOVEMBER 12, 2003

PROSPECTUS

(HALLIBURTON LOGO)

$1,050,000,000

HALLIBURTON COMPANY

OFFER TO EXCHANGE

| REGISTERED | REGISTERED |
|---|---|
| SENIOR NOTES DUE OCTOBER 17, 2005 | 5 1/2% SENIOR NOTES DUE OCTOBER 15, 2010 |
| FOR ALL OUTSTANDING | FOR ALL OUTSTANDING |
| SENIOR NOTES DUE OCTOBER 17, 2005 | 5 1/2% SENIOR NOTES DUE OCTOBER 15, 2010 |

THE NEW NOTES:

- will be freely tradeable;

- are otherwise substantially identical to the outstanding notes;

- will accrue interest at the same rates as the outstanding notes of the same series, payable

  -- semiannually in arrears on each April 15 and October 15, beginning April 15, 2003, in the case of the 5 1/2% Senior Notes due October 15, 2010, and

  -- quarterly on each January 17, April 17, July 17 and October 17, beginning January 17, 2004, in the case of the Senior Notes due October 17, 2005;

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

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

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

THE EXCHANGE OFFER:

- expires at 5:00 p.m., New York City time, on, 200 , unless extended; and

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

IN ADDITION, YOU SHOULD NOTE THAT:

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

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

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

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

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

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

THE DATE OF THIS PROSPECTUS IS , 200 .

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

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FORWARD-LOOKING STATEMENTS

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

While it is not possible to identify all factors, we continue to face many risks and uncertainties that could cause actual results to differ from our forward-looking statements, including the risks described in "Risk Factors" and in our Annual Report on Form 10-K for the year ended December 31, 2002, our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2003, June 30,

2003 and September 30, 2003 and our Current Report on Form 8-K dated as of October 28, 2003.

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

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WHERE YOU CAN FIND MORE INFORMATION

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

The following documents are incorporated into this prospectus by this reference. They disclose important information that each holder should consider when deciding whether to execute the letter of transmittal and consent.

- Our Annual Report on Form 10-K for the fiscal year ended December 31, 2002;

- Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2003, June 30, 2003 and September 30, 2003; and

- Our Current Report on Form 8-K dated as of October 28, 2003.

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

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

Halliburton Company
1401 McKinney, Suite 2400
Houston, Texas 77010

Attention: Albert O. Cornelison, Jr.
Executive Vice President and General Counsel
Telephone: (713) 759-2600

To obtain timely delivery of any of our documents, you must make your request to us no later than , 200 . The exchange offer will expire at 5:00 p.m., New York City time, on , 200 . The exchange offer can be extended by us in our sole discretion, but we currently do not intend to extend the expiration date. See the caption "The Exchange Offer" for more detailed information.

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



## PROSPECTUS SUMMARY

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

## HALLIBURTON COMPANY

### GENERAL DESCRIPTION OF BUSINESS

We are one of the world's largest oilfield services companies and a leading provider of engineering and construction services. We had total revenues for the year ended December 31, 2002 of approximately $12.6 billion, and total revenues for the nine months ended September 30, 2003 of approximately $10.8 billion. We have five business segments that are organized around how we manage our business: Drilling and Formation Evaluation, Fluids, Production Optimization, Landmark and Other Energy Services and the Engineering and Construction Group. We sometimes refer to the combination of the Drilling and Formation Evaluation, Fluids, Production Optimization and Landmark and Other Energy Services segments as the Energy Services Group. Through our Energy Services Group, we provide a comprehensive range of discrete and integrated products and services for the exploration, development and production of oil and gas. We serve major national and independent oil and gas companies throughout the world. Our Engineering and Construction Group (known as KBR) provides a wide range of services to energy and industrial customers and governmental entities worldwide.

#### DRILLING AND FORMATION EVALUATION

Our Drilling and Formation Evaluation segment is primarily involved in drilling and evaluating the formations related to bore-hole construction and initial oil and gas formation evaluation. The products and services in this segment incorporate integrated technologies, which offer synergies related to drilling activities and data gathering. The segment consists of drilling services, including directional drilling and measurement-while-drilling/logging-while-drilling; logging services; and drill

bits. Included in this business segment are Sperry-Sun, logging and perforating and Security DBS. Also included is our Mono Pumps business, of which we disposed in the first quarter of 2003.

FLUIDS

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

PRODUCTION OPTIMIZATION

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

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

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



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

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

LANDMARK AND OTHER ENERGY SERVICES

Our Landmark and Other Energy Services segment provides integrated exploration and production software information systems, consulting services, real-time operations, smartwells and other integrated solutions. Included in this business segment are Landmark Graphics, integrated solutions, Real Time Operations and our equity method investment in WellDynamics B.V., an intelligent well completions joint venture. Also included are Wellstream, Bredero-Shaw and European Marine Contractors Ltd., all of which have been sold.

ENGINEERING AND CONSTRUCTION GROUP

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

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

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

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

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

- civil engineering, consulting and project management services.

PROPOSED SETTLEMENT

In December 2002, we reached an agreement in principle that, if and when consummated, would result in a settlement of asbestos and silica personal injury claims against our subsidiaries DII Industries, Kellogg Brown & Root, Inc. and their current and former subsidiaries with United States operations. Subsequently, during 2003, DII Industries and Kellogg Brown & Root entered into definitive written agreements finalizing the terms of the agreement in principle with attorneys representing more than 90% of the current asbestos and silica claimants.

The definitive agreements provide that:

- up to approximately $2.775 billion in cash, 59.5 million Halliburton shares (valued at $1.4 billion using the stock price at September 30, 2003 of $24.25 per share) and notes with a net present value of less than $100.0 million will be paid to one or more trusts for the benefit of current and future asbestos and silica personal injury claimants upon receiving final and non-appealable court confirmation of a plan of reorganization;

- DII Industries and Kellogg Brown & Root will retain rights to the first $2.3 billion of any insurance proceeds, with any proceeds received between $2.3 billion and $3.0 billion going to the trust;

- the agreement is to be implemented through a pre-packaged filing under Chapter 11 of the United States Bankruptcy Code for DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations; and



- the funding of the trusts would occur upon receiving final and non-appealable court confirmation of a plan of reorganization for DII Industries and Kellogg Brown & Root and some of their subsidiaries with United States operations in the Chapter 11 proceeding.

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



SUMMARY OF THE EXCHANGE OFFER

On October 17, 2003, we completed a private offering of $300.0 million of senior notes due October 17, 2005, which we refer to as the "outstanding floating rate notes," and $750.0 million of 5 1/2% senior notes due October 15, 2010, which we refer as the "outstanding 5 1/2% notes." Together, we refer to the outstanding floating rate notes and the outstanding 5 1/2% notes as the

"outstanding notes." We are now offering to exchange registered and freely tradeable notes with substantially identical terms as your outstanding notes in exchange for properly tendered outstanding notes.

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

| | |
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| The Exchange Offer........... | We are offering to issue to you:<br><br>- new registered senior notes due October 17, 2005 without transfer restrictions or registration rights in exchange for your outstanding unregistered senior notes due October 17, 2005, and<br><br>- new registered 5 1/2% senior notes due October 15, 2010 in exchange for your outstanding unregistered 5 1/2% senior notes due October 15, 2010. |
| Expiration Date............... | Unless sooner terminated, the exchange offer will expire at 5:00 p.m., New York City time, on ,200 , or at a later date and time to which we extend it. We do not currently intend to extend the expiration date. |
| Conditions to the Exchange Offer........................ | We will not be required to accept outstanding notes for exchange if the exchange offer would violate applicable law or if any legal action has been instituted or threatened that would impair our ability to proceed with the exchange offer. The exchange offer is not conditioned on any minimum aggregate principal amount of outstanding notes being tendered. The exchange offer is subject to customary conditions, which we may waive in our sole discretion. Please read the section "The Exchange Offer -- Conditions to the Exchange Offer" for more information regarding the conditions to the exchange offer. |
| Procedures for Tendering Outstanding Notes............ | If you wish to participate in the exchange offer, you must complete, sign and date the letter of transmittal and mail or deliver the letter of transmittal, together with your outstanding notes, to the exchange agent prior to the expiration date. If your outstanding notes are held through The Depository Trust Company, or DTC, you may deliver your outstanding notes by book-entry transfer.<br><br>In the alternative, if your outstanding notes are held through DTC and you wish to participate in the exchange offer, you may do so through the automated tender offer program of DTC. If you tender under this program, you |

will agree to be bound by the letter of transmittal that we are providing with this prospectus as though you had signed the letter of transmittal.



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

- you are not our "affiliate," as defined in Rule 405 of the Securities Act of 1933, or a broker-dealer tendering outstanding notes acquired directly from us for your own account;

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

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

- any new notes you receive will be acquired in the ordinary course of your business; and

- if you are a broker-dealer that will receive new notes in exchange for outstanding notes that you acquired for your own account as a result of market-making activities or other trading activities, you will deliver a prospectus, as required by law, in connection with any resale of any new notes.

Please see "The Exchange Offer -- Purpose and Effect of the Exchange Offer" and "The Exchange Offer -- Your Representations to Us."

Withdrawal Rights............. You may withdraw outstanding notes that have been tendered at any time prior to the expiration date by sending a written or facsimile withdrawal notice to the exchange agent.

Procedures for Beneficial Owners....................... Only a registered holder of the outstanding notes may tender in the exchange offer. If you beneficially own outstanding notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your outstanding notes in the exchange offer, you should promptly contact the registered holder and instruct it to tender the outstanding notes on your behalf.

If you wish to tender your outstanding notes on

| | |
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| | your own behalf, you must either arrange to have your outstanding notes registered in your name or obtain a properly completed bond power from the registered holder before completing and executing the letter of transmittal and delivering your outstanding notes. The transfer of registered ownership may take considerable time. |
| Guaranteed Delivery Procedures.................... | If you wish to tender your outstanding notes and cannot comply before the expiration date with the requirement to deliver the letter of transmittal and notes or use the applicable procedures under the automated tender offer program of DTC, you must tender your outstanding notes according to the guaranteed delivery procedures described in "The Exchange Offer -- Guaranteed Delivery Procedures." If you tender using the guaranteed delivery procedures, the exchange agent must receive the properly completed and executed letter of transmittal or facsimile thereof, together with your outstanding notes or a book-entry confirmation |



| | |
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| | and any other documents required by the letter of transmittal, within three New York Stock Exchange trading days after the expiration date. |
| Consequences of Failure to Exchange Your Notes........... | If you do not exchange your outstanding notes in the exchange offer, you will no longer be entitled to registration rights. You will not be able to offer or sell the outstanding notes unless they are later registered, sold pursuant to an exemption from registration or sold in a transaction not subject to the Securities Act or state securities laws. Other than in connection with the exchange offer or as specified in the registration rights agreement, we are not obligated to, nor do we currently anticipate that we will register the outstanding notes under the Securities Act. See "The Exchange Offer -- Consequences of Failure to Exchange." |
| U.S. Federal Income Tax Considerations................ | The exchange of new notes for outstanding notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes. Please read "Material United States Federal Income Tax Consequences." |
| Use of Proceeds............... | We will not receive any cash proceeds from the issuance of new notes. |
| Plan of Distribution.......... | All broker-dealers who receive new notes in the |

exchange offer have a prospectus delivery obligation.

Based on SEC no-action letters, broker-dealers who acquired the outstanding notes as a result of market-making or other trading activities may use this exchange offer prospectus, as supplemented or amended, in connection with the resales of the new notes. We have agreed to make this prospectus available to any broker-dealer delivering a prospectus as required by law in connection with resales of the notes for up to 180 days.

Broker-dealers who acquired the outstanding notes from us may not rely on SEC staff interpretations in no-action letters. Broker-dealers who acquired the outstanding notes from us must comply with the registration and prospectus delivery requirements of the Securities Act, including being named as selling noteholders, in order to resell the outstanding notes or the new notes.



THE EXCHANGE AGENT

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

JPMorgan Chase Bank
1-800-275-2048

For Delivery by Mail, Overnight Delivery or by Hand:

JPMorgan Chase Bank
600 Travis Suite 1150
Houston, Texas 77002
Attn: Frank McCreary

By Facsimile Transmission (for eligible institutions only):

713-577-5200

Attn: Frank McCreary

To Confirm Receipt:

713-216-4849



SUMMARY OF THE TERMS OF THE NEW NOTES

The new notes will be freely tradeable and otherwise substantially identical to the outstanding notes. The new notes will not have registration

rights. The new floating rate notes will evidence the same debt as the outstanding floating rate notes and the new 5 1/2% notes will evidence the same debt as the outstanding 5 1/2% notes. The outstanding notes and the new notes will be governed by the same indenture.

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| Issuer........................ | Halliburton Company. |
| New Notes Offered............ | $1,050,000,000 aggregate principal amount of registered senior notes in two series consisting of:<br><br>- $300,000,000 principal amount of new registered senior notes due October 17, 2005; and<br><br>- $750,000,000 principal amount of new registered 5 1/2% senior notes due October 15, 2010. |
| Maturity Dates................ | The new floating rate notes will mature on October 17, 2005. The new 5 1/2% notes will mature on October 15, 2010, unless earlier redeemed by us. |
| Interest and Interest Payment Dates........................ | The new floating rate notes will bear interest at a floating rate equal to three-month LIBOR plus 1.5%. Interest on the new floating rate notes will be payable quarterly on the 17th day of January, April, July and October of each year, beginning January 17, 2004.<br><br>The new 5 1/2% notes will bear interest at a rate of 5 1/2% per year. Interest on the new 5 1/2% notes will be payable on the 15th day of October and April of each year, beginning April 15, 2004. |
| Optional Redemption of 5 1/2% Notes........................ | At any time and from time to time, we have the option to redeem for cash all or a portion of the 5 1/2% notes that have not been previously repurchased at the redemption prices set forth in this prospectus, upon not less than 30 nor more than 60 days' notice before the redemption date by mail to the trustee and each holder of 5 1/2% notes, for a price equal to a make-whole amount, plus any accrued and unpaid interest and additional interest amounts owed, if any, to the redemption date. See "Description of New Notes -- Optional Redemption of 5 1/2% Notes." |
| Covenants.................... | We will issue the new notes under an indenture that contains covenants for your benefit. Among other things, these covenants restrict our ability to incur indebtedness secured by liens under specified circumstances without equally and ratably securing the new notes. |
| Ranking...................... | The new notes will be our general, senior unsecured indebtedness and will rank equally with all of our existing and future senior |

unsecured indebtedness. The new notes will effectively rank junior to any existing or future secured indebtedness, unless and to the extent the new notes are entitled to be equally and ratably secured. We had no outstanding secured indebtedness at September 30, 2003. In addition, the new notes will be effectively subordinated to the existing and future indebtedness and other liabilities of our subsidiaries. At September 30, 2003, the aggregate indebtedness of our subsidiaries was approximately $402.0 million, and other

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liabilities of our subsidiaries, including trade payables, accrued compensation, advanced billings, income taxes payable and other liabilities (other than asbestos and intercompany liabilities) were approximately $4.3 billion, and accrued asbestos liabilities were approximately $3.4 billion.

Subsequent to the end of third quarter 2003, we entered into (1) a $1.0 billion delayed-draw term facility to be available for cash funding of the trusts for the benefit of asbestos and silica claimants; (2) a master letter of credit facility intended to ensure that existing letters of credit supporting our contracts remain in place during the Chapter 11 filing; and (3) a $700.0 million three-year revolving credit facility for general working purposes. There are a number of conditions precedent that must be met before these facilities will be effective and available for our use, one of which is the Chapter 11 filing for DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations. See "Description of Settlement-Related Indebtedness." The terms of the new notes and the terms of the new credit facilities contemplate that the new notes offered hereby and certain of our outstanding debt securities will share in collateral pledged to secure borrowings under the new credit facilities if and when the total of all our secured debt exceeds 5% of the consolidated net tangible assets of Halliburton and its subsidiaries. The new credit facilities also provide that the collateral pledged to secure borrowings under the new credit facilities will be released after (1) completion of the Chapter 11 plan of reorganization of DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations, which will be used to implement the proposed settlement, and (2) satisfaction of the other conditions described in "Description of Settlement-Related Indebtedness -- Conditions to Release of Collateral."

| | |
|---|---|
| No Subsidiary Guarantees...... | While the new notes will not be guaranteed by any of our subsidiaries, borrowings under the letter of credit facility and revolving credit facility described under "-- Ranking" above will be guaranteed by some of our subsidiaries. Accordingly, the new notes will be structurally subordinated to the debt guaranteed by our subsidiaries for the duration of the guarantee. The terms of the new credit facilities provide that any of these subsidiary guarantees will be released after (1) completion of the Chapter 11 plan of reorganization of DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations, which will be used to implement the proposed settlement, and (2) satisfaction of the other conditions described in "Description of Settlement-Related Indebtedness -- Conditions to Release of Collateral." |
| Governing Law................. | The indenture is and the new notes will be governed by, and construed in accordance with, the laws of the State of New York. |
| Trustee....................... | JPMorgan Chase Bank. |



RISK FACTORS

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



SUMMARY FINANCIAL DATA

The following table sets forth our summary consolidated financial data. We derived the financial data for the nine months ended September 30, 2003 from our unaudited condensed consolidated financial statements included in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2003. In the second quarter 2003, we restructured our Energy Services Group into four segments and restated our prior period segment results to reflect this restructuring. We derived the financial data for the year ended December 31, 2002 from our Current Report on Form 8-K dated as of October 28, 2003 which supplements our Annual Report on Form 10-K for the year ended December 31, 2002. Both of these reports are incorporated in this prospectus by reference. You should read this information in conjunction with our consolidated financial statements and the related notes.

| | NINE MONTHS ENDED SEPTEMBER 30, 2003 | YEAR ENDED DECEMBER 31, 2002 |
|---|---|---|

| | (IN MILLIONS) (UNAUDITED) | |
|---|---|---|
| REVENUES: | | |
| Energy Services Group: | | |
| Drilling and Formation Evaluation | $ 1,226 | $ 1,633 |
| Fluids | 1,508 | 1,815 |
| Production Optimization | 2,052 | 2,554 |
| Landmark and Other Energy Services | 410 | 834 |
| Total Energy Services Group | 5,196 | 6,836 |
| Engineering and Construction Group | 5,611 | 5,736 |
| Total | $10,807 | $12,572 |
| OPERATING INCOME (LOSS): | | |
| Energy Services Group: | | |
| Drilling and Formation Evaluation | $ 160 | $ 160 |
| Fluids | 178 | 202 |
| Production Optimization | 305 | 384 |
| Landmark and Other Energy Services | (58) | (108) |
| Total Energy Services Group | 585 | 638 |
| Engineering and Construction Group | (118) | (685) |
| General corporate | (50) | (65) |
| Total | $ 417 | $ (112) |
| Income (loss) from continuing operations before income taxes and minority interest | $ 352 | $ (228) |
| Provision for income taxes | (142) | (80) |
| Minority interest in net income of consolidated subsidiaries, net of tax | (17) | (38) |
| Income (loss) from continuing operations, net | 193 | (346) |
| Loss from discontinued operations, net of tax | (58) | (652) |
| Net income (loss) | 127 | (998) |
| OTHER FINANCIAL DATA: | | |
| Capital expenditures | $ (371) | $ (764) |
| Long-term borrowings (repayments), net | 887 | (15) |
| Depreciation and amortization expense | 384 | 505 |



| | SEPTEMBER 30, 2003 | DECEMBER 31, 2002 |
|---|---|---|
| | (IN MILLIONS) (UNAUDITED) | |
| FINANCIAL POSITION: | | |
| Net working capital | $ 3,525 | $ 2,288 |
| Total assets | 13,776 | 12,844 |
| Property, plant and equipment, net | 2,504 | 2,629 |
| Long-term debt (including current maturities) | 2,389 | 1,476 |
| Shareholders' equity | 3,577 | 3,558 |
| Total capitalization and short-term debt | 5,989 | 5,083 |

RATIO OF EARNINGS TO FIXED CHARGES

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

| NINE MONTHS ENDED SEPTEMBER 30, 2003 | YEARS ENDED DECEMBER 31, 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|
| 4.2 | --(a) | 5.2 | 2.3 | 2.4 | --(a) |

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(a) For the year ended December 31, 2002, earnings were inadequate to cover fixed charges by $283.0 million, and for the year ended December 31, 1998, earnings were inadequate to cover fixed charges by $6.0 million.

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

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RISK FACTORS

You should carefully consider the risks described below before participating in the exchange offer. If any of the following risks actually occurs, our business, financial condition or results of operations could be materially and adversely affected. In that case, the trading price of the new notes could decline, and you could lose all or part of your investment. You should also carefully consider all information we have included or incorporated by reference into this prospectus, including, but not limited to, our Annual Report on Form 10-K for the year ended December 31, 2002, our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2003, June 30, 2003 and September 30, 2003 and our Current Report on Form 8-K dated as of October 28, 2003.

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

RISKS RELATING TO ASBESTOS AND SILICA LIABILITY

THERE CAN BE NO ASSURANCE THAT THE PROPOSED SETTLEMENT WILL BE COMPLETED.

In December 2002, we reached an agreement in principle that, if and when consummated, would result in a settlement of asbestos and silica personal injury claims against our subsidiaries DII Industries, Kellogg Brown & Root and their current and former subsidiaries with United States operations. Subsequently,

during 2003, DII Industries and Kellogg Brown & Root entered into definitive written agreements finalizing the terms of the agreements in principle with attorneys representing more than 90% of the current asbestos and silica claimants.

WE MAY BE UNABLE TO FULFILL THE CONDITIONS NECESSARY TO COMPLETE THE PROPOSED SETTLEMENT.

Among the prerequisites for concluding the proposed settlement are:

- completion of our review of the current claims to establish that the claimed injuries resulted from exposure to products of DII Industries, Kellogg Brown & Root or their subsidiaries or former businesses or subsidiaries (Product ID due diligence);

- completion of our medical review of the injuries alleged to have been sustained by plaintiffs to establish a medical basis for payment of settlement amounts;

- continued availability of financing, in addition to the proceeds of our recent offerings of $1.2 billion principal amount of convertible senior notes and $1.05 billion principal amount of senior debt securities, for the proposed settlement on terms acceptable to us in order to allow us to fund the cash amounts to be paid in the settlement;

- obtaining approval of a plan of reorganization from at least the required 75% of known present asbestos claimants and from a majority of known present silica claimants in order to complete the plan of reorganization;

- Halliburton board approval; and

- obtaining final and non-appealable bankruptcy court approval and federal district court confirmation of the plan of reorganization.

Many of these prerequisites are subject to matters and uncertainties beyond our control. There can be no assurance that we will be able to satisfy the prerequisites for completion of the settlement.

In September 2003, DII Industries, Kellogg Brown & Root and other affected Halliburton subsidiaries began the solicitation process in connection with the planned asbestos and silica settlement. A disclosure statement, which incorporates and describes the Chapter 11 plan of reorganization and trust



distribution procedures, has been mailed to asbestos and silica claimants for the purpose of soliciting votes to approve the plan of reorganization prior to filing a Chapter 11 proceeding.

As a result of an increase in the estimated number of current asbestos claims, our estimate of the aggregate value of all claims before due diligence considerations is $3.085 billion. In early November 2003, we reached an agreement in principle to limit the cash required to settle pending asbestos and silica claims currently subject to definitive agreements to $2.775 billion. Under the agreement in principle, if at the completion of medical due diligence for current claims, the cash amounts provided under the current settlement agreements is greater than $2.775 billion, the total cash payment to each claimant would be reduced pro rata

so that the aggregate of payments would not exceed $2.775 billion.

DII Industries, Kellogg Brown & Root and our other affected subsidiaries are preparing a supplement to the disclosure statement mailed in late September for circulation to known current claimants for the purpose of soliciting acceptances of a revised plan of reorganization that incorporates the revised terms to effect the agreement in principle. The additional time needed to solicit acceptances to the revised plan of reorganization will likely delay any Chapter 11 filing until sometime in December, assuming that the necessary acceptances are promptly received and the remaining product identification due diligence is timely provided.

The terms of this revised settlement still must be approved by 75% of known present asbestos claimants. Despite reaching the agreement in principle, there can be no assurance that such approval will be obtained, that all members of the asbestos claimants committee and other lawyers representing affected claimants will support the revised settlement or that claimants represented by members of the asbestos claimants committee and other affected claimants will vote in favor of the revised plan of reorganization.

The agreement in principle is conditioned on a Chapter 11 filing on or before December 31, 2003, and there can be no assurance that a Chapter 11 filing can be made on or before that date. If a Chapter 11 filing is not made on or before December 31, 2003, the agreement in principle will terminate, and there can be no assurance that the proposed settlement can proceed as proposed. Even if the proposed settlement does proceed after December 31, 2003, there can be no assurance that the cash required to settle pending asbestos and silica claims will not increase to at least $3.085 billion.

THE ATTORNEYS REPRESENTING THE CURRENT ASBESTOS CLAIMANTS MAY TERMINATE THE SETTLEMENT AGREEMENTS.

The settlement agreements with attorneys representing current asbestos claimants grants the attorneys a right to terminate their definitive agreement on ten days' notice. While no right to terminate any settlement agreement has been exercised to date, there can be no assurance that claimants' attorneys will not exercise their right to terminate the settlement agreements.

THE STAY ON PENDING ASBESTOS CLAIMS AGAINST DII INDUSTRIES IN THE HARBISON-WALKER BANKRUPTCY HAS EXPIRED, AND WE MAY BE MATERIALLY AND ADVERSELY AFFECTED.

In July 2003, we also reached agreement with Harbison-Walker and the asbestos creditors committee in the Harbison-Walker bankruptcy to consensually extend the period of the stay contained in the bankruptcy court's temporary restraining order until September 30, 2003. The court's temporary restraining order, which was originally entered on February 14, 2002, stayed more than 200,000 pending asbestos claims against DII Industries. The stay expired by its terms on September 30, 2003. Discovery on the claims was stayed until November 1, 2003. Trials on any of the claims that had previously been stayed may commence after January 1, 2004. Notwithstanding the expiration of the stay, all asbestos and silica claims against DII Industries will be stayed automatically if a Chapter 11 filing is made by DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations.

It is unclear what effect, if any, the lifting of the stay in the Harbison-Walker bankruptcy proceedings will have on our financial condition. There can be no assurance that our stock price, our debt ratings or the trading price of the new notes will not be materially and adversely affected by the expiration of the stay and the anticipated discovery requests and trial settings with respect to asbestos claims against DII Industries that may be filed prior to the Chapter 11 bankruptcy filing of DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations.

IF PROPOSED FEDERAL LEGISLATION TO PROVIDE NATIONAL ASBESTOS LITIGATION REFORM BECOMES LAW, WE MAY NOT PROCEED WITH THE PROPOSED SETTLEMENT.

We continue to track legislative proposals for asbestos reform pending in the U.S. Congress. While Halliburton's management intends to recommend to its Board that Halliburton pursue the proposed settlement in lieu of possible legislation, in determining whether to approve the proposed settlement and proceed with the Chapter 11 filing of DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations, the Halliburton Board of Directors will take into account the then-current status of these legislative initiatives.

If we were unable to complete the proposed settlement for any of the above-described reasons, we would be required to resolve current and future asbestos and silica claims in the tort system or, in the case of Harbison-Walker claims, possibly through the Harbison-Walker bankruptcy proceedings. See "-- In the absence of a completed settlement, we would be required to resolve current and future asbestos and silica claims in the tort system, which may adversely affect our financial condition" below.

IN THE ABSENCE OF A COMPLETED SETTLEMENT, WE WOULD BE REQUIRED TO RESOLVE CURRENT AND FUTURE ASBESTOS AND SILICA CLAIMS IN THE TORT SYSTEM, WHICH MAY ADVERSELY AFFECT OUR FINANCIAL CONDITION.

If we were unable to complete the proposed settlement, we would be required to resolve current and future asbestos claims in the tort system or, in the case of Harbison-Walker claims, possibly through the Harbison-Walker bankruptcy proceedings. If we were required to resolve asbestos claims in the tort system, we would be subject to numerous uncertainties, including:

- continuing asbestos and silica litigation against us, which would include the possibility of substantial adverse judgments, the timing of which could not be controlled or predicted, and the obligation to provide appeals bonds pending any appeal of any such judgment, some or all of which may require us to post cash collateral;

- current and future asbestos claims settlement and defense costs, including the inability to completely control the timing of such costs and the possibility of increased costs to resolve personal injury claims;

- the possibility of an increase in the number and type of asbestos and silica claims against us in the future; and

- any adverse changes to the tort system allowing additional claims or judgments against us.

In addition, we believe that Harbison-Walker, formerly part of DII Industries, is no longer financially able to perform its obligations to assume liability for post spin-off refractory claims and defend DII Industries from those claims. As such, these claims may be asserted against DII Industries. There can be no assurance that our financial condition and results of operation would not be materially and adversely affected by events subsequent to an

unconsummated settlement.

Substantial adverse judgments or substantial claims settlement and defense costs could materially and adversely affect our liquidity, especially if combined with a lowering of our credit ratings or other events. If an adverse judgment were entered against us, we would usually be required to post a bond in order to perfect an appeal of that judgment. If the bonds were not available because of uncertainties in the bonding market or if, as a result of our financial condition or credit rating, bonding companies would not provide a bond on our behalf, we would be required to provide a cash bond in order to perfect any appeal. As a result, a substantial



judgment or judgments could require a substantial amount of cash to be posted by us in order to appeal, which we may not be able to provide from cash on hand or borrowings, or which we may only be able to provide by incurring high borrowing costs. In such event, our ability to pursue our legal rights to appeal may be adversely affected.

There can be no assurance that our stock price, our debt ratings or the trading price of the new notes would not be materially and adversely affected by the absence of a completed settlement.

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

Our proposed settlement of asbestos and silica claims would include all asbestos and silica personal injury claims against DII Industries, Kellogg Brown & Root and their current and former subsidiaries, as well as Halliburton and its subsidiaries and the predecessors and successors of all of them. However, the proposed settlement would be subject to bankruptcy court approval as well as federal district court confirmation. No assurance can be given that a court reviewing and approving the plan of reorganization that will be used to implement the proposed settlement will grant relief as broad as contemplated by the proposed settlement.

In addition, a Chapter 11 proceeding and an injunction under Section 524(g) of the United States Bankruptcy Code may not apply to protect against asbestos claims made outside of the United States. While we have historically not received a significant number of such claims, any such future claims would be subject to the applicable legal system of the jurisdiction where the claim was made. Although we do not believe that we have material exposure to such claims, there can be no assurance that material claims outside of the United States would not be made in the future. Further, to our knowledge, the constitutionality of an injunction under Section 524(g) of the United States Bankruptcy Code has not been tested in a court of law. We can provide no assurance that, if the constitutionality is challenged, the injunction would be upheld.

Moreover, the proposed settlement does not resolve claims for property damage as a result of materials containing asbestos. Accordingly, although we have historically received no such claims, claims could still be made as to damage to property or property value as a result of asbestos containing products having been used in a particular property or structure.

WE MAY BE UNABLE TO RECOVER, OR BE DELAYED IN RECOVERING, INSURANCE RECEIVABLES, WHICH WOULD ADVERSELY AFFECT OUR FINANCIAL CONDITION.

We have substantial insurance intended to reimburse us for portions of the

costs incurred in defending asbestos and silica claims and amounts paid to settle claims and to satisfy court judgments. We had accrued $2.1 billion in probable insurance recoveries as of September 30, 2003. We may be unable to recover, or we may be delayed in recovering, insurance reimbursements in the amounts anticipated to cover a part of the costs incurred in defending asbestos and silica claims and amounts paid to settle claims or as a result of court judgments due to:

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

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

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

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

- the cost of litigation to obtain insurance reimbursement; and

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

In the case of the proposed settlement, we could be required to contribute approximately $2.775 billion in cash, but may be delayed in receiving our expected reimbursement from our insurance carriers because of extended negotiations or litigation with insurance carriers. If we were unable to recover from one or more of



our insurance carriers, or if we were delayed significantly in our recoveries, it could have a material adverse effect on our financial condition.

We may ultimately recover, or may agree in settlement of litigation to recover, less insurance reimbursement than the insurance receivable recorded in our financial statements. In addition, we may enter into agreements with all or some of our insurance carriers to negotiate an overall accelerated payment of anticipated insurance proceeds. In either of these circumstances, we would expect to recover less than the recorded amount of anticipated insurance receivables, which would result in an additional charge to the statement of operations.

THERE IS NO ASSURANCE THAT THE PLAN OF REORGANIZATION IN THE PROPOSED CHAPTER 11 PROCEEDINGS OF DII INDUSTRIES, KELLOGG BROWN & ROOT AND SOME OF THEIR SUBSIDIARIES WITH UNITED STATES OPERATIONS WILL BE CONFIRMED.

Under the terms of the proposed settlement, the settlement would be implemented through a pre-packaged Chapter 11 filing for DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations. As part of any proposed plan of reorganization, the debtors intend to seek approval of the bankruptcy court for debtor-in-possession financing to provide for operating needs and to provide additional liquidity during the Chapter 11 proceeding. Halliburton intends, with the understanding of its lenders, to provide the debtor-in-possession financing to DII Industries and Kellogg Brown & Root. Arranging for debtor-in-possession financing is a condition precedent to the filing of a Chapter 11 proceeding, and the bankruptcy court must approve any such financing in order for the proposed settlement to be feasible.

After filing any Chapter 11 proceeding, DII Industries, Kellogg Brown &

Root and some of their subsidiaries with United States operations (referred to collectively as the debtors) would seek an order of the bankruptcy court scheduling a hearing to consider confirmation of the plan of reorganization. In order to be confirmed, the United States Bankruptcy Code requires that impaired classes of creditors vote to accept the plan of reorganization submitted by the debtors. In order to carry a class, approval of over one-half in number and at least two-thirds in amount are required. In addition, to obtain an injunction under Section 524(g) of the United States Bankruptcy Code, at least 75% of voting current asbestos claimants must vote to accept the plan of reorganization. In addition to obtaining the required votes, the requirements for a bankruptcy court to approve a plan of reorganization include, among other judicial findings, that:

- the plan of reorganization complies with applicable provisions of the Bankruptcy Code;

- the debtors have complied with the applicable provisions of the Bankruptcy Code;

- the trusts will value and pay similar present and future claims in substantially the same manner;

- the plan of reorganization has been proposed in good faith and not by any means forbidden by law; and

- any payment made or promised by the debtors to any person for services, costs or expenses in or in connection with the Chapter 11 proceeding or the plan of reorganization has been or is reasonable.

There can be no assurance that we will obtain the required votes or the required judicial approval to the proposed plan of reorganization. In such event, a prolonged Chapter 11 proceeding could adversely affect the debtors' relationships with customers, suppliers and employees, which in turn could adversely affect the debtors' competitive position, financial condition and results of operations. A weakening of the debtors' financial condition and results of operations could adversely affect the debtors' ability to implement the plan of reorganization.

In addition, if the plan of reorganization is not confirmed by the bankruptcy court, the debtors may be forced to liquidate their assets. Chapter 11 permits a company to remain in control of its business, protected by a stay of all creditor action, while the company attempts to negotiate and confirm a plan of reorganization with its creditors. The debtors may be unsuccessful in their attempts to confirm a plan of reorganization with their creditors, as many Chapter 11 cases are unsuccessful and virtually all involve substantial expense and damage to the business. If the debtors are unsuccessful in obtaining confirmation of a plan or reorganization,



the assets of the debtors will be liquidated in the bankruptcy proceedings. In the event of a bankruptcy liquidation of the debtors, Halliburton could lose its controlling interest in DII Industries and Kellogg Brown & Root. As a result, the value of those subsidiaries would no longer be reflected in our common stock. Moreover, if the plan of reorganization is not confirmed and the debtors have insufficient assets to pay the creditors, Halliburton's assets could be drawn into the liquidation proceedings as a result of Halliburton's guarantees of certain of the debtors' obligations.

Our agreement in principle reached in early November 2003 provides that of the cash amount included as part of the proposed settlement, two-thirds of approximately $486.0 million, or $326.0 million, of the $2.775 billion cash

amount will be paid on the earlier of (a) five days prior to the anticipated Chapter 11 filing by the affected Halliburton subsidiaries and (b) December 31, 2003, so long as product identification due diligence information on those claims has been timely provided and we believe that a satisfactory number of claimants have provided acceptances to the proposed plan of reorganization prior to time for payment. Subject to proration, the remaining one-third of these claims will be guaranteed by Halliburton and paid on the earlier of (x) six months after a Chapter 11 filing and (y) the date on which the order confirming the proposed plan of reorganization becomes final and non-appealable. As such, under the agreement in principle, we may pay $326.0 million prior to the Chapter 11 filing and we may not be entitled to reimbursement for that payment in the event the proposed settlement is abandoned or the proposed plan of reorganization is not confirmed.

THERE CAN BE NO ASSURANCE THAT WE WILL BE ABLE TO FINANCE THE PROPOSED SETTLEMENT ON ACCEPTABLE TERMS, IN WHICH CASE THE SETTLEMENT WOULD NOT BE COMPLETED.

The plan of reorganization through which the proposed settlement will be implemented will require us to contribute approximately $2.775 billion in cash to the trusts established for the benefit of asbestos and silica claimants pursuant to the United States Bankruptcy Code, which we will need to finance on terms acceptable to us. In June 2003, we completed a private offering of $1.2 billion principal amount of 3 1/8% convertible senior notes due 2023, and in October 2003 we completed the private offering of $1.05 billion of the outstanding notes. We intend to use a substantial portion of the net proceeds from those offerings to finance a portion of the cash contribution required by the proposed settlement. In addition, we are pursuing a number of financing alternatives for the additional cash amount needed for contribution to the trusts. The availability of these alternatives depends in large part on market conditions.

Subsequent to the end of third quarter 2003, we entered into (1) a $1.0 billion delayed-draw term facility to be available for cash funding of the trusts for the benefit of asbestos and silica claimants; (2) a master letter of credit facility intended to ensure that existing letters of credit supporting our contracts remain in place during the Chapter 11 filing; and (3) a $700.0 million three-year revolving credit facility for general working purposes. There are a number of conditions precedent that must be met before these facilities will be effective and available for our use, one of which is the Chapter 11 filing for DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations. Moreover, these facilities are only available for limited periods of time. As a result, if the debtors were delayed in filing the Chapter 11 proceeding or delayed in completing the plan of reorganization after a Chapter 11 filing, these credit facilities may not provide us with the necessary financing to complete the proposed settlement. Additionally, there may be other conditions precedent to funding that we may be unable to satisfy. In such circumstances, we would have to terminate the proposed settlement if replacement financing were not available on acceptable terms.

In addition, we may experience increased working capital requirements from time to time associated with our business. An increased demand for working capital could affect our liquidity needs and could impair our ability to finance the proposed settlement on acceptable terms, in which case the settlement would not be completed.

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A LOWERING OF OUR CREDIT RATINGS WOULD REQUIRE US TO OBTAIN ADDITIONAL CREDIT FACILITIES TO MEET OUR CASH REQUIREMENTS AND LIQUIDITY NEEDS, WOULD INCREASE OUR BORROWING COST AND MAY RESULT IN OUR INABILITY TO OBTAIN ADDITIONAL

FINANCING ON REASONABLE TERMS, TERMS ACCEPTABLE TO US OR AT ALL.

Late in 2001 and early in 2002, Moody's Investors Services lowered its ratings of our long-term senior unsecured debt to Baa2 and our short-term credit and commercial paper ratings to P-2. In addition, Standard & Poor's rating service of the McGraw Hill Companies lowered its ratings of our long-term senior unsecured debt to A- and our short-term credit and commercial paper ratings to A-2 in late 2001. In December 2002, Standard & Poor's lowered these ratings to BBB and A-3. These ratings were lowered primarily due to our asbestos exposure, and both agencies have indicated that our credit ratings remain under consideration for possible downgrade pending the results of the proposed settlement. Although our long-term ratings continue at investment grade levels, the cost of new borrowing is relatively higher and our access to the debt markets is more volatile at these rating levels. Investment grade ratings are BBB -- or higher for Standard & Poor's and Baa3 or higher for Moody's. Our current ratings are one level above BBB -- on Standard & Poor's and one level above Baa3 on Moody's.

We have $350.0 million of committed lines of credit from banks that are available if we maintain an investment grade rating. This facility expires on August 16, 2006. As of September 30, 2003, no amounts have been borrowed under these lines. If our credit ratings were to fall below investment grade, our credit line would be unavailable absent a successful renegotiation with our banks. We must enter into good faith negotiations to amend our receivables securitization facility when and if our existing credit facility is terminated. Our existing credit facility will not be terminated until shortly before the anticipated effectiveness of the new Revolving Credit Facility. See "Description of Settlement-Related Indebtedness." Absent an agreed amendment within 60 days of termination of our existing facility, amounts outstanding thereunder would be declared due and payable.

If our debt ratings fall below investment grade, we would also be in technical breach of a bank agreement covering $42.0 million of letters of credit at September 30, 2003, which might entitle the bank to set-off rights. In addition, a $151.0 million letter of credit line, of which the entire amount has been issued as of September 30, 2003, includes provisions that allow the banks to require cash collateralization for the full line if debt ratings of either rating agency fall below the rating of BBB by Standard & Poor's or Baa2 by Moody's, one downgrade from our current ratings. These letters of credit and bank guarantees generally relate to our guaranteed performance or retention payments under our long-term contracts and self-insurance. In addition, our elective deferral plan has a provision which states that if the Standard & Poor's credit rating falls below BBB the amounts credited to participants' accounts will be paid to participants in a lump-sum within 45 days. At September 30, 2003, this amount was approximately $49.0 million.

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

WE HAVE LETTERS OF CREDIT THAT MAY BE DRAWN AT ANY TIME OR AS A RESULT OF THE CONTEMPLATED CHAPTER 11 PROCEEDINGS OF DII INDUSTRIES AND KELLOGG BROWN & ROOT AND SOME OF THEIR SUBSIDIARIES WITH UNITED STATES OPERATIONS.

In the normal course of business, we have agreements with banks under which approximately $1.3 billion of letters of credit or bank guarantees were issued, including at least $267.0 million which relate to our joint ventures' operations as of September 30, 2003. The agreements with these banks contain terms and conditions that define when the banks can require cash collateralization of the entire line. As of September 30, 2003, agreements with banks covering at least $150.0 million of letters of credit allow the



bank to require cash collateralization for any reason, and agreements covering another at least $890.0 million of letters of credit allow the bank to require cash collateralization for the entire line in the event of a bankruptcy or insolvency event involving one of our subsidiaries that will be party to the proposed Chapter 11 bankruptcy proceedings.

Our letters of credit also contain terms and conditions that define when they may be drawn. As of September 30, 2003, at least $230.0 million of letters of credit permit the beneficiary of such letters of credit to draw for any reason, and at least another $560.0 million of letters of credit permit the beneficiary of such letters of credit to draw in the event of a bankruptcy or insolvency event involving one of our subsidiaries that will be party to the proposed reorganization proceedings.

In addition, agreements with banks under which $266.0 million of letters of credit as of September 30, 2003 have been issued on the Barracuda-Caratinga project includes provisions that require us to maintain ratios of debt to total capital and of total earnings before interest, taxes, depreciation and amortization to interest expense. The definition of debt includes our asbestos liability. The definition of total earnings before interest, taxes, depreciation and amortization excludes any non-cash charges related to the proposed settlement through December 31, 2003.

As such, requirements for us to cash collateralize letters of credit and surety bonds by issuers and beneficiaries of these instruments could be caused by:

- our plans to place DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations into a pre-packaged Chapter 11 proceeding as part of the proposed settlement;

- in the absence of the proposed settlement, one or more substantial adverse judgments;

- not being able to recover on a timely basis insurance reimbursement; or

- a reduction in credit ratings.

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

We entered into a master letter of credit facility subsequent to the end of the third quarter of 2003 that is intended to replace any cash collateralization rights of issuers of substantially all our existing letters of credit during the pendency of the anticipated Chapter 11 proceedings by DII Industries and Kellogg Brown & Root and some of their subsidiaries with United States operations. See "Description of Settlement-Related Indebtedness." If the conditions for effectiveness of the master letter of credit facility are met, the master letter of credit facility will also provide collateral for issuers of our existing letters of credit if such letters of credit are drawn during the bankruptcy and

the bank issuing the letter of credit provides cash to collateralize or reimburse for such draws, the letter of credit facility will provide the cash needed for such draws, with any borrowings being converted into term loans. Although this master letter of credit facility has been signed, there are a number of condition precedents that must be met before the facility is effective and available for our use. If we were required to cash collateralize letters of credit prior to the facility becoming effective, we would be required to use cash on hand or existing credit facilities. Substantial cash collateralization requirements prior to the new master letter of credit facility becoming effective may have a material adverse effect on our financial condition.

THE ANTICIPATED CHAPTER 11 FILING OF SOME OF OUR SUBSIDIARIES AND THE PROPOSED SETTLEMENT COULD CAUSE A DEFAULT UNDER OUR DEBT DOCUMENTS AND THE DEBT DOCUMENTS OF OUR SUBSIDIARIES INVOLVED IN THE BANKRUPTCY PROCEEDING.

Some of the credit agreements and indentures to which we and our subsidiaries are party, including the letters of credit relating to the Barracuda-Caratinga project, contain default provisions that may be triggered by the anticipated Chapter 11 filing of some of our material subsidiaries or the proposed settlement and the consequences therefrom. We have obtained consents or amendments to eliminate possible events of default for in excess of 90% of the material agreements relating to letters of credit. There can be no assurance that we



will obtain consents or amendments for the remaining letters of credit or other credit agreements. If we are unable to obtain these consents or amendments, a default may occur under some of these debt instruments, which, unless waived, may trigger an obligation to immediately pay any amounts due thereunder or cause the facility to terminate. Certain defaults could, in turn, cause a default under other of our or our subsidiaries' debt instruments. A default on some of our or our subsidiaries' indebtedness could adversely affect our credit rating. The acceleration of a substantial amount of our debt or the reduction in our debt's credit ratings may adversely affect our financial condition and our ability to finance the proposed settlement.

THE ANTICIPATED CHAPTER 11 FILING OF SOME OF OUR SUBSIDIARIES MAY NEGATIVELY AFFECT THEIR ABILITY TO OBTAIN NEW BUSINESS IN THE FUTURE AND CONSEQUENTLY MAY HAVE A NEGATIVE IMPACT ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Because Halliburton's financial condition and its results of operations depend on distributions from its subsidiaries, the anticipated Chapter 11 filing of some of them, including DII Industries and Kellogg Brown & Root, may have a negative impact on Halliburton's cash flow and distributions from those subsidiaries. For example, a Chapter 11 filing may adversely affect the ability of our subsidiaries in Chapter 11 proceedings to obtain new orders from current or prospective customers. In addition, as a result of the proposed Chapter 11 proceeding, some current and prospective customers, suppliers and other vendors may assume that our subsidiaries are financially weak and will be unable to honor obligations, making those customers, suppliers and other vendors reluctant to do business with our subsidiaries. In particular, some governments may be unwilling to conduct business with a subsidiary in Chapter 11 or having recently filed a Chapter 11 proceeding. The Chapter 11 proceeding also may affect adversely their ability to negotiate favorable terms with customers, suppliers and other vendors. DII Industries' and Kellogg Brown & Root's financial condition and results of operations could be materially and adversely affected if they cannot attract customers, suppliers and other vendors or obtain favorable terms from customers, suppliers or other vendors. Consequently, our financial condition and results of operations could be adversely affected.

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

FEDERAL BANKRUPTCY LAW AND STATE STATUTES MAY, UNDER SPECIFIC CIRCUMSTANCES, VOID PAYMENTS MADE BY OUR SUBSIDIARIES TO US AND VOID PRINCIPAL AND INTEREST PAYMENTS MADE BY US TO YOU ON THE NOTES AND YOU MAY BE FORCED TO RETURN SUCH PAYMENTS.

Under federal bankruptcy law and various state fraudulent transfer laws, payments and distributions made by DII Industries to us prior to its Chapter 11 filing could, under specific circumstances, be voided as preferential transfers if such payments or distributions occur up to one year prior to DII Industries' Chapter 11 filing. Since we rely primarily on dividends from our subsidiaries and other intercompany transactions to meet our obligations for payment of principal and interest on our outstanding debt obligations, any voidance of such payments by our subsidiaries to us could limit our ability to make principal and interest payments on the new notes. The use of payments made by DII Industries to us for the purpose of making principal and interest payments to you on the new notes during the period of 90 days prior to DII Industries' Chapter 11 filing can also be similarly voided. If the principal and interest payments made by us to you on the new notes are voided, a court may require you to return the payments that you have received from us on the new notes. Dividend payments from DII Industries to us could also, under specific circumstances, be voided as illegal dividends, fraudulent transfers or conveyances to the extent that a court determines that DII Industries was insolvent at the time these dividend payments were made. Furthermore, during the DII Industries Chapter 11 proceeding, DII Industries likely would be unable to make any dividend or other payments to us. The occurrence of these events may severely limit our ability to meet our obligations for payment of principal and interest on the new notes.



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

Under the terms of the proposed settlement, we plan to implement a pre-packaged Chapter 11 plan of reorganization for DII Industries and other of our subsidiaries with United States operations. Currently, Halliburton Energy Services, Inc. is a wholly owned subsidiary of DII Industries. As part of the plan of reorganization, prior to its Chapter 11 filing, DII Industries intends to distribute to Halliburton all of the capital stock of Halliburton Energy Services, after which DII Industries will be a wholly owned subsidiary of Halliburton Energy Services.

While we expect that asbestos and silica claimants will approve the plan of reorganization, which includes the distribution of Halliburton Energy Services stock by DII Industries to Halliburton, another creditor of DII Industries could claim that the transfer of Halliburton Energy Services stock to Halliburton by DII Industries prior to the Chapter 11 filing constitutes a fraudulent transfer. While we are obtaining legal advice and solvency opinions that would support a conclusion that the distribution does not constitute a fraudulent transfer, if a court were to determine that the distribution of Halliburton Energy Services stock by DII Industries to Halliburton constituted a fraudulent transfer, then Halliburton Energy Services may be required to remain a subsidiary of DII

Industries or we may be required to pay the creditor the lesser of the relevant value of (1) the avoided transfer (in this case the value of the Halliburton Energy Services stock) or obligation and (2) the amount necessary to satisfy the claims of the creditors. Due to bankruptcy rules which would be applicable to DII Industries in the event of a Chapter 11 proceeding and that would limit or prohibit the payment of dividends or other distributions by DII Industries and its subsidiaries (including Halliburton Energy Services), if Halliburton Energy Services were to remain a subsidiary of DII Industries, we would effectively be prohibited from receiving funds from Halliburton Energy Services during any period of time in which DII Industries is in Chapter 11 proceedings. The occurrence of this event could severely limit our ability to meet our obligations for payment of principal and interest on the new notes.

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

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

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

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

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

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

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

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

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



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

The transactions of the debtors which could be subject to review and possible avoidance under the applicable fraudulent transfer law would be limited to those occurring within the relevant limitations period. In the case of fraudulent transfer actions under the United States Bankruptcy Code, that period would be the 12-month period ending on the petition date. In the case of actions under a state fraudulent transfer law, the limitations period ranges from one year to six years or more after the questioned transfer or incurrence of an obligation is effected. Under most state laws, including the laws of

Pennsylvania and Texas, the limitations period generally would be four years.

RISKS RELATING TO OUR PENDING SEC INVESTIGATION

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

We are currently the subject of a formal investigation by the SEC, which has focused on the compliance with generally accepted accounting principles of our recording of revenues associated with cost overruns and unapproved claims for long-term engineering and construction projects, and the disclosure of our accrual practices. Although we do not believe that the investigation has expanded beyond these matters, there can be no assurance that the SEC will not open additional lines of inquiry. In addition, although we believe that our accounting for these matters was and is in accordance with generally accepted accounting principles, we cannot predict the outcome of the SEC's investigation or when the investigation will be resolved. An unexpected adverse outcome of this investigation could have a material adverse effect on us and result in:

- the institution of administrative, civil, injunctive or criminal proceedings;

- sanctions and the payment of fines and penalties;

- the restatement of our financial results for the years under review;

- additional shareholder lawsuits; and

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

From time to time, we enter into registration rights agreements in connection with securities offerings with the initial purchasers of the offered securities, including in connection with the private placement of the outstanding notes and our 3 1/8% senior convertible notes due 2023, whereby we agree to use our reasonable best efforts to have a registration statement declared effective within specified time periods. We may not be able to have a registration statement declared effective within the time period specified due in part to the pending SEC investigation. If we are unable to have a registration statement declared effective within agreed time periods, we may be obligated to pay additional interest amounts to the holders of the securities that would otherwise have been registered, which amounts could be substantial.

RISKS RELATING TO GEOPOLITICAL AND INTERNATIONAL EVENTS

INTERNATIONAL AND POLITICAL EVENTS MAY ADVERSELY AFFECT OUR OPERATIONS.

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

Our operations in more than 100 countries other than the United States accounted for approximately 70% of our consolidated revenues during the first nine months of 2003, 67% of our consolidated revenues during 2002, 62% of our consolidated revenues during 2001 and 66% of our consolidated revenues during



2000. Operations in countries other than the United States are subject to various risks peculiar to each country. With respect to any particular country,

these risks may include:

- expropriation and nationalization of our assets in that country;

- political and economic instability;

- social unrest, acts of terrorism, force majeure, war or other armed conflict;

- inflation;

- currency fluctuations, devaluations and conversion restrictions;

- confiscatory taxation or other adverse tax policies;

- governmental activities that limit or disrupt markets, restrict payments or limit the movement of funds;

- governmental activities that may result in the deprivation of contract rights; and

- trade restrictions and economic embargoes imposed by the United States and other countries, including current restrictions on our ability to provide products and services to Iran and Libya, both of which are significant producers of oil and gas.

Due to the unsettled political conditions in many oil producing countries and countries in which we provide governmental logistical support, our revenues and profits are subject to the adverse consequences of war, the effects of terrorism, civil unrest, strikes, currency controls and governmental actions. Countries where we operate that have significant amounts of political risk include: Afghanistan, Algeria, Angola, Colombia, Indonesia, Iraq, Libya, Nigeria, Russia and Venezuela. For example, continued economic unrest and general strikes in Venezuela, changes in the general economic policies and regulations in Argentina, as well as seizures of offshore oil rigs by protestors in Nigeria have disrupted our Energy Services Group's ability to provide services and products to our customers in these countries. In addition, military action or continued unrest in the Middle East could impact the demand and pricing for oil and gas, disrupt our operations in the region and elsewhere and increase our costs for security worldwide.

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

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

Military action in Iraq, as well as threats of war or other armed conflict elsewhere, may cause further disruption to financial and commercial markets generally, may generate greater political and economic instability in some of the geographic areas in which we operate and may contribute to even higher levels of volatility in prices for oil and gas than those experienced in recent months. In addition, any possible reprisals as a consequence of the war with and

ongoing military action in Iraq, such as acts of terrorism in the United States or elsewhere, may materially adversely affect us in ways we cannot predict at this time.



RISKS RELATING TO OUR BUSINESS

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

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

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

- governmental regulations;

- global weather conditions;

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

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

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

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

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

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

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

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

In June 2000, Kellogg Brown & Root entered into a fixed-price contract with the project owner, Barracuda & Caratinga Leasing Company B.V., to develop the Barracuda and Caratinga crude oil fields, which are located off the coast of Brazil. The project manager and owner's representative is Petroleo Brasileiro SA

(Petrobras), the Brazilian national oil company. When completed, the project will consist of two converted supertankers which will be used as floating production, storage and offloading platforms, or FPSOs, 32 hydrocarbon production wells, 22 water injection wells, and all sub-sea flow lines and risers necessary to connect the underwater wells to the FPSOs.



THE LETTERS OF CREDIT RELATED TO THE BARRACUDA-CARATINGA PROJECT MAY BE DRAWN IF WE DEFAULT UNDER THE CONTRACT OR AS A RESULT OF THE CONTEMPLATED CHAPTER 11 PROCEEDINGS OF KELLOGG BROWN & ROOT.

Kellogg Brown & Root's performance under the contract is secured by:

- performance letters of credit, which together have an available credit of approximately $266.0 million as of September 30, 2003 and which represent approximately 10% of the contract amount, as amended to date by change orders;

- retainage letters of credit, which together have available credit of approximately $152.0 million as of September 30, 2003 and which will increase in order to continue to represent 10% of the cumulative cash amounts paid to Kellogg Brown & Root; and

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

In the event that Kellogg Brown & Root is alleged to be in default under the contract, the project owner may assert a right to draw upon the letters of credit. If the letters of credit were to be drawn, Kellogg Brown & Root would be required to fund the amount of the draw to the issuing banks. To the extent Kellogg Brown & Root cannot fund the amount of the draw, Halliburton would be required to do so, which could have a material adverse effect on Halliburton's financial condition and results of operations.

In addition, the proposed Chapter 11 pre-packaged bankruptcy filing by Kellogg Brown & Root in connection with the proposed settlement of its asbestos claims would constitute an event of default under the contract that would allow the owner (with the approval of the lenders financing the project) to assert a right to draw the letters of credit unless waivers are obtained. The proposed Chapter 11 filing would also constitute an event of default under the owner's loan agreements with the lenders that would allow the lenders to cease funding the project. We believe that it is unlikely that the owner will make a draw on the letters of credit as a result of the proposed Chapter 11 filing. We also believe it is unlikely that the lenders will exercise any right to cease funding the project given the current status of the project and the fact that a failure to pay Kellogg Brown & Root may allow Kellogg Brown & Root to cease work on the project without Petrobras having a readily available substitute contractor. However, there can be no assurance that the lenders will continue to fund the project or that the owner will not require funding of the letters of credit by Kellogg Brown & Root.

Notwithstanding the foregoing, as described under "Description of Settlement-Related Indebtedness -- Master LC Facility," these letters of credit will be included in the Master LC Facility. As such, assuming the conditions precedent to the effectiveness of the facility are met, a draw on such letters of credit prior to the Term-Out Date would become an LC Advance subject to the terms of the Master LC Facility.

KELLOGG BROWN & ROOT MAY HAVE TO PAY DAMAGES AND OTHER AMOUNTS IN EXCESS OF THE AMOUNTS CURRENTLY RECORDED.

As of September 30, 2003, the project was approximately 78% complete and Kellogg Brown & Root had recorded a pretax loss of $345.0 million related to the project. The probable unapproved claims included in determining the loss on the project were $182.0 million as of September 30, 2003. The claims for the project most likely will not be settled within one year. Accordingly, based upon the costs incurred on the claims, probable unapproved claims of $157.0 million at September 30, 2003 have been recorded to long-term unbilled work on uncompleted contracts. Kellogg Brown & Root has asserted claims for compensation substantially in excess of $182.0 million. The project owner, through its project manager, Petrobras, has denied responsibility for all such claims. Petrobras has, however, issued formal change orders worth approximately $61.0 million which are not included in the $182.0 million in probable unapproved claims.

In the event that Kellogg Brown & Root was determined after an arbitration proceeding to have been in default under the contract with Petrobras, and if the project was not completed by Kellogg



Brown & Root as a result of such default (i.e., Kellogg Brown & Root's services are terminated as a result of such default), the project owner may seek direct damages (including completion costs in excess of the contract price and interest on borrowed funds, but excluding consequential damages) against Kellogg Brown & Root for up to $500.0 million plus the return of up to $300.0 million in advance payments previously received by Kellogg Brown & Root to the extent they have not been repaid. The original contract terms require repayment of the $300.00 million in advance payments by crediting the last $350.00 million of our invoices of Petrobras related to the contract by that amount. A termination of the contract by the project owner could have a material adverse effect on our financial condition and results of operation.

IN ADDITION TO THE AMOUNTS DESCRIBED ABOVE, KELLOGG BROWN & ROOT MAY HAVE TO PAY LIQUIDATED DAMAGES IF THE PROJECT IS DELAYED BEYOND THE ORIGINAL CONTRACT COMPLETION DATE.

In addition to the amounts described above, Kellogg, Brown & Root may have to pay liquidated damages if the project is delayed beyond the original contract completion date. Kellogg Brown & Root expects that the project will likely be completed at least 16 months later than the original contract completion date. In the event that any portion of the delay is determined to be attributable to Kellogg Brown & Root and any phase of the project is completed after the milestone dates specified in the contract, Kellogg Brown & Root could be required to pay liquidated damages. These damages would be calculated on an escalating basis of approximately $1.0 million per day of delay caused by Kellogg Brown & Root, subject to a total cap on liquidated damages of 10% of the final contract amount (yielding a cap of approximately $266.0 million as of September 30, 2003). The amount of liquidated damages could have a material adverse effect on our financial condition and results of operations.

IF OUR AGREEMENT TO SETTLE AND/OR ARBITRATE CERTAIN CLAIMS IS NOT FINALIZED, KELLOGG BROWN & ROOT MAY HAVE TO PAY SUBSTANTIAL ADDITIONAL AMOUNTS AND MAY NOT RECOVER AMOUNTS IT EXPECTS TO RECOVER.

In June 2003, Halliburton, Kellogg Brown & Root and Petrobras, on behalf of the project owner, entered into a non-binding heads of agreement that would resolve some of the disputed issues between the parties, subject

to final agreement and lender approval. The original completion date for the Barracuda project was December 2003 and the original completion date for the Caratinga project was April 2004. Under the heads of agreement, the project owner would grant an extension of time to the original completion dates and other milestone dates that averages approximately 12 months, delay any attempt to assess the original liquidated damages against Kellogg Brown & Root for project delays beyond 12 months and up to 18 months, delay any drawing of letters of credit with respect to such liquidated damages and delay the return of any of the $300.0 million in advance payments until after arbitration. The heads of agreement also provides for a separate liquidated damages calculation of $450,000 per day for each of the Barracuda and the Caratinga vessels if delayed beyond 18 months from the original schedule (subject to the total cap on liquidated damages of 10% of the final contract amount). The heads of agreement does not delay the drawing of letters of credit for these liquidated damages. The extension of the original completion dates and other milestones would significantly reduce the likelihood of Kellogg Brown & Root incurring liquidated damages on the project. Nevertheless, Kellogg Brown & Root continues to have exposure for substantial liquidated damages for delays in the completion of the project.

Under the heads of agreement, the project owner has agreed to pay $69.0 million of Kellogg Brown & Root's disputed claims (which are included in the $182.0 million of probable unapproved claims as of September 30, 2003) and to arbitrate additional claims. The maximum recovery from the claims to be arbitrated would be capped at $375.0 million. The heads of agreement also allows the project owner or Petrobras to arbitrate additional claims against Kellogg Brown & Root, not including liquidated damages, the maximum recovery from which would be capped at $380.0 million.

The finalization of the heads of agreement is subject to project lender approval. The parties have been in negotiations with the lenders and based on these negotiations have agreed to certain modifications to the original terms of the heads of agreement to conform to the lender's requirements.



They have agreed that the $300.0 million in advance payments would be due on the earliest of December 7, 2004, the completion of any arbitration or the resolution of all claims between the project owner and Kellogg Brown & Root. Likewise, the project owner's obligation to defer drawing letters of credit with respect to liquidated damages for the delays between 12 and 18 months would extend only until December 7, 2004. The negotiations with the lenders have been completed, and the final agreements have been sent to the lenders for their approval and signature. We are also awaiting signature from Petrobras on the final agreement. While we believe the lenders have an incentive to approve the final agreement and complete the financing of the project, and the parties have agreed to the modifications described above to secure the lenders' approval, there is no assurance that the lenders will approve the final agreement. If the lenders do not sign the final agreements, Petrobras may be forced to secure other funding to complete the project. We cannot assure you that Petrobras will pursue or will be able to secure such funding.

Absent completion of the final agreement, Kellogg Brown & Root could be subject to additional liquidated damages and other claims, be subject to the letters of credit being drawn and be required to return the $300.0 million in advance payments. A failure to complete the final agreements could have a material adverse effect on our financial condition and results of operation.

FUNDING OF THE PROJECT MAY BE INSUFFICIENT TO COVER ALL AMOUNTS CLAIMED BY KELLOGG BROWN & ROOT.

The project owner has procured project finance funding obligations from various lenders to finance the payments due to Kellogg Brown & Root under the contract. The project owner currently has no other committed source of funding on which we can necessarily rely other than the project finance funding for the project. If the lenders cease to fund the project, the project owner may not have the ability to continue to pay Kellogg Brown & Root for its services. The original loan documents provide that the lenders are not obligated to continue to fund the project if the project has been delayed for more than 6 months. In November 2002, the lenders agreed to extend the 6-month period to 12 months. Other provisions in the loan documents may provide for additional time extensions. However, delays beyond 12 months may require lender consent in order to obtain additional funding. While we believe the lenders have an incentive to complete the financing of the project, there is no assurance that they would do so. If the lenders did not consent to extensions of time or otherwise ceased funding the project, we believe that Petrobras would provide for or secure other funding to complete the project, although there is no assurance that it would do so. To date, the lenders have made funds available, and the project owner has continued to disburse funds to Kellogg Brown & Root as payment for its work on the project even though the project completion has been delayed.

In addition, although the project financing includes borrowing capacity in excess of the original contract amount, only $250.0 million of this additional borrowing capacity is reserved for increases in the contract amount payable to Kellogg Brown & Root and its subcontractors. Under the loan documents, the availability date for loan draws expires December 1, 2003. As a condition to approving the heads of agreement, the lenders will require the project owner to draw all remaining available funds prior to December 1, 2003, and to escrow the funds for the exclusive use of paying project costs. No funds may be paid to Petrobras or its subsidiary (which is funding the drilling costs of the project) until all amounts due to Kellogg Brown & Root, including amounts due for the claims, are liquidated and paid. While this potentially increases the funds available for payment to Kellogg Brown & Root, Kellogg Brown & Root is not party to the arrangement between the lenders and the project owner and can give no assurance that there will be adequate funding to cover current or future Kellogg Brown & Root claims and change orders.

Kellogg Brown & Root has now begun to fund operating cash shortfalls on the project and would be obligated to fund such shortages over the remaining project life in an amount we currently estimate to be approximately $500.0 million (assuming generally that neither we nor the project owner are successful in recovering claims against the other and that no liquidated damages are imposed). Under the same assumptions, except assuming that Kellogg Brown & Root recovers unapproved claims in the amounts currently recorded on our books, the cash shortfall would be approximately $320.0 million.



There can be no assurance that Kellogg, Brown & Root will recover amounts in excess of the amount of unapproved claims on its books.

WE MAY BE REQUIRED TO PAY ADDITIONAL VAT TAXES RELATED TO THE BARRACUDA-CARATINGA PROJECT.

Value added, or VAT, taxes of up to $293.0 million may be or become

due on the project. Petrobras and the project owner are contesting the reimbursability of up to $227.0 million of these potential VAT taxes. The contract provides that Kellogg Brown & Root is responsible for taxes in effect on the contract date, but will be reimbursed for increased costs due to changes in the tax laws that occur after the date of the contract. The parties agree that certain changes in the tax laws occurred after the date of the contract, but do not agree on how much of the increase in taxes was due to that change or which party is responsible for ultimately paying these taxes. Up to $144.0 million in VAT taxes may already be due on the project and, in addition, up to approximately $100.0 million of VAT taxes may be due in stages from November 2003 through April 2004, with the balance due in stages later in 2004. Depending on when the VAT taxes are deemed due and when they are paid, penalties and interest on the taxes of between $40-$100 million may also be due, the reimbursability of which the project owner may also contest. There can be no assurance that we will not be required to pay all or a portion of these VAT taxes and obligations.

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

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

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

- any acquisitions would result in an increase in income;

- any acquisitions would be successfully integrated into our operations;

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

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

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

We conduct some operations through joint ventures, where control may be shared with unaffiliated third parties. As with any joint venture arrangement, differences in views among the joint venture participants may result in delayed decisions or in failures to agree on major issues. This could potentially adversely affect the business and operations of the joint venture and, in turn, our business and operations.

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

We contract to provide services either on a time-and-materials basis or on a fixed-price basis, with fixed-price (or lump sum) contracts accounting for approximately 19% of our revenues for the nine months ended September 30, 2003 and 21% of our revenues for the year ended December 31, 2002. We bear the risk of cost over-runs, operating cost inflation, labor availability and productivity and supplier and subcontractor pricing and performance in connection with projects covered by fixed-price contracts. Our failure to estimate accurately the resources and time required for a fixed-price project, or our failure to

complete our contractual obligations within the time frame committed, could have a material adverse effect on our business, results of operations and financial condition.



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

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

- a decrease in the magnitude of governmental spending and outsourcing for military and logistical support of the type that we provide;

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

- a decrease in capital spending by customers in the oil and gas industry for exploration, development, production, processing, refining and pipeline delivery networks;

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

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

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

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

- evacuation of personnel and curtailment of services;

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

- weather related damage to our facilities;

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

- loss of productivity.

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

WE ARE SUBJECT TO VARIOUS OPERATIONAL AND PERFORMANCE RISKS RELATED TO PROJECTS WE UNDERTAKE AND SERVICES THAT WE PROVIDE.

We are subject to various operational and performance risks related to

projects we undertake and services that we provide. These risks include:

- changes in the price or the availability of commodities that we use;
- non-performance, default or bankruptcy of joint venture partners, key suppliers or subcontractors;
- risks that result from performing fixed-price projects (see "-- A significant portion of our engineering and construction projects is on a fixed-price basis, subjecting us to the risks associated with cost over-runs and operating cost inflation" above); and
- risks that result from entering into complex business arrangements for technically demanding projects where failure by one or more parties could result in monetary penalties.



OUR ABILITY TO COMPETE OUTSIDE OF THE UNITED STATES MAY BE ADVERSELY AFFECTED BY GOVERNMENTAL REGULATIONS PROMULGATED IN NUMEROUS COUNTRIES IN WHICH WE TRANSACT BUSINESS.

If the governmental regulations promulgated in the numerous countries in which we transact business apply to us, they may require us to engage in business practices that may not be to our benefit. Those kinds of regulations frequently:

- encourage or mandate the hiring of local contractors or suppliers; and
- require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

As a result, we may be required to engage in business practices that are uneconomical and that could adversely impact our results of operations.

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

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

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

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

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

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

We do business in countries that have non-traded or "soft" currencies which have restricted or limited trading markets. We may accumulate cash in soft currencies and we may be limited in our ability to convert our profits into U.S. dollars or to repatriate the profits from those countries.

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

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

In addition, the risk inherent in the use of derivative instruments of the sort that we use could cause a change in the value of the derivative instruments as a result of:

- adverse movements in foreign exchange rates;

- interest rates;

- commodity prices; or

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

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

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

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

- the use of underground storage tanks; and

- the use of underground injection wells.

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

- administrative, civil and criminal penalties;

- revocation of permits; and

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

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

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

DEMAND FOR OUR SERVICES MAY BE ADVERSELY AFFECTED BY ENVIRONMENTAL REQUIREMENTS.

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

WE MAY BE UNABLE TO PROTECT OUR INTELLECTUAL PROPERTY RIGHTS.

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

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

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

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

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

## RISK FACTORS RELATING TO THE EXCHANGE OFFER

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

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

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

## RISKS RELATING TO THE NEW NOTES

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

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

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

As a holding company, we rely primarily on dividends from our subsidiaries to meet our obligations for payment of principal and interest on our outstanding debt obligations and corporate expenses. See "-- Our financial condition is dependent on the earnings of our subsidiaries" above. We are a legal entity separate and distinct from our subsidiaries, and holders of the new notes will

be able to look only to us for payments on the new notes. In addition, our right to receive assets of any subsidiaries upon their liquidation or reorganization, and the rights of the holders of the new notes to share in those assets, would be subject to the satisfaction of claims of the subsidiaries' creditors. Consequently, the new notes will be subordinate to all liabilities, including their guarantees of our other indebtedness and their trade payables, of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish. Borrowings under the credit facilities we entered into in connection with our proposed settlement will be guaranteed by some of our subsidiaries. See "Description of Settlement-Related Indebtedness."

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

The new notes will be our unsecured obligations and will rank equally with all our other unsecured indebtedness. However, the new notes are structurally subordinated to indebtedness of our subsidiaries and effectively subordinated to our secured debt to the extent of the value of the assets securing such debt. As of the date of this prospectus, we have no secured indebtedness outstanding. Subsequent to the end of the third quarter, we entered into (1) a $1.0 billion delayed-draw term facility to be available for cash funding of the trusts for the benefit of asbestos and silica claimants; (2) a master letter of credit facility intended to ensure that existing letters of credit supporting our contracts remain in place during the Chapter 11 filing; and (3) a $700.0 million three-year revolving credit facility for general working purposes. There are a number of conditions precedent that must be met before these facilities will be effective and available for our use, one of which is the Chapter 11 filing for DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations. See "Description of Settlement-Related Indebtedness." The indenture governing the new notes permits us to incur an amount of secured indebtedness up to 5% of our consolidated net tangible assets before the new notes will be entitled to equal and ratable security and the new notes are effectively junior to any secured indebtedness until the new notes are entitled to be equally and ratably secured. In addition, certain of our notes, including the outstanding notes, our 8.75% notes due 2021, our 3 1/8% convertible senior notes due 2023, our medium-term notes and any of our 7.6% debentures due 2096 that we issue (see "Description of Settlement-Related Indebtedness") will, and certain new issuances may, be entitled to be secured on the same basis as the new notes.

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

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

The new notes are a general unsecured obligation of Halliburton. We are a holding company and our assets consist primarily of direct and indirect ownership interests in, and our business is conducted substantially through, our subsidiaries. As a consequence, any of our indebtedness, including the new notes, are structurally subordinated to all of the indebtedness of our subsidiaries. In addition, because we are a holding company, our right to participate in any distribution of assets of any subsidiary upon its liquidation or reorganization or otherwise, and the ability of holders of the new notes to

benefit indirectly from that kind of distribution, is subject to the prior claims of creditors of that subsidiary, except to the extent that we are



recognized as a creditor of that subsidiary. All obligations of our subsidiaries will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise, to us. At September 30, 2003, the aggregate indebtedness of our subsidiaries was approximately $402.0 million, other liabilities of our subsidiaries, including trade payables, accrued compensation, advanced billings, income taxes payable and other liabilities (other than asbestos and intercompany liabilities) were approximately $4.3 billion, and accrued asbestos liabilities were approximately $3.4 billion. In addition, while the new notes will not be guaranteed by any of our subsidiaries, borrowings under the letter of credit facility and revolving credit facility described under "Description of Settlement-Related Indebtedness" will be guaranteed by some of our subsidiaries. We also have joint ventures and subsidiaries in which we own less than 100% of the equity so that, in addition to the structurally senior claims of creditors of those entities, the equity interests of our joint venture partners or other shareholders in any dividend or other distribution made by these entities would need to be satisfied on a proportionate basis with us. These joint ventures and less than wholly-owned subsidiaries may also be subject to restrictions on their ability to distribute cash to us in their financing or other agreements and, as a result, we may not be able to access their cash flow to service our debt obligations, including in respect of the new notes. Accordingly, the new notes are effectively subordinated to all existing and future liabilities of our subsidiaries and all liabilities of any of our future subsidiaries.

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

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

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

As of September 30, 2003, we had approximately $2.412 billion of indebtedness, representing a total debt to capitalization ratio of 40%. In October 2003, we issued the outstanding floating and 5 1/2% notes in an aggregate principal amount of $1.05 billion, and subsequent to the end of the third quarter 2003, we entered into three new credit facilities, which are not yet effective, to finance the remaining cash portion of our proposed settlement. See "Description of Settlement-Related Indebtedness." Further, the indenture that governs the new notes does not restrict us from issuing additional indebtedness. If our level of debt becomes substantial, the risks associated with our leverage could have important consequences to you, including the following:

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

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

- we could potentially have a higher level of indebtedness than some of our

competitors, which may put us at a competitive disadvantage and reduce our flexibility in planning for, or responding to, changing conditions in our industry, including increased competition; and

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

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



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

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



## USE OF PROCEEDS

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

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

## CAPITALIZATION

We have provided in the table below our consolidated cash and equivalents,

short-term debt and capitalization as of September 30, 2003. You should read this table in conjunction with our condensed consolidated financial statements and the related notes incorporated by reference in this prospectus.

| | AS OF SEPTEMBER 30, 2003 (IN MILLIONS) (UNAUDITED) |
|---|---|
| CASH AND EQUIVALENTS(1) | $1,222 |
| SHORT-TERM DEBT AND CURRENT MATURITIES OF LONG-TERM DEBT | $ 44 |
| LONG-TERM DEBT (EXCLUDING CURRENT MATURITIES)(2): | |
| 7.60% debentures due August 2096 of DII Industries, LLC(3) | 300 |
| 8.75% debentures due February 2021 | 200 |
| Variable interest credit facility maturing September 2009 | 51 |
| Medium-term notes due through 2027 | 600 |
| 3 1/8% convertible senior notes due July 15, 2023 | 1,200 |
| Effect of interest rate swaps | 10 |
| Other notes with varying interest rates | 7 |
| Total long-term debt | 2,368 |
| SHAREHOLDERS' EQUITY: | |
| Common shares, par value $2.50 per share; 600 million shares authorized; 457 million shares issued | 1,141 |
| Paid-in capital in excess of par value | 270 |
| Accumulated other comprehensive income | (326) |
| Retained earnings | 3,073 |
| Less 19 million shares of treasury stock, at cost | 581 |
| Total shareholders' equity | 3,577 |
| Total capitalization and short-term debt | $5,989 |

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(1) Does not include proceeds from the sale of the outstanding notes.

(2) Does not include the outstanding notes.

(3) On October 9, 2003, Halliburton commenced an exchange offer in which it is offering to issue its new 7.6% debentures due 2096 in exchange for a like amount of outstanding 7.60% debentures of DII Industries that are held by holders qualified to participate in the exchange offer. See "Description of Settlement-Related Indebtedness."



THE EXCHANGE OFFER

Participation in the exchange offer is voluntary, and you should carefully consider whether to accept. You are urged to consult your financial and tax

advisors in making your own decision on what action to take.

We are offering to issue new registered senior notes due October 17, 2005 in exchange for a like principal amount of our outstanding unregistered senior notes due October 17, 2005 that were issued on October 17, 2003, and new registered 5 1/2% senior notes due October 15, 2010 for a like principal amount of our outstanding unregistered 5 1/2% senior notes due October 15, 2010 that were issued on October 17, 2003. We may extend, delay or terminate the exchange offer. Holders of outstanding notes who wish to tender will need to complete and timely submit the exchange offer documentation related to the exchange.

PURPOSE AND EFFECT OF THE EXCHANGE OFFER

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

- you do not intend to participate in the distribution of new notes.

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

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

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

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

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

TERMS OF THE EXCHANGE OFFER

Upon the terms and subject to the conditions described in this prospectus and in the accompanying letter of transmittal, we will accept for exchange any outstanding notes properly tendered and not withdrawn before the expiration date. We will issue $1,000 principal amount of new notes in exchange for each $1,000 principal amount of outstanding notes of like tenor surrendered under the

exchange offer. Outstanding notes may be tendered only in integral multiples of $1,000. The exchange offer is not conditioned upon any minimum aggregate principal amount of outstanding notes being tendered for exchange.

As of the date of this prospectus, $300.0 million aggregate principal amount of the outstanding floating rate notes and $750.0 million aggregate principal amount of the outstanding 5 1/2% notes are not yet registered. This prospectus and the letter of transmittal accompanying this prospectus are being sent to all registered holders of outstanding notes. There will be no fixed record date for determining registered holders of outstanding notes entitled to participate in the exchange offer.

We intend to conduct the exchange offer according to the provisions of the registration rights agreement, the applicable requirements of the Securities Act and the Securities Exchange Act of 1934, and the rules and regulations of the SEC. Outstanding notes that are not tendered for exchange in the exchange offer will remain outstanding and continue to accrue interest and will be entitled to the rights and benefits the holders have under the indenture. However, these outstanding notes will not be freely tradable. Other than in connection with the exchange offer and as specified in the registration rights agreement, we are not obligated



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

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

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

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

EXPIRATION DATE

The exchange offer will expire at 5:00 p.m., New York City time on , 200 unless, in our sole discretion, we extend the exchange offer.

EXTENSIONS, DELAY IN ACCEPTANCE, TERMINATION OR AMENDMENT

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

To extend the exchange offer, we will notify the exchange agent orally or in writing of any extension. We will also make a public announcement of the extension no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. Without limiting the manner in

which we may choose to make public announcements of any delay in acceptance, extension, termination or amendment of the exchange offer, we will have no obligation to publish, advertise or otherwise communicate any public announcement, other than by making a timely release to the Dow Jones News Service.

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

- to delay accepting for exchange any outstanding notes;

- to extend the exchange offer; or

- to terminate the exchange offer

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

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



CONDITIONS TO THE EXCHANGE OFFER

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

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

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

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

- the representations described under "-- Purpose and Effect of the Exchange Offer," "-- Procedures for Tendering" and "Plan of Distribution;" and

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

We reserve the right to amend or terminate the exchange offer, and to reject for exchange any outstanding notes not previously accepted for exchange, upon the occurrence of any of the conditions to the exchange offer specified above. We will give oral or written notice of any extension, amendment,

nonacceptance or termination to the holders of the outstanding notes as promptly as practicable. These conditions are for our sole benefit, and we may assert them or waive them in whole or in part at any time or at various times in our sole discretion. If we fail at any time to exercise any of these rights, this failure will not mean that we have waived our rights. Each right will be deemed an ongoing right that we may assert at any time or at various times.

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

PROCEDURES FOR TENDERING

HOW TO TENDER GENERALLY

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

To complete a manual tender, you must:

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

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

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

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

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



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

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

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

THE METHOD OF DELIVERY OF OUTSTANDING NOTES, THE LETTER OF TRANSMITTAL AND

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

BOOK-ENTRY TRANSFER

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

TENDERING THROUGH DTC'S AUTOMATED TENDER OFFER PROGRAM

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

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

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

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

- the agreement may be enforced against the participant.

HOW TO TENDER IF YOU ARE A BENEFICIAL OWNER

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



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

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

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

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

SIGNATURES AND SIGNATURE GUARANTEES

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

- a member firm of a registered national securities exchange;

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

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

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

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

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

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

WHEN ENDORSEMENTS OR BOND POWERS ARE NEEDED

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

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

DETERMINATIONS UNDER THE EXCHANGE OFFER

We will determine in our sole discretion all questions as to the validity, form, eligibility, time of receipt, acceptance of tendered outstanding notes and

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



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

WHEN WE WILL ISSUE NEW NOTES

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

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

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

RETURN OF OUTSTANDING NOTES NOT ACCEPTED OR EXCHANGED

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

YOUR REPRESENTATIONS TO US

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

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

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

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

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

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

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

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

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



GUARANTEED DELIVERY PROCEDURES

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

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

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

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

    -- stating that the tender is being made, and

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

transmittal will be deposited by the eligible guarantor institution with the exchange agent; and

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

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

WITHDRAWAL OF TENDERS

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

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

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

Any notice of withdrawal must:

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

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

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

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

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

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

Any outstanding notes that have been tendered for exchange but that are not exchanged for any reason will be returned to their holder without cost to the holder or, in the case of outstanding notes tendered by book-entry transfer into

the exchange agent's account at DTC according to the procedures described above, the outstanding notes will be credited to an account maintained with DTC for the outstanding notes. This return or crediting will take place as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. At any time on or before the expiration date, holders may re-tender properly withdrawn outstanding notes by following one of the procedures described under "-- Procedures for Tendering" above.

FEES AND EXPENSES

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

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

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

- SEC registration fees;

- fees and expenses of the exchange agent and trustee;

- accounting and legal fees and printing costs; and

- related fees and expenses.

TRANSFER TAXES

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

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

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

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



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

CONSEQUENCES OF FAILURE TO EXCHANGE

If you do not exchange your outstanding notes for new notes in the exchange offer, your notes will remain subject to the existing restrictions on transfer. In general, you may not offer or sell the outstanding notes unless they are registered under the Securities Act or the offer or sale is exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreement, we do not intend to register resales of the outstanding notes under the Securities Act. Based on interpretations of the SEC staff, you may offer for resale, resell or otherwise transfer new notes issued in the exchange offer without compliance with the registration and prospectus delivery provisions of the Securities Act, if:

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

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

- you have no arrangement or understanding with respect to the distribution of the new notes to be acquired in the exchange offer.

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

ACCOUNTING TREATMENT

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



## DESCRIPTION OF SETTLEMENT-RELATED INDEBTEDNESS

In connection with the plan of reorganization contemplated by the proposed settlement, subsequent to the end of third quarter 2003, we entered into (1) a $1.0 billion delayed-draw term facility to be available for cash funding of the trusts for the benefit of asbestos and silica claimants; (2) a master letter of credit facility intended to ensure that existing letters of credit supporting our contracts remain in place during the Chapter 11 filing; and (3) a $700.0 million three-year revolving credit facility for general working purposes. There are a number of conditions precedent that must be met before these facilities will be effective and available for our use, one of which is the Chapter 11 filing for DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations (the "Chapter 11 Filings"). Although we have entered into these facilities, there can be no assurance that the conditions precedent to the effectiveness of these facilities will be met. See "Risk Factors -- Risks Relating to Asbestos and Silica Liability -- There can be no assurance that we will be able to finance the proposed settlement on acceptable terms, in which case the settlement would not be completed." The new notes will share in the collateral pledged to secure the new credit facilities at times when the threshold for secured debt set forth in the new notes is exceeded by advances and letter of credit drawings under the new credit facilities.

If we proceed with the plan of reorganization contemplated by the proposed settlement, we will issue up to $300.0 million aggregate principal amount of our new 7.6% debentures due 2096 in exchange for a like amount of outstanding 7.60% debentures due 2096 of DII Industries. If issued, the new 7.6% debentures will be issued under an indenture that contains similar covenants and events of default as those described herein under "Description of New Notes."

The following discussion is a summary of selected provisions of the facilities described in the first paragraph of this "Description of Settlement-Related Indebtedness." It does not restate the facilities in their entirety and this summary is qualified in its entirety by reference to the full and complete text of the facilities, which have been filed with our Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.

SENIOR UNSECURED CREDIT FACILITY

In connection with the plan of reorganization contemplated by the proposed settlement, we entered into a senior unsecured delayed, multi-draw term loan facility for $1.0 billion (the "Senior Unsecured Credit Facility") to finance, if needed, the payments to be made by Halliburton under the plan of reorganization and the related transaction costs.

The Senior Unsecured Credit Facility is available in up to two drawings.

Drawings under the Senior Unsecured Credit Facility are subject to satisfaction of certain conditions precedent, including confirmation of the contemplated plan of reorganization.

We may, upon at least five business days' notice, terminate or cancel, in whole or in part, the unused portion of the Senior Unsecured Credit Facility; provided that each partial reduction must be in an amount of $10.0 million or an integral multiple of $1.0 million in excess thereof. We may also, upon at least five business days' notice and at the end of any applicable interest period, prepay, in full or in part, the Senior Unsecured Credit Facility without penalty; provided, however, that each partial prepayment must be in an amount of $10.0 million or an integral multiple of $1.0 million in excess thereof.

The Senior Unsecured Credit Facility requires us to apply the following proceeds to prepay amounts outstanding and/or reduce commitments under the Senior Unsecured Credit Facility:

- net cash proceeds from any debt incurrence or equity issuance, subject to certain exceptions;

- net cash proceeds from the sale of assets by us and our subsidiaries, subject to certain exceptions; and

- all insurance proceeds received by us in respect of asbestos or silica claims;

provided that, to the extent such proceeds are available to us before the first drawdown date, such proceeds will ratably reduce the commitments under the Senior Unsecured Credit Facility and to the extent such



proceeds are available to us after the first drawdown date, such proceeds will be used to prepay the Senior Unsecured Credit Facility, in each case, with respect to any prepayment, without premium or penalty, but with breakage costs if applicable.

The interest rate per annum (calculated on a 360-day basis) applicable to the advances will be (1) the London interbank offered rate for deposits in U.S. dollars at 11:00 a.m. (London time) two business days before the first day of any interest period for a period equal to such interest period plus a margin ranging from 0.875% to 1.875% which margin would be based on the lower of our credit rating by Standard & Poor's and Moody's (the "Applicable Margin") or (2) at our option, the highest of (a) the base rate of Citibank, N.A., (b) the Federal Funds rate plus 0.50% and (c) the latest three-week moving average of

secondary market morning offering rates for three-month certificates of deposit, as determined by Citibank and adjusted for the cost of reserves and FDIC insurance assessments plus 0.50%, plus, in each case, a margin ranging from 0% to 0.875% based on the lower of our credit rating by Standard & Poor's and Moody's (the "Base Rate").

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

During the continuance of any default under the loan documentation, the applicable margin on all obligations owing under the loan documentation would increase by 2% per annum.

One half of the amount drawn (as reduced by any prepayments) would be due and payable on the date which is 120 days from the date of the first draw, and all other outstanding amounts will be due on the date which is 364 days from the date of the first draw.

MASTER LC FACILITY

In connection with the plan of reorganization contemplated by the proposed settlement, Halliburton (and to the extent that they are account parties in respect of specified existing letters of credit, DII Industries and Kellogg Brown & Root) entered into a senior secured master letter of credit facility (the "Master LC Facility") with a syndicate of banks made up of those banks holding at least 90% of the face amount of certain of our then existing letters of credit. The Master LC Facility covers at least 90% of the face amount of certain of our existing letters of credit (including renewals thereof) to be provided by each lender to the extent of any draw on an existing letter of credit issued by it. In addition, the Master LC Facility provides a discretionary facility for the issuance of up to $250.0 million of new letters of credit. The existing letters of credit issued by the lenders entering into the Master LC Facility and any additional letters of credit issued under the facility are referred to herein as the "Facility LCs."

For so long as the Master LC Facility is secured by any collateral, as defined in the Master LC Facility, each U.S. entity that is required to be a grantor of collateral or the stock of which is required to be pledged (excluding Halliburton Affiliates LLC and its flow-through subsidiaries) will also guaranty the obligations under the Master LC Facility. In any event, we shall remain at all times during the term of the Master LC Facility a guarantor with respect to any LC Advance (as defined below) in respect of which we are not the account party. As used herein, "subsidiaries" of us and Halliburton Energy Services, Inc. is determined after giving effect to the proposed restructuring and shall exclude DII Industries and its subsidiaries during the period before the plan of reorganization has been confirmed and the related court orders have been entered (the "Exit Date").

The purpose of the Master LC Facility is to provide a term-out for any draws prior to June 30, 2004, but no later than the Exit Date (the "Term-Out Date") on Facility LCs, as well as to provide collateral for the reimbursement obligations in respect thereof. During the term of the Master LC Facility prior to the Term-Out Date, any draw on a Facility LC would be funded by the lender that issued such Facility LC (each such funding, an "LC Advance"). Until the Term-Out Date, the terms of the Master LC Facility would override any reimbursement, cash collateral or other agreements or arrangements between any individual lender and the account party or any of its affiliates relating to the Facility LCs, whether or not drawn, and until such

advance is repaid, the terms of the Master LC Facility would override any such agreement or arrangement relating to any Facility LC which is drawn prior to the Term-Out Date. Each lender would permanently waive any right that it might otherwise have pursuant to any such agreement or arrangement to demand cash collateral as a result of the filing of Chapter 11 proceedings.

On the occurrence of the Term-Out Date, all LC Advances outstanding under the Master LC Facility on the Term-Out Date, if any, would become term loans payable in full on November 1, 2004 (unless prepaid prior to such date) and all undrawn Facility LCs shall cease to be subject to the terms of the Master LC Facility.

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

The commitment of any lender would be automatically and permanently reduced upon the expiration of any Facility LC issued by it by the amount of such Facility LC if prior to the Term-Out Date no amounts have been drawn under such Facility LC and such Facility LC is not replaced. The Master LC Facility will permit the issuance of new letters of credit thereunder prior to the Term-Out Date at the discretion of the proposed issuing bank, so long as the total facility does not exceed an amount equal to the amount of the Master LC Facility at closing plus $250.0 million. Prior to the occurrence of the Exit Date, the Master LC Facility would be required to be cash collateralized with the net proceeds of any sales of collateral and the net cash proceeds of any sales of other assets, subject to certain exceptions. Such cash collateral will be shared pro rata among the lenders and the lenders under the Revolving Credit Facility (as defined below). To the extent that the holders of Halliburton's 8.75% notes due 2021, 3 1/8% convertible senior notes due 2023, medium term notes, 7.6% debentures due 2096 issued in the exchange offer described above under "Description of Settlement-Related Indebtedness," if it is consummated, the outstanding notes and the new notes offered hereby and any other issue of debt of Halliburton that Halliburton may effect prior to the Exit Date (a "New Issuance" to the extent that such New Issuance includes a requirement that the holders thereof be equally and ratably secured with Halliburton's other credits but not to exceed an aggregate of $950.0 million of such New Issuance) would be required to be secured as set forth below, such cash collateral would also be shared with such holders on a pro rata basis. After the Exit Date, if the conditions to release of collateral have been satisfied, any cash collateral held pursuant to the preceding sentence, subject to certain exceptions, would be applied first to ratably prepay outstanding LC Advances at such time and second, to the extent required by the terms of the Senior Unsecured Credit Facility, to ratably prepay and/or reduce commitments under the Senior Unsecured Credit Facility.

Until the date of satisfaction of the conditions for release of the collateral identified below, the Master LC Facility would be secured by a perfected, first-priority lien on (1) 100% of the stock of Halliburton Energy Services, (2) 100% of the stock or other equity interests owned by us and Halliburton Energy Services of the first-tier domestic subsidiaries of Halliburton and Halliburton Energy Services (other than Halliburton Affiliates LLC), (3) 66% of the equity interests of Halliburton Affiliates LLC and (4) 66% of the stock or other equity interests owned by us or Halliburton Energy Services of the first-tier foreign subsidiaries of Halliburton and Halliburton Energy Services (excluding, in each case, dormant subsidiaries). In addition, if

at any time our long-term senior unsecured debt is rated lower than BBB- by Standard & Poor's or lower than Baa3 by Moody's, then we shall, within 20 days in the case of personal property and within 45 days in the case of real property, take all action necessary to ensure that the Master LC Facility is also secured by a perfected, first priority lien on (a) the tangible and intangible assets of Halliburton and Halliburton Energy Services and (b) the tangible and intangible assets (with customary exceptions) of certain of Halliburton Energy Services' directly or indirectly, wholly-owned domestic subsidiaries (except Halliburton Affiliates LLC, DII Industries LLC and each of their respective subsidiaries) (excluding, in each case, dormant subsidiaries). Such collateral would be shared pro rata with the lenders under the Revolving Credit Facility and, to the extent that the aggregate principal amount of all LC Advances under the Master LC Facility and borrowings under the Revolving Credit Facility exceeds 5% of the consolidated net tangible assets of



Halliburton and its subsidiaries, such collateral would also be shared pro rata with the holders of Halliburton's 8.75% notes due 2021, 3 1/8% convertible senior notes due 2023, medium term notes, 7.6% debentures due 2096 issued in the exchange offer described above under "Description of Settlement-Related Indebtedness," if it is consummated, the outstanding notes and the new notes offered hereby as well as any New Issuance to the extent that such New Issuance includes a requirement that the holders thereof be equally and ratably secured with Halliburton's other creditors (but not to exceed an aggregate of $950.0 million of such New Issuance). Upon the occurrence of the Exit Date and the satisfaction of certain conditions, the Master LC Facility would be unsecured. The granting and perfection of collateral (including, without limitation, collateral consisting of foreign subsidiary stock pledges) would be subject to cost efficiency determinations reasonably made by the co-lead arrangers in consultation with us, taking into account, among other things, adverse tax consequences, administrative procedures required by local law or practice, and other parameters to be agreed.

The interest rate per annum (calculated on a 360-day basis) applicable to the LC Advances will be the London interbank offered rate for deposits in U.S. dollars at 11:00 A.M. (London time) for the two business days before the first day of any interest period for a period equal to such interest period plus the greater of (x) the sum of the per annum rate used to calculate any fee on undrawn letters of credit payable pursuant to the original documents governing the relevant Facility LC plus 0.50% or (y) a margin ranging from 1.00% to 2.00%, which margin would be based on the lower of our credit rating by Standard & Poor's and Moody's (the "Applicable LC Facility Margin").

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

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

REVOLVING CREDIT FACILITY

In connection with the plan of reorganization contemplated by the proposed settlement, we will replace our existing credit agreement dated as of August 16, 2001 (the "Existing Credit Facility") with a new 3-year revolving credit facility (the "Revolving Credit Facility"). Our Existing Credit Facility will not be terminated until shortly before the anticipated effectiveness of the new Revolving Credit Facility.

The Revolving Credit Facility provides a total commitment of up to $700.0

million. The entire commitment will be available for standby and trade letters of credit (the "Letters of Credit").

For so long as the Revolving Credit Facility is secured by any collateral as set forth below, each U.S. subsidiary that is required to be a grantor of collateral or the stock of which is required to be pledged (excluding Halliburton Affiliates LLC and its subsidiaries) would guaranty the obligations under the Revolving Credit Facility. As used herein, "subsidiaries" of Halliburton and Halliburton Energy Services would be determined after giving effect to the proposed restructuring and exclude DII Industries and its subsidiaries during the period prior to the Exit Date.

During the period from the closing date until satisfaction of the conditions for release of the collateral identified below, the advances and reimbursement obligations in respect of letters of credit would be secured by a perfected, first priority lien on (1) 100% of the stock of Halliburton Energy Services, (2) 100% of the stock or other equity interests owned by Halliburton or Halliburton Energy Services in certain first-tier domestic subsidiaries (other than Halliburton Affiliates LLC) of Halliburton and Halliburton Energy Services, (3) 66% of the stock or other equity interests of Halliburton Affiliates LLC and (4) 66% of the stock or other equity interests owned by Halliburton or Halliburton Energy Services of the first-tier foreign subsidiaries of Halliburton and Halliburton Energy Services (excluding, in each case, dormant subsidiaries). In addition, if at any time our long-term senior unsecured debt is rated lower than BBB- by Standard & Poor's or lower than Baa3 by Moody's (a "Ratings Event"), then we shall, within 20 days in the case of personal property and within 45 days in the case of real property, take all action necessary to ensure that the Revolving Credit



Facility is also secured by a perfected, first priority lien on (a) the tangible and intangible assets of Halliburton and Halliburton Energy Services and (b) the tangible and intangible assets (with customary exceptions) of all of Halliburton Energy Services' directly or indirectly wholly-owned domestic subsidiaries (except Halliburton Affiliates LLC, DII Industries and their respective subsidiaries) (excluding, in each case, dormant subsidiaries). Prior to the occurrence of the Collateral Release Date, the Revolving Credit Facility would be required to be cash collateralized with the net proceeds of any sales of collateral, subject to certain exceptions. All collateral would be shared pro rata with the lenders under the Master LC Facility and, to the extent that the aggregate principal amount of all loans under the Revolving Credit Facility and advances under the Master LC Facility exceeds 5% of the consolidated net tangible assets of Halliburton and its subsidiaries such collateral would also be shared pro rata with the holders of Halliburton's 8.75% notes due 2021, 3 1/8% convertible senior notes due 2023, medium term notes, 7.6% debentures due 2096 issued in the exchange offer described above under "Description of Settlement-Related Indebtedness," if it is consummated, the outstanding notes and the new notes offered hereby as well as any other New Issuance to the extent that such New Issuance includes a requirement that the holders thereof be equally and ratably secured with Halliburton's other creditors (but not to exceed $950.0 million of such New Issuance). Upon the occurrence of the Exit Date and the satisfaction of other conditions (the "Collateral Release Date"), the Revolving Credit Facility would be unsecured.

The interest rate per annum (calculated on a 360-day basis) applicable to the advances will be (1) the London interbank offered rate for deposits in U.S. dollars at 11:00 A.M. (London time) for the two business days before the first day of any interest period for a period equal to such interest period plus a margin ranging from prior to the Exit Date 1.00% to 2.00% and after the Exit Date 0.875% to 1.875%, which margin would be based on the lower of our credit

rating by Standard & Poor's and Moody's (the "Applicable Revolving Facility Margin") or (2) at our option, the highest of (a) the base rate of Citibank, N.A., (b) the Federal Funds rate plus 0.50% and (c) the latest three-week moving average of secondary market morning offering rates for three-month certificates of deposit, as determined by Citibank and adjusted for the cost of reserves and FDIC insurance assessments plus 0.50%, plus, in each case, a margin ranging from 0% to 0.875% based on the lower of our credit rating by Standard & Poor's and Moody's, (the "Base Rate").

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

During the continuance of any default under the loan documentation, the Applicable Revolving Facility Margin on all obligations owing under the loan documentation would increase by 2% per annum.

CONDITIONS TO RELEASE OF COLLATERAL

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

- completion of the Chapter 11 plan of reorganization of DII Industries, Kellogg Brown & Root and some of their subsidiaries with U.S. operations, which will be used to implement the proposed settlement. For additional information about the proposed settlement, see "Prospectus Summary -- Proposed Settlement;"

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



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

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

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

## DESCRIPTION OF NEW NOTES

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

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

The outstanding floating rate notes, together with the new floating rate notes issued in the exchange offer, will constitute a single series of securities under the indenture, and the outstanding 5 1/2% notes, together with the new 5 1/2% notes issued in the exchange offer, will constitute a separate series of securities under the indenture. If the exchange offer for the notes is consummated, holders of outstanding notes of one series who do not exchange their outstanding notes will vote together with holders of the new notes of the same series for all relevant purposes under the indenture. Accordingly, in determining whether the required holders have given any notice, consent or waiver or taken any other action permitted under the indenture, any outstanding notes that remain outstanding after the exchange offer will be aggregated with new notes of the same series, and the holders of the outstanding notes and new notes of the same series will vote together as a single series.

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

### GENERAL

The floating rate notes and the 5 1/2% notes will each be a separate series of securities issued under the indenture. Each of the floating rate notes and 5 1/2% notes offered hereby will be our senior unsecured obligations and will rank equally with all our other existing and future senior unsecured indebtedness. In addition, except as otherwise provided herein, the notes are effectively subordinated to any secured indebtedness to the extent of the value of the assets securing such indebtedness and to any indebtedness of our subsidiaries to the extent of the assets of those subsidiaries.

The indenture does not contain any financial covenants. In addition, we are not restricted under the indenture from paying dividends or issuing or repurchasing our securities. The indenture does not restrict our ability to incur additional indebtedness in the future. Halliburton may, without notice to or consent of the holders or beneficial owners of the notes, issue additional notes having the same ranking, interest rate, maturity and other terms as either the floating rate notes or the 5 1/2% notes offered hereby. Any such additional notes issued could be considered part of the same series of notes under the

indenture as the floating rate notes or the 5 1/2% notes, as applicable, offered hereby.

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

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



PRINCIPAL; MATURITY; INTEREST

The new floating rate notes will initially be limited to an aggregate principal amount of $300,000,000. The new 5 1/2% notes will initially be limited to an aggregate principal amount of $750,000,000. Each series of new notes will be issued only in fully registered form without coupons, in denominations of $1,000 and whole multiples of $1,000.

The new floating rate notes will mature on October 17, 2005. The new 5 1/2% notes will mature on October 15, 2010, unless earlier redeemed by us.

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

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

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

INTEREST ON THE SENIOR NOTES DUE OCTOBER 17, 2005

The floating rate notes will bear interest at a floating rate. Interest on the floating rate notes will be payable in cash quarterly on the 17th day of January, April, July and October of each year, beginning January 17, 2004. Interest on the floating rate notes will be payable to holders of record of the floating rate notes on the immediately preceding 1st day of January, April, July and October, as the case may be.

The floating rate notes will bear interest for each interest period at a rate determined by J.P. Morgan Securities Inc., acting as calculation agent. The interest rate on the floating rate notes for a particular interest period will be a per annum rate equal to LIBOR as determined on the interest determination date plus 1.5%. The interest determination date for an interest period will be the second London business day preceding the commencement of such interest period. The interest determination date for the floating rate notes for the

first interest period is October 15, 2003. Promptly upon determination, the calculation agent will inform the trustee and Halliburton of the interest rate for the next interest period. Absent manifest error, the determination of the interest rate by the calculation agent shall be binding and conclusive on the holders of new floating rate notes, the trustee and Halliburton.

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

On any interest determination date, LIBOR will be equal to the offered rate for deposits in U.S. dollars having an index maturity of three months, in amounts of at least $1 million, as such rate appears on Telerate Page 3750 at approximately 11:00 a.m., London time, on such interest determination date. If Telerate page 3750 is replaced by another service or ceases to exist, the calculation agent will use the replacing service or such other service that may be nominated by the British Bankers' Association for the purpose of displaying LIBOR for U.S. dollar deposits.

If no offered rate appears on Telerate Page 3750 on an interest determination date at approximately 11:00 a.m., London time, then the calculation agent (after consultation with Halliburton) will select four major banks in the London interbank market and shall request each of their principal London offices to provide a quotation of the rate at which three-month deposits in U.S. dollars in amounts of at least $1.0 million are offered by it to prime banks in the London interbank market, on that date and at that time, that is representative of single transactions at that time. If at least two quotations are provided, LIBOR will



be the arithmetic average of the quotations provided. Otherwise, the calculation agent will select three major banks in New York City and shall request each of them to provide a quotation of the rate offered by them at approximately 11:00 a.m., New York City time, on the interest determination date for loans in U.S. dollars to leading European banks having an index maturity of three months for the applicable interest period in an amount of at least $1.0 million that is representative of single transactions at that time. If three quotations are provided, LIBOR will be the arithmetic average of the quotations provided. Otherwise, the rate of LIBOR for next interest period will be set equal to the rate of LIBOR for the then-current interest period.

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

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

INTEREST ON THE 5 1/2% SENIOR NOTES DUE OCTOBER 15, 2010

The 5 1/2% notes will bear interest at a rate of 5 1/2% per year. Interest on the 5 1/2% notes, including any additional interest amounts, if any, will be payable in cash on the 15th of October and April of each year, beginning April 15, 2004. Interest on the 5 1/2% notes will be payable to the holders of record of the 5 1/2% notes on the immediately preceding 1st day of October and April, as the case may be.

Interest on the 5 1/2% notes will be computed on the basis of a 360-day

year consisting of twelve 30-day months. Dollar amounts resulting from such calculation will be rounded to the nearest cent, with one-half cent being rounded upward.

OPTIONAL REDEMPTION OF THE 5 1/2% NOTES

No sinking fund is provided for the notes, which means that the indenture will not require us to redeem or retire either series of the notes periodically. However, the 5 1/2% notes will be redeemable at our option, in whole or in part, at any time and from time to time, in principal amounts of $1,000 or any integral multiple of $1,000 for an amount equal to the greater of:

- 100% of the principal amount of the 5 1/2% notes; or

- as determined by an Independent Investment Banker, the sum of the present values of the Remaining Scheduled Payments on the 5 1/2% notes being redeemed, discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 25 basis points for the 5 1/2% notes.

In each case, we will pay accrued interest to the date of redemption.

"Treasury Rate" means the rate per year equal to:

- the yield, under the heading that represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue; provided that if no maturity is within three months before or after the maturity date for the 5 1/2% notes, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue will be determined and the Treasury Rate will be interpolated or extrapolated from those yields on a straight line basis rounding to the nearest month; or

- if that release, or any successor release, is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue



(expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

The Treasury Rate will be calculated on the third business day preceding the redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the applicable series of notes.

"Comparable Treasury Price" is:

- the average of the bid and asked prices for the Comparable Treasury issue

(expressed as a percentage of its principal amount) on the third business day preceding the redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities;" or

- if such release (or any successor release) is not published or does not contain such prices on such business day:

  -- the average of the Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of the Reference Treasury Dealer Quotations, or

  -- if the trustee obtains fewer than three Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations so received.

"Independent Investment Banker" means one of the Reference Treasury Dealers that we appoint.

"Reference Treasury Dealer" means each of Citigroup Global Markets Inc. (and its successors), Goldman, Sachs & Co. (and its successors), J.P. Morgan Securities Inc. (and its successors) and one other nationally recognized investment banking firm that is a primary U.S. Government securities dealer specified from time to time by us. If, however, any of them shall cease to be a primary U.S. Government securities dealer in New York City, we will substitute another nationally recognized investment banking firm that is such a dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer as of 3:30 p.m., New York time, on the third business day preceding the redemption date.

"Remaining Scheduled Payments" means the remaining scheduled payments of the principal of and interest on each note to be redeemed that would be due after the related redemption date but for such redemption. If the redemption date is not an interest payment date with respect to the note being redeemed, the amount of the next succeeding scheduled interest payment on the note will be reduced by the amount of interest accrued thereon to that redemption date.

We will mail notice of a redemption not less than 30 days nor more than 60 days before the redemption date to the trustee and holders of 5 1/2% notes to be redeemed.

If we are redeeming less than all the 5 1/2% notes, the trustee will select the particular notes to be redeemed pro rata, by lot or by another method the trustee deems fair and appropriate. Unless there is a default in payment of the redemption amount, on and after the redemption date, interest will cease to accrue on the 5 1/2% notes or portions thereof called for redemption. We will pay 100% of the principal amount of the 5 1/2% notes at the maturity of those notes.

Except as described above, the new 5 1/2% notes will not be redeemable by us prior to maturity.



RANKING

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

As of September 30, 2003, we had outstanding approximately $2.4 billion of unsecured indebtedness, no secured indebtedness and no subordinated indebtedness. At September 30, 2003, the aggregate indebtedness of our subsidiaries was approximately $402.0 million, and other liabilities of our subsidiaries, including trade payables, accrued compensation, advanced billings, income taxes payable, other liabilities (other than asbestos and intercompany liabilities) were approximately $4.3 billion, and accrued asbestos liabilities were approximately $3.4 billion. As of September 30, 2003, our subsidiaries had no secured indebtedness and no subordinated indebtedness outstanding.

Subsequent to the end of third quarter 2003, we entered into (1) a $1.0 billion delayed-draw term facility to be available for cash funding of the trusts for the benefit of asbestos and silica claimants; (2) a master letter of credit facility intended to ensure that existing letters of credit supporting our contracts remain in place during the Chapter 11 filing; and (3) a $700.0 million three-year revolving credit facility for general working purposes. There are a number of conditions precedent that must be met before these facilities will be effective and available for our use, one of which is the Chapter 11 filing for DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations. Borrowings under the letter of credit facility and the revolving credit facility will be secured. The terms of the notes and the new credit facilities contemplate that the notes offered hereby and certain of our previously issued debt securities (including the outstanding notes) and our new 7.6% debentures due 2096 to be issued in the exchange offer described under "Description of Settlement-Related Indebtedness," if consummated, will share in collateral pledged to secure borrowings under the new credit facilities if and when the total of all the secured debt exceeds 5% of the consolidated net tangible assets of Halliburton and its subsidiaries. The terms of the new credit facilities contemplate collateral pledged to secure borrowings under the new facilities will be released after (1) completion of the Chapter 11 plan of reorganization of DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations, which will be used to implement the proposed settlement, and (2) satisfaction of other conditions described in "Description of Settlement-Related Indebtedness -- Conditions to Release of Collateral."

The new notes will not be guaranteed by any of our subsidiaries. Borrowings under the letter of credit facility and revolving credit facility described under "Description of Settlement-Related Indebtedness" will be guaranteed by some of our subsidiaries. Accordingly, the new notes will be structurally subordinated to the debt guaranteed by our subsidiaries. The terms of the new credit facilities provide that any of these subsidiary guarantees will be released after (1) completion of the Chapter 11 plan of reorganization of DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations, which will be used to implement the proposed settlement, and (2) satisfaction of the other conditions described in "Description of Settlement-Related Indebtedness -- Conditions to Release of Collateral."

The notes are our exclusive obligation. Our cash flow and our ability to service our indebtedness, including the notes, is dependent upon the earnings of our subsidiaries. In addition, we are dependent on the distribution of earnings, loans or other payments by our subsidiaries to us. Our subsidiaries are separate and distinct legal entities. Our subsidiaries will not guarantee the notes or have any obligation to pay any amounts due on the notes or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or

other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations. Our right to receive any assets of any subsidiary upon its liquidation or reorganization, and, therefore, our right to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if we were a creditor of any of our subsidiaries, our right as a creditor would be subordinate to



any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us.

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

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

COVENANTS

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

RESTRICTIONS ON SECURED DEBT

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

- specified purchase money mortgages;

- specified mortgages to finance construction on unimproved property;

- mortgages existing on property at the time of its acquisition by us that are assumed by us or our Restricted Subsidiary;

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

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

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

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

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

- the amount of the Secured Debt (not including Secured Debt permitted under the foregoing exemptions) of us and our Restricted Subsidiaries, plus

- the aggregate value of Sale and Leaseback Transactions in existence at the time (subject to specific exceptions),

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



LIMITATIONS ON SALE AND LEASEBACK TRANSACTIONS

The indenture also prohibits Sale and Leaseback Transactions unless:

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

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

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

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

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

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

RESTRICTIONS ON CONSOLIDATION, MERGER, SALE OR CONVEYANCE

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

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

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

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

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

The successor company will succeed to, and be substituted for, and may exercise every right and power of, Halliburton under the indenture. In the case of a sale, conveyance, transfer or other disposition (other than

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a lease) of all or substantially all its assets, Halliburton will be released from all of the obligations under the indenture and the notes.

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

EVENTS OF DEFAULT

The following are events of default with respect to either series of notes:

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

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

- breach or failure to perform any other covenant or agreement in the indenture applicable to that series of notes (other than any agreement or

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

- failure to make any payment at maturity on any indebtedness, upon redemption or otherwise, in the aggregate principal amount of $125 million or more, after the expiration of any applicable grace period, and such amount has not been paid or discharged within 30 days after notice is given in accordance with the terms of such indebtedness;

- a default by us on any indebtedness that results in the acceleration of any such indebtedness in the aggregate principal amount of $125 million or more so that it becomes due and payable prior to the date on which it would otherwise become due and payable and such acceleration is not rescinded within 30 days after notice is given in accordance with the terms of such indebtedness;

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

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

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

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

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

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



- the trustee for 60 days after its receipt of the notice, request and offer of indemnity has neglected or refused to institute the requested action, suit or proceeding and during that 60 day period the holders of a majority in principal amount of the then-outstanding notes of that series

do not give the trustee a direction inconsistent with the request.

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

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

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

DEFEASANCE

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

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

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

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

We will be required to deliver to the trustee an opinion of counsel that the deposit and related defeasance would not cause the holders of the notes to recognize income, gain or loss for U.S. federal income tax purposes. If we elect legal defeasance, that opinion of counsel must be based upon a ruling from the U.S. Internal Revenue Service or a change in law to that effect.

MODIFICATIONS

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

- evidence the acceptance of appointment by a successor trustee.

GOVERNING LAW

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

DEFINITIONS

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

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

all in accordance with generally accepted accounting principles consistently applied.

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



"Restricted Subsidiary" means:

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

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

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

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

"Subsidiary" of any person means (a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or persons performing similar functions) or (b) any partnership, joint

venture, limited liability company or similar entity of which more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of clauses (a) and (b), at the time owned or controlled, directly or indirectly, by (1) such person, (2) such person and one or more Subsidiaries of such person or (3) one or more Subsidiaries of such person. Unless otherwise specified herein, each reference to a Subsidiary will refer to a Subsidiary of Halliburton. As used herein, "Capital Stock" of any person means any and all shares (including ordinary shares or American Depositary Shares), interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) of capital stock or other equity participations of such person and any rights (other than debt securities convertible or exchangeable into an equity interest), warrants or options to acquire an equity interest in such person.

INFORMATION CONCERNING THE TRUSTEE

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

BOOK-ENTRY SYSTEM

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

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



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

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

impair the ability of a beneficial owner to transfer book-entry notes.

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

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

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

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



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

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

holder.

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

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

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

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

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

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

CERTIFICATED NOTES

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

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

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

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

Any notes that are exchangeable pursuant to the preceding sentence are exchangeable for certificated notes issuable in authorized denominations and registered in such names as the depositary shall direct. Subject to the

foregoing, the global securities are not exchangeable, except for global securities of the same aggregate principal amount to be registered in the name of the depositary or its nominee.



## REGISTRATION RIGHTS AGREEMENT

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

### EXCHANGE OFFER REGISTRATION STATEMENT

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

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

- it is not our affiliate or a broker-dealer tendering notes acquired directly from us for its own account;

- it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the notes that are issued in the exchange offer; and

- that it is acquiring the notes in the exchange offer in its ordinary course of business.

### SHELF REGISTRATION STATEMENT

If:

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

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

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

then we will file, no later than 60 days after the time such obligation to file

arises, with the SEC a shelf registration statement to register for public resale the Registrable Securities held by any such holder. A holder who sells notes pursuant to the shelf registration statement generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the registration rights agreement which are applicable to such a holder (including certain indemnification obligations). In addition, each holder of the notes will be required to deliver information to be used in connection with the shelf registration statement in order to have its notes included in the shelf registration statement.



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

- each note until the earliest to occur of:
  - the date on which such note is exchanged in a registered exchange offer,
  - the date on which such note has been disposed of pursuant to and in a manner contemplated by the shelf registration statement,
  - the date on which such note is sold pursuant to Rule 144 under the Securities Act under circumstances in which any legend borne by such note relating to restrictions on transferability thereof is removed,
  - the note is eligible to be sold pursuant to Rule 144(k) under the Securities Act, or
  - the note is no longer outstanding; and
- each exchange note issued to a broker-dealer in a registered exchange offer until resale of such exchange note by the broker-dealer within the 180-day period contemplated by the registration rights agreement.

ADDITIONAL INTEREST AMOUNTS

The registration rights agreement also provides that:

- if we fail to file any registration statement on or prior to the applicable deadline;
- if such registration statement is not declared effective by the SEC on or before the applicable deadline;
- if the exchange offer is not consummated within 45 business days after the exchange offer registration statement is declared effective; or
- if any registration statement is declared effective but thereafter ceases to be effective or useable in connection with resales of the Registrable Securities during the periods specified in the registration rights agreement, for such time of non-effectiveness or non-usability (each, a "Registration Default Period"),

we will pay to each holder of Registrable Securities affected thereby additional interest amounts in an amount equal to 0.25% per annum for the first 90 days of the Registration Default Period and an additional 0.25% per annum from and after the 91st day following the Registration Default Period. In no event shall

additional interest amounts exceed 0.50% per annum. We shall not be required to pay additional interest amounts for more than one registration default at any given time. Following the cure of all registration defaults, the accrual of additional interest amounts will cease.

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

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## MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

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

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

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

## EXCHANGE OF NOTES

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

## U.S. HOLDERS

### INTEREST PAYMENTS

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



### ADDITIONAL INTEREST AMOUNTS

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

### SALE, EXCHANGE OR REDEMPTION

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

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

NON-U.S. HOLDERS

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

INTEREST PAYMENTS

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

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

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

SALE, EXCHANGE OR REDEMPTION

A Non-U.S. Holder will generally not be subject to United States federal income or withholding tax with respect to gain upon the sale, exchange, redemption or other disposition of notes, unless: (1) the income or gain is "U.S. trade or business income," which means income or gain that is effectively

connected with the conduct by the Non-U.S. Holder of a trade or business, or, in the case of a treaty resident, attributable to a permanent establishment maintained in the United States; or (2) such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met.

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

BACKUP WITHHOLDING AND INFORMATION REPORTING

U.S. HOLDERS

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

NON-U.S. HOLDERS

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

Generally, information reporting and backup withholding of United States federal income tax at the applicable rate may apply to payments made by us or our agent to a Non-U.S. Holder if such holder fails to make the appropriate certification that the holder is a non-U.S. person or if we or our agent has actual knowledge or reason to know that the payee is a United States person.



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

Payments of the proceeds of a sale of a note to or through the United States office of a broker will be subject to information reporting and possible backup withholding unless the payee certifies under penalties of perjury as to

his or her status as a Non-U.S. Holder and satisfies certain other qualifications (and no agent of the broker who is responsible for receiving or reviewing such statement has actual knowledge or reason to know that it is incorrect) and provides his or her name and address or the payee otherwise establishes an exemption.

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

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



## CERTAIN ERISA CONSIDERATIONS

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

### GENERAL FIDUCIARY MATTERS

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

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

### PROHIBITED TRANSACTION ISSUES

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities that are "parties in interest," within the meaning of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes

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

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

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



REPRESENTATION

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

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



## PLAN OF DISTRIBUTION

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

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

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

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

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

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

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

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

To date, the staff of the SEC has taken the position that participating broker-dealers may fulfill their prospectus delivery requirements with respect to transactions involving an exchange of securities such as this exchange offer, other than a resale of an unsold allotment from the original sale of the outstanding notes, with the prospectus contained in the exchange offer registration statement. In the registration rights agreement, we have agreed to permit participating broker-dealers to use this prospectus in connection with the resale of new notes. We have agreed that, for a period of up to 180 days after the closing of the exchange offer, we will make this prospectus, and any amendment or supplement to this prospectus, available to any broker-dealer that requests these documents in the letter of transmittal. In addition, until , 200 all dealers effecting transactions in the new notes may be required to deliver a prospectus.

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

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

- in the over-the-counter market;

- in negotiated transactions;

- through the writing of options on the new notes or a combination of methods of resale; or

- at market prices or negotiated prices.

Any resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any broker-dealer or the purchasers of any new notes. Any broker-dealer that resells new notes it received for its own account in the exchange offer and

any broker or dealer that participates in a distribution of new notes may be deemed to be an "underwriter" within the meaning of the Securities Act. Any profit on any resale of new notes and any commissions or concessions received by any persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that, by acknowledging that it will deliver and by delivery a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning the Securities Act.



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

## TRANSFER RESTRICTIONS ON OUTSTANDING NOTES

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

## LEGAL MATTERS

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

## EXPERTS

The consolidated financial statements of Halliburton Company as of December 31, 2002, and for the year then ended, have been incorporated by reference in this prospectus in reliance on the report of KPMG LLP, independent accountants, included in our Current Report on Form 8-K dated October 28, 2003 incorporated by reference herein, and upon the authority of such firm as experts in accounting and auditing.

The audit report covering the December 31, 2002 financial statements refers to a change in the composition of the Company's reportable segments in 2003. The amounts in the 2002, 2001 and 2000 consolidated financial statements related to reportable segments have been restated to conform to the 2003 composition of reportable segments.

### CHANGE IN INDEPENDENT AUDITORS

The consolidated financial statements of Halliburton for December 31, 2001 and 2000 incorporated by reference in this prospectus were audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto.

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

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

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

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



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$1,050,000,000

HALLIBURTON COMPANY

$300,000,000 SENIOR NOTES DUE OCTOBER 17, 2005

$750,000,000 5 1/2% SENIOR NOTES DUE OCTOBER 15, 2010

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PROSPECTUS

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

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

- expenses, judgments, and fines; and

- amounts paid in settlement actually and reasonably incurred in any

action, suit, or proceeding.

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

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

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

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

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

- for any breach of the director's duty of loyalty to the corporation or its stockholders;
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- under Section 174 of the DGCL, relating to liability for unauthorized acquisitions or redemptions of, or dividends on, capital stock; or
- for any transaction from which the director derived an improper personal benefit.

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



ITEM 21. EXHIBITS.

| EXHIBIT NO. | DESCRIPTION OF EXHIBIT |
| --- | --- |
| 3.1* | Restated Certificate of Incorporation of Halliburton Company filed with the Secretary of State of Delaware on July 23, 1998 (incorporated by reference to Exhibit 3(a) to |

| | |
|---|---|
| | Halliburton's Form 10-Q for the quarter ended June 30, 1998, File No. 1-3492). |
| 3.2* | By-laws of Halliburton revised effective February 12, 2003 (incorporated by reference to Exhibit 3.2 to Halliburton's Form 10-K for the year ended December 31, 2002, File No. 1-3492). |
| 4.1* | Senior Indenture dated as of October 17, 2003 between Halliburton and JPMorgan Chase Bank, as Trustee (incorporated by reference to Exhibit 4.1 to Halliburton's Form 10-Q for the quarter ended September 30, 2003, File No. 1-3492). |
| 4.2* | First Supplemental Indenture dated as of October 17, 2003 between Halliburton and JPMorgan Chase Bank, as Trustee (incorporated by reference to Exhibit 4.2 to Halliburton's Form 10-Q for the quarter ended September 30, 2003, File No. 1-3492). |
| 4.3* | Form of Senior Notes due 2005 (included as Exhibit A to Exhibit 4.2 above). |
| 4.4* | Form of 5 1/2% Senior Notes due 2010 (included as Exhibit B to Exhibit 4.2 above). |
| 4.5 | Registration Rights Agreement dated as of October 17, 2003 among Halliburton and J.P. Morgan Securities Inc., Citigroup Global Markets, Inc. and Goldman, Sachs & Co., as representatives of the several Purchasers named in Schedule I of the Purchase Agreement dated as of October 14, 2003. |
| 4.6* | Restated Rights Agreement dated as of December 1, 1996 between Halliburton and Mellon Investor Services LLC (formerly ChaseMellon Shareholder Services, L.L.C.) (incorporated by reference to Exhibit 4.4 of Halliburton's Registration Statement on Form 8-B dated December 12, 1996, File No. 1-3492). |
| +5.1 | Opinion of Baker Botts L.L.P. |
| 12.1 | Statement of computation of ratio of earnings to fixed charges. |
| 23.1 | Consent of KPMG LLP. |
| +23.2 | Consent of Baker Botts L.L.P. (included in Exhibit 5.1). |
| 24.1 | Power of Attorney. |
| 25.1 | Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of the Trustee on Form T-1. |
| 99.1 | Form of Letter to DTC Participants for the Senior Notes due 2005. |
| 99.2 | Form of Letter to DTC Participants for the 5 1/2% Notes due 2010. |
| 99.3 | Form of Letter to Clients for the Senior Notes due 2005. |
| 99.4 | Form of Letter to Clients for the 5 1/2% Notes due 2010. |
| 99.5 | Form of Notice of Guaranteed Delivery for the Senior Notes due 2005. |
| 99.6 | Form of Notice of Guaranteed Delivery for the 5 1/2% Notes due 2010. |
| 99.7 | Form of Letter of Transmittal for the Senior Notes due 2005. |
| 99.8 | Form of Letter of Transmittal for the 5 1/2% Notes due 2010. |

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* Incorporated by reference as indicated.

+ To be filed with an amendment.

ITEM 22. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes:

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

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

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

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

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

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

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

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

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act

and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.



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

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



SIGNATURES

Pursuant to the requirements of the Securities Act, the Company has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on November 12, 2003.

HALLIBURTON COMPANY

By: /s/ DAVID J. LESAR

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

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated and on November 12, 2003.

| | |
|---|---|
| /s/ DAVID J. LESAR<br>David J. Lesar | Chairman of the Board, President, Chief Executive Officer and Director (Principal Officer) |
| /s/ C. CHRISTOPHER GAUT<br>C. Christopher Gaut | Executive Vice President and Chief Financial Officer (Principal Financial Officer) |
| /s/ MARK A. MCCOLLUM | Senior Vice President and Chief Accounting Officer |

| | |
|---|---|
| Mark A. McCollum | (Principal Accounting Officer) |
| * <br> Robert L. Crandall | Director |
| * <br> Kenneth T. Derr | Director |
| * <br> Charles J. Dibona | Director |
| * <br> W.R. Howell | Director |
| * <br> Ray L. Hunt | Director |
| * <br> Aylwin B. Lewis | Director |
| * <br> J. Landis Martin | Director |
| * <br> Jay A. Precourt | Director |
| * <br> Debra L. Reed | Director |
| * <br> C.J. Silas | Director |

*By: /s/ MARGARET E. CARRIERE

Margaret E. Carriere
Attorney-in-Fact



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