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HALLIBURTON CO
Form DEF 14A
April 02, 2004

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [X]
Filed by a Party other than the Registrant []

Check the appropriate box:

- Preliminary Proxy Statement
- CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY
RULE 14a-6(e) (2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

Halliburton Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i) (4) and 0-11.

1) Title of each class of securities to which transaction applies:

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SEC 1913 (02-02)

(HALLIBURTON LOGO)

March 23, 2004

To Our Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders of Halliburton Company. The meeting will be held on Wednesday, May 19, 2004, at 9:00 a.m., local time, in Ballroom B of the Four Seasons Hotel, 1300 Lamar Street, Houston, Texas 77010. The Notice of Annual Meeting, proxy statement and proxy card from the Board of Directors are enclosed. The materials provide further information concerning the Annual Meeting.

At the meeting, stockholders are being asked to:

- elect a Board of Directors of eleven Directors to serve for the coming year;
- consider and act upon a proposal to amend the Certificate of Incorporation of Halliburton to increase the authorized common stock of Halliburton; and
- consider three stockholder proposals.

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Please refer to the proxy statement for detailed information on each of these proposals.

It is very important that your shares are represented and voted at the meeting. Your shares may be voted electronically on the Internet, by telephone or by returning the enclosed proxy card. If you attend the meeting, you may vote in person even if you have previously voted. We would appreciate you informing us on the proxy card if you expect to attend the meeting so that we can provide adequate seating.

The continuing interest of our stockholders in the business of Halliburton is appreciated and we hope you will be able to attend the Annual Meeting.

Sincerely,

-s- DAVID J. LESAR

DAVID J. LESAR
Chairman of the Board, President
and Chief Executive Officer

(HALLIBURTON LOGO)

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 19, 2004

The Annual Meeting of Stockholders of Halliburton Company, a Delaware corporation, will be held on Wednesday, May 19, 2004, at 9:00 a.m., local time, in Ballroom B of the Four Seasons Hotel, 1300 Lamar Street, Houston, Texas 77010. At the meeting, the stockholders will be asked to consider and act upon the matters discussed in the attached proxy statement as follows:

1. To elect eleven Directors to serve for the ensuing year and until their successors shall be elected and shall qualify.
2. To consider and act upon a proposal to amend Article FOURTH of Halliburton's Certificate of Incorporation, as amended, to increase the authorized common stock of Halliburton, par value \$2.50 per share, from 600,000,000 shares to 1,000,000,000 shares.
3. To consider and act upon three stockholder proposals, if properly presented at the meeting.
4. To transact any other business that properly comes before the meeting or any adjournment or adjournments of the meeting.

These items are fully described in the following pages, which are made a part of this Notice. The Board of Directors has set Monday, March 22, 2004, at the close of business, as the record date for the determination of stockholders entitled to notice of and to vote at the meeting and at any adjournment of the meeting.

We request that you vote your shares as promptly as possible. You may vote your shares in a number of ways if you have shares registered in your own name:

- electronically via the Internet at <http://www.eproxy.com/hal>,
- by telephone if you are in the U.S. and Canada, by calling 1-800-435-6710 (toll-free), or

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-- by marking your votes, dating, signing the proxy card or voting instruction form enclosed and returning it in the postage-paid envelope provided.

If you hold Halliburton shares with a broker or bank, you may also be eligible to vote via the Internet or by telephone if your broker or bank participates in the proxy voting program provided by ADP Investor Communication Services.

IF YOU PLAN TO ATTEND:

ATTENDANCE AT THE MEETING IS LIMITED TO STOCKHOLDERS AND ONE GUEST EACH. ADMISSION WILL BE ON A FIRST-COME, FIRST-SERVED BASIS. REGISTRATION WILL BEGIN AT 8:00 A.M., AND THE MEETING WILL BEGIN AT 9:00 A.M. EACH STOCKHOLDER HOLDING STOCK IN BROKERAGE ACCOUNTS WILL NEED TO BRING A COPY OF A BROKERAGE STATEMENT REFLECTING STOCK OWNERSHIP AS OF THE RECORD DATE. PLEASE NOTE THAT YOU MAY BE ASKED TO PRESENT VALID PICTURE IDENTIFICATION, SUCH AS A DRIVER'S LICENSE OR PASSPORT.

By order of the Board of Directors,

-s- MARGARET E. CARRIERE

MARGARET E. CARRIERE
Vice President and
Secretary

March 23, 2004

YOU ARE URGED TO VOTE YOUR SHARES AS PROMPTLY AS POSSIBLE BY (1) FOLLOWING THE ENCLOSED VOTING INSTRUCTIONS TO VOTE VIA THE INTERNET OR BY TELEPHONE, OR (2) MARKING YOUR VOTES, DATING, SIGNING AND RETURNING THE ENCLOSED PROXY CARD.

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PROXY STATEMENT

GENERAL INFORMATION

The accompanying proxy is solicited by the Board of Directors of Halliburton Company ("Halliburton", the "Company", "we" or "us"). By executing and returning the enclosed proxy or by following the enclosed voting instructions, you authorize the persons named in the proxy to represent you and vote your shares on the matters described in the Notice of Annual Meeting.

Subject to space availability, all stockholders as of the record date, or their duly appointed proxies, may attend the Meeting and each may be accompanied by one guest. Admission to the Meeting will be on a first-come, first-served basis. Registration will begin at 8:00 a.m., and the Meeting will begin at 9:00 a.m. Please note that you may be asked to present valid picture identification, such as a driver's license or passport when you check in at the registration desk.

If you hold your shares in "street name" (that is, through a broker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the record date.

NO CAMERAS, RECORDING EQUIPMENT, ELECTRONIC DEVICES, LARGE BAGS, BRIEFCASES OR PACKAGES WILL BE PERMITTED IN THE MEETING.

If you attend the Meeting, you may vote in person. If you are not present, your shares can be voted only if you have followed the instructions for voting via the Internet or by telephone or returned a properly executed proxy; and in these cases, your shares will be voted as you specify. If no specification is made, the shares will be voted in accordance with the recommendations of the Board of Directors. You may revoke the authorization given in your proxy at any time before the shares are voted at the Meeting.

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The record date for determination of the stockholders entitled to vote at the Annual Meeting is the close of business on March 22, 2004. Halliburton's common stock, par value \$2.50, is the only class of capital stock that is outstanding. As of March 22, 2004, there were 439,822,919 shares of common stock outstanding. Each of the outstanding shares of common stock is entitled to one vote on each matter submitted to the stockholders for a vote at the Meeting. A complete list of stockholders entitled to vote will be kept at our offices at the address specified below for ten days prior to, and will be available at, the Annual Meeting.

Votes cast by proxy or in person at the Annual Meeting will be counted by the persons appointed by us to act as election inspectors for the Meeting. Except as set forth below, the affirmative vote of the majority of shares present in person or represented by proxy at the Meeting and entitled to vote on the subject matter will be the act of the stockholders. Shares for which a holder has elected to abstain on a matter will count for purposes of determining the presence of a quorum and will have the effect of a vote against the matter.

In the election of Directors, the candidates for election receiving the highest number of affirmative votes of the shares entitled to be voted, whether or not a majority of the shares present, up to the number of Directors to be elected by those shares, will be elected. Shares present but not voting on the election of Directors will be disregarded, except for quorum purposes, and will have no legal effect. With respect to the proposal to amend the Certificate of Incorporation to increase the number of authorized shares, the affirmative vote of the holders of a majority of the outstanding shares of common stock is required to approve the amendment.

The election inspectors will treat shares held in street name which cannot be voted by a broker on specific matters in the absence of instructions from the beneficial owner of the shares, known as broker non-vote shares, as shares that are present and entitled to vote for purposes of determining the presence of a quorum. In determining the outcome of any matter for which the broker does not have discretionary authority to vote, however, those shares will not have any effect on that matter. Those shares may be entitled to vote on other matters.

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In accordance with our confidential voting policy, no vote of any stockholder will be disclosed to Halliburton's officers, Directors or employees, except:

- as necessary to meet legal requirements and to assert claims for and defend claims against Halliburton;
- when disclosure is voluntarily made or requested by the stockholder;
- when the stockholder writes comments on the proxy card; or
- in the event of a proxy solicitation not approved and recommended by the Board of Directors.

The proxy solicitor, the election inspectors and the tabulators of all proxies, ballots and voting tabulations that identify stockholders are independent and are not employees of Halliburton.

This proxy statement, the form of proxy and voting instructions are being sent to stockholders on or about April 2, 2004. Our Annual Report to Stockholders, including financial statements, for the fiscal year ended December 31, 2003 accompanies this proxy statement. The Annual Report is not to be considered as a part of the proxy solicitation material or as having been incorporated by reference.

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Our principal executive office is located at 5 Houston Center, 1401 McKinney, Suite 2400, Houston, Texas 77010.

ELECTION OF DIRECTORS

(ITEM 1)

Eleven Directors are to be elected to serve for the ensuing year and until their successors are elected and qualify. The common stock represented by the proxies will be voted for the election as Directors of the eleven nominees unless we receive contrary instructions. If any of the nominees are unwilling or unable to serve, favorable and uninstructed proxies will be voted for a substitute nominee designated by the Board of Directors. If a suitable substitute is not available, the Board of Directors will reduce the number of Directors to be elected. Each nominee has indicated approval of his or her nomination and his or her willingness to serve if elected.

Our corporate governance guidelines require a Director to retire immediately prior to the Annual Meeting following his or her seventy-second birthday. Halliburton's Board made a determination at its March 3, 2004 meeting to waive mandatory retirement for one year from May 19, 2004 until May 18, 2005, for two Directors, Charles J. DiBona and C.J. Silas, who would otherwise retire on May 19, 2004. This determination was deemed by the Directors to be in the best interests of the stockholders.

INFORMATION ABOUT NOMINEES FOR DIRECTOR

(PHOTO)

ROBERT L. CRANDALL, 68, Chairman Emeritus, AMR Corporation/American Airlines, Inc. (engaged primarily in the air transportation business); President, American Airlines, Inc. 1980-1995; Chairman, President and Chief Executive Officer, AMR Corporation/American Airlines 1985-1995; and Chairman and Chief Executive Officer, AMR Corporation/American Airlines 1985-1998; joined Halliburton Company Board in 1986; Chairman of the Compensation Committee and member of the Audit and the Management Oversight Committees; Director of Air Cell, Inc., Anixter International, Celestica Inc., i2 Technologies, Inc., and serves on the Advisory Board of American International Group, Inc. and on the Federal Aviation Administration Management Advisory Committee.

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(PHOTO)

KENNETH T. DERR, 67, Retired Chairman of the Board, Chevron Corporation (an international oil company); Chairman and Chief Executive Officer, Chevron Corporation, 1989-1999; joined Halliburton Company Board in 2001; member of the Audit, the Nominating and Corporate Governance and the Management Oversight Committees; Director of AT&T Corp., Citigroup Inc. and Calpine Corporation.

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(PHOTO)

CHARLES J. DIBONA, 72, Retired President and Chief Executive Officer, American Petroleum Institute (a major petroleum industry trade association), 1979-1997; joined Halliburton Company Board in 1997; Chairman of the Health, Safety and Environment Committee, member of the Nominating and Corporate Governance and the Management Oversight Committees; Chairman of the Board of Trustees, Logistics Management Institute.

(PHOTO)

W. R. HOWELL, 68, Chairman Emeritus, J.C. Penney Company, Inc. (a major retailer); Chairman of the Board, J.C. Penney Company, Inc., 1983-1996; Chief Executive Officer, J.C. Penney Company, Inc., 1983-1995; joined Halliburton Company Board in 1991; Chairman of the Management Oversight Committee and member of the Audit and the Compensation Committees; Director of American Electric Power Company, Exxon-Mobil Corporation, Pfizer Inc. and the Williams Company. He is also a Director of Deutsche Bank Trust Corporation and Deutsche Bank Trust Company Americas, non-public wholly owned subsidiaries of Deutsche Bank AG, and Viseon, Inc. Mr. Howell has informed us that he does not intend to stand for reelection to the Board of Viseon, Inc. in 2004.

(PHOTO)

RAY L. HUNT, 60, Chairman of the Board and Chief Executive Officer, Hunt Oil Company (oil and gas exploration and development) and Chairman of the Board, Chief Executive Officer and President, Hunt Consolidated, Inc. for more than five years; joined Halliburton Company Board in 1998; Chairman of the Nominating and Corporate Governance Committee and member of the Audit and the Management Oversight Committees; Director of Electronic Data Systems Corporation, PepsiCo, Inc., King Ranch Company, and Chairman of the Board of Directors of the Federal Reserve Bank of Dallas and member of the Board of Managers of Verde Group, LLC.

(PHOTO)

DAVID J. LESAR, 50, Chairman of the Board, President and Chief Executive Officer of the Company, since 2000; President of the Company, 1997-2000; Executive Vice President and Chief Financial Officer, 1995-1997; joined Halliburton Company Board in 2000; Director of Lyondell Chemical Company and Mirant Corporation.

(PHOTO)

AYLWIN B. LEWIS, 49, President, Chief Multibranding & Operating Officer, YUM! Brands, Inc. (a quick service restaurant company), since 2003; Chief Operating Officer, YUM! Brands, Inc., 2000-2003; Executive Vice President, Operations and New Business Development, YUM! Brands, Inc., January-July 2000; Chief Operating Officer, Pizza Hut, Inc., 1997-1999; Senior Vice President, Operations, Pizza Hut, Inc., 1996-1997; Senior Vice President, Marketing and Operations Development, KFC - Pepsico, Inc., 1995-1996; joined Halliburton Company Board in 2001; member of the Compensation, the Health, Safety and Environment and the Management Oversight Committees; Director of The Walt Disney Company.

(PHOTO) J. LANDIS MARTIN, 58, Chairman and Chief Executive Officer, Titanium Metals Corporation (an integrated producer of titanium metals), since 1995; President, Titanium Metals Corporation, since 2000; President and Chief Executive Officer, NL Industries, Inc. (a manufacturer and marketer of titanium dioxide pigments), 1987-2003; Chairman of the Board and Chief Executive Officer, Baroid Corporation (and its predecessor), acquired by Dresser Industries, Inc. in 1994, 1990-1994; joined Halliburton Company Board in 1998; member of the Health, Safety and Environment and the Management Oversight Committees; Director of Titanium Metals Corporation, Apartment Investment and Management Corporation, Crown Castle International Corporation and Trico Marine Services, Inc.

(PHOTO) JAY A. PRECOURT, 66, Chairman of the Board and Chief Executive Officer, Scissor Tail Energy, LLC (a gatherer, transporter and processor of natural gas and natural gas liquids), since 2000; Chairman of the Board, Hermes Consolidated, Inc. (a gatherer, transporter and refiner of crude oil and refined products), since 1999; Vice Chairman and Chief Executive Officer, Tejas Gas Corporation, 1986-1999; President, Tejas Gas Corporation, 1996-1998; joined Halliburton Company Board in 1998; member of the Compensation, the Health, Safety and Environment and the Management Oversight Committees; Director of Founders Funds, Inc., The Timken Company and Apache Corp.

(PHOTO) DEBRA L. REED, 47, President and Chief Financial Officer, Southern California Gas Company and San Diego Gas & Electric Company (regulated utility companies), since 2002; President of San Diego Gas & Electric Company, 2000-2001; President, Energy Distribution Services, Southern California Gas Company, 1998-2001; Senior Vice President, Southern California Gas Company, 1995-1998; joined Halliburton Company Board in 2001; member of the Health, Safety and Environment, the Nominating and Corporate Governance and the Management Oversight Committees.

(PHOTO) C. J. SILAS, 71, Retired Chairman of the Board and Chief Executive Officer, Phillips Petroleum Company (engaged in exploration and production of crude oil, natural gas and natural gas liquids on a worldwide basis, the manufacture of plastics and petrochemicals and other activities); Chairman of the Board and Chief Executive Officer, Phillips Petroleum Company, 1985-1994; joined Halliburton Company Board in 1993; Chairman of the Audit Committee and member of the Compensation and the Management Oversight Committees.

STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information about persons or groups, based on information contained in Schedules 13G filed with the Securities and Exchange Commission reflecting beneficial ownership at December 31, 2003, who own or have

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the right to acquire more than five percent of our common stock.

NAME AND ADDRESS OF BENEFICIAL OWNER -----	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP -----	PERCENT OF CLASS -----
Capital Research and Management Company..... 333 South Hope Street, Los Angeles, CA 90071	28,170,000 (1)	6.43%
Morgan Stanley..... 1585 Broadway, New York, NY 10036	24,787,508 (2)	5.66%

(1) Capital Research and Management Company (CRM) is an investment adviser and is deemed to be the beneficial owner of 28,170,000 shares. CRM has sole dispositive power over 28,170,000 shares.

(2) Morgan Stanley is the indirect beneficial owner of 24,787,508 shares held by its business units. Morgan Stanley has shared voting power and shared dispositive power over 24,352,075 shares.

The following table sets forth, as of March 2, 2004, the amount of our common stock owned beneficially by each Director, each of the executive officers named in the Summary Compensation Table on page 18 and all Directors and executive officers as a group.

NAME OF BENEFICIAL OWNER OR NUMBER OF PERSONS IN GROUP -----	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP -----		PERCENT OF CLASS -----
	SOLE VOTING AND INVESTMENT POWER (1) -----	SHARED VOTING OR INVESTMENT POWER (2) -----	
Albert O. Cornelison, Jr.	95,671		*
Robert L. Crandall.....	9,400		*
Kenneth T. Derr.....	12,600		*
Charles J. DiBona.....	6,400		*
C. Christopher Gaut.....	94,944		*
John W. Gibson, Jr.....	318,430		*
Robert R. Harl.....	316,995		*
W. R. Howell.....	8,300		*
Ray L. Hunt.....	84,847	69,712 (3)	*
David J. Lesar.....	1,631,342	20,000 (3)	*
Aylwin B. Lewis.....	9,600		*
J. Landis Martin.....	34,201		*
Jay A. Precourt.....	25,840		*
Debra L. Reed.....	9,600	250 (3)	*
C. J. Silas.....	8,400		*
Shares owned by all current Directors and executive officers as a group (19 persons).....	3,217,786		*

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* Less than 1% of shares outstanding.

- (1) Included in the table are shares of common stock that may be purchased pursuant to outstanding stock options within 60 days of March 2, 2004 for the following: Mr. Cornelison - 29,038; Mr. Crandall - 3,000; Mr. Derr - 7,000; Mr. DiBona - 3,000; Mr. Gaut - 33,334; Mr. Gibson - 159,500; Mr. Harl - 159,631; Mr. Howell - 3,000; Mr. Hunt - 11,500; Mr. Lesar - 857,102; Mr. Lewis - 7,000; Mr. Martin - 11,500; Mr. Precourt - 11,500; Ms. Reed - 7,000; Mr. Silas - 3,000 and four unnamed executive officers - 256,181. Until the options are exercised, these individuals will neither have voting nor investment power over the underlying shares of common stock but only have the right to acquire beneficial ownership of the shares through exercise of their respective options.

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- (2) The Halliburton Stock Fund is an investment fund established under the Halliburton Company Employee Benefit Master Trust to hold Halliburton common stock for some of Halliburton's profit sharing, retirement and savings plans. The Fund held 7,362,256 shares of common stock at March 2, 2004. Two executive officers not named in the above table have beneficial interests in the Fund. Shares held in the Fund are not allocated to any individual's account. The shares of common stock which might be deemed to be beneficially owned as of March 2, 2004 by the unnamed executive officers total 1,284. The Trustee, State Street Bank and Trust Company, votes shares held in the Halliburton Stock Fund in accordance with voting instructions from the participants. Under the terms of the plans, a participant has the right to determine whether up to 15% of his account balance in a plan is invested in the Halliburton Stock Fund. The Trustee, however, determines when sales or purchases are to be made.
- (3) Mr. Hunt holds 69,712 shares as the trustee of trusts established for the benefit of his children. Mr. Lesar holds 20,000 shares in a family partnership. Ms. Reed has shared voting and investment power over 250 shares held in her husband's Individual Retirement Account.

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CORPORATE GOVERNANCE

In 1997, our Board of Directors adopted a formal statement of its responsibilities and corporate governance guidelines to ensure effective governance in all areas of its responsibilities. Since 1997, our corporate governance guidelines have been reviewed periodically and revised as appropriate to reflect the dynamic and evolving processes relating to corporate governance, including the operation of the Board. Our Board's corporate governance guidelines, as revised in March 2004, can be found on the Corporate Governance page of our website www.halliburton.com and in Appendix A hereto.

Our Board also wants our stockholders to understand how the Board conducts its affairs in all areas of its responsibility. For that reason, we have made the full text of our Audit; Compensation; Management Oversight; and Nominating and Corporate Governance Committees's charters available on our website and attached these charters as Appendices B, C, D, and E. The charter of the Health, Safety and Environment Committee is under review and will be made available on our website later this year.

We have posted on our website our Code of Business Conduct, which applies to all of our employees and Directors and serves as a code of ethics for our

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principal executive officer, principal financial officer, principal accounting officer or controller, and other persons performing similar functions. If you do not have access to our website you can request a hard copy of the Code of Business Conduct by contacting the Vice President and Secretary at the address set forth on page 2 of this proxy statement. Any waivers to our code of ethics with respect to our executive officers can only be made by our Audit Committee.

THE BOARD'S ROLE IN STRATEGIC PLANNING

Our Board believes that its primary responsibility is to oversee Halliburton's affairs for the benefit of our stockholders. Our corporate governance guidelines specify several core areas that are included within this responsibility. One of them, strategic planning, is discussed in more detail below.

Our Board has the responsibility for reviewing and approving Halliburton's strategic and business plans and for monitoring Halliburton's performance against those plans. There are several provisions of the corporate governance guidelines that directly address our Board's role in carrying out its duties concerning Halliburton's long-range strategic plans.

- The Chief Executive Officer's performance is evaluated by the Board using specific criteria that include:
 - performance of the business, including achievement of financial objectives and goals;
 - development and implementation of initiatives to provide long-term economic benefit to Halliburton; and
 - accomplishment of strategic objectives.
- Each year at one of its regular meetings, our Board reviews and approves Halliburton's long-term strategic and business plans.
- At subsequent Board meetings throughout the year, our Directors monitor Halliburton's performance against those strategic and business plans.
- To keep our Directors informed about Halliburton's business and performance between meetings, we routinely provide Board members with monthly financial statements, earnings reports, press releases and other pertinent information about the Company.

THE BOARD OF DIRECTORS AND STANDING COMMITTEES OF DIRECTORS

The Board of Directors has standing Audit; Compensation; Nominating and Corporate Governance; Health, Safety and Environment; and Management Oversight Committees. Each of the standing committees is comprised in the business judgment of the Board entirely of non-employee Directors, and members of the Audit; Compensation; and Nominating and Corporate Governance Committees are comprised entirely of independent Directors. During the last fiscal year, the Board of Directors met on 7 occasions, the Audit Committee met on

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8 occasions, the Compensation Committee met on 5 occasions, the Nominating and Corporate Governance Committee met on 2 occasions, the Health, Safety and Environment Committee met on 2 occasions, and the Management Oversight Committee met on 5 occasions. The non-employee Directors of the Board and the Management Oversight Committee each met in executive session, with no Company personnel present, on 5 occasions. The Chairman of the Management Oversight Committee functions as the Lead Director of the executive sessions. All members of the Board attended at least 75 percent of the total number of meetings of the Board

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and the committees on which he or she served during the last fiscal year. Our corporate governance guidelines provide that all Directors should attend our Annual Meeting, and all of our Directors attended the 2003 Meeting.

To foster better communication with our stockholders, a process exists for stockholders to communicate with the Audit Committee and the Board of Directors. The process has been approved by both the Audit Committee and the Board, and meets the requirements of the New York Stock Exchange, or NYSE, and the Securities and Exchange Commission, or SEC. The methods of communication with the Board include mail, a dedicated telephone number and an e-mail address. Information regarding these methods of communication is on our website, www.halliburton.com, under "Corporate Governance".

Halliburton's Director of Business Conduct, a Company employee, will review all stockholder communications received in accordance with the existing process. The Chairman of the Audit Committee will be promptly notified of any significant communication involving accounting, internal accounting controls, or auditing matters. The Chairman of the Management Oversight Committee will be promptly notified of any other significant stockholder communications and communications addressed to a named Director will be promptly sent to such Director. A report summarizing all communications will be sent to each Director quarterly and copies of communications will be available for review by any Director.

MEMBERS OF THE COMMITTEES OF THE BOARD OF DIRECTORS

	AUDIT COMMITTEE	COMPENSATION COMMITTEE	HEALTH, SAFETY AND ENVIRONMENT	MANAGEMENT OVERSIGHT COMMITTEE	NOMINA AND CORPOR GOVERN COMMIT
Robert L. Crandall.....	X	X*		X	
Kenneth T. Derr.....	X			X	X
Charles J. DiBona.....			X*	X	X
W. R. Howell.....	X	X		X*	
Ray L. Hunt.....	X			X	X*
Aylwin B. Lewis.....		X	X	X	
J. Landis Martin.....			X	X	
Jay A. Precourt.....		X	X	X	
Debra L. Reed.....			X	X	X
C. J. Silas.....	X*	X		X	

* Chairman

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AUDIT COMMITTEE

The Audit Committee's role is one of oversight, while Halliburton's management is responsible for preparing financial statements. The independent accounting firm appointed to audit our financial statements (the "principal independent accountants") is responsible for auditing those financial statements. The Audit Committee is not providing any expert or special assurance as to Halliburton's financial statements or any professional certification as to the principal independent accountants' work. The following functions are the key responsibilities of the Audit Committee in carrying out its oversight:

- recommending the appointment of the principal independent accountants to the Board of Directors, and together with the Board of Directors being responsible for the appointment, compensation, retention and oversight of the work of the principal independent accountants;
- reviewing the scope of the principal independent accountants' examination and the scope of activities of the internal audit department;
- reviewing Halliburton's financial policies and accounting systems and controls;
- reviewing audited financial statements and interim financial statements;
- preparing a report for inclusion in Halliburton's proxy statement regarding the Audit Committee's review of audited financial statements for the last fiscal year which includes a statement on whether it recommends that the Board include those financial statements in the Annual Report on Form 10-K;
- approving the services to be performed by the principal independent accountants; and
- reviewing and assessing the adequacy of the Audit Committee's Charter annually and recommending revisions to the Board.

The Audit Committee also reviews Halliburton's compliance with its Code of Business Conduct which was formally adopted by the Board in 1992. The Audit Committee meets separately with the principal independent accountants, internal auditors and management to discuss matters of concern, and to receive recommendations or suggestions for change and to exchange relevant views and information.

COMPENSATION COMMITTEE

The primary function of the Compensation Committee is to ensure that the Company's compensation program is effective in attracting, retaining and motivating key employees, that it reinforces business strategies and objectives for enhanced stockholder value and that the program is administered in a fair and equitable manner consistent with established policies and guidelines.

The Compensation Committee's responsibilities include, but are not limited to:

- determining and approving the Chief Executive Officer's (CEO) compensation level based on the evaluation of the CEO's performance by the Management Oversight Committee in light of the goals and objectives set by these Committees;
- producing a compensation committee report on executive compensation as

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- required by the SEC, to be included in Halliburton's annual proxy statement;
- taking part in an annual performance evaluation of the Compensation Committee;
- developing and approving an overall executive compensation philosophy, strategy and framework consistent with corporate objectives and stockholder interests;
- reviewing and approving all actions relating to compensation, promotion and employment-related arrangements for specified officers of Halliburton, its subsidiaries and affiliates;

- establishing performance criteria and reward schedules under Halliburton's annual incentive pay plans and Performance Unit Program and certifying the performance level achieved and reward payments at the end of each plan year or three-year cycle;

- approving any other incentive or bonus plans applicable to specified officers of Halliburton, its subsidiaries and affiliates;
- administering awards under Halliburton's 1993 Stock and Incentive Plan and its Supplemental Executive Retirement Plan;

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- selecting an appropriate comparator group against which Halliburton's total executive compensation program is measured;
- reviewing and approving or recommending to the Board, as appropriate, major changes to, and taking administrative actions associated with, any other forms of non-salary compensation under its purview;

- reviewing and approving the stock allocation budget among all employee groups within Halliburton;

- monitoring and reviewing periodically overall compensation program design and practice to ensure continued competitiveness, appropriateness and alignment with established philosophies, strategies and guidelines;

- reviewing and approving appointments to the Administrative Committee which oversees the day-to-day administration of certain non-qualified executive compensation plans;

- retaining persons having special competence (including consultants and other third-party service providers) as necessary to assist the Committee in fulfilling its responsibilities and maintaining the sole authority to retain and terminate these persons, including the authority to approve fees and other retention terms; and

- performing such other duties and functions as the Board of Directors may from time to time delegate.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

The Nominating and Corporate Governance Committee's responsibilities include, but are not limited to:

- reviewing periodically the corporate governance guidelines adopted by

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- the Board of Directors and recommending revisions to the guidelines as appropriate;
- developing and recommending to the Board for its approval an annual self-evaluation process of the Board and its committees. The Committee shall oversee the annual self-evaluations;
 - reviewing and periodically updating the criteria for Board membership and evaluating the qualifications of each Director candidate against the criteria;
 - assessing the appropriate mix of skills and characteristics required of Board members;
 - identifying and screening candidates for Board membership;
 - establishing procedures for stockholders to recommend individuals for consideration by the Committee as possible candidates for election to the Board;
 - reviewing annually each Director's continuation on the Board and recommending to the Board a slate of Director nominees for election at the Annual Meeting of Stockholders;
 - recommending candidates to fill vacancies on the Board;
 - reviewing periodically the status of each Director to assure compliance with the Board's policy that at least two-thirds of Directors meet the definition of independent Director;
 - reviewing the Board's committee structure, and recommending to the Board for its approval Directors to serve as members and as Chairs of each committee;
 - reviewing annually any stockholder proposals submitted for inclusion in Halliburton's proxy statement and recommending to the Board any Halliburton statements in response;
 - reviewing periodically Halliburton's Director compensation practices, conducting studies and recommending changes, if any, to the Board; and
 - reporting regularly on Committee activities and findings to the Board.

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Stockholder Nominations of Directors. Nominations by stockholders may be made at an Annual Meeting of Stockholders in the manner provided in our By-laws. The By-laws provide that a stockholder entitled to vote for the election of Directors may make nominations of persons for election to the Board at a meeting of stockholders by complying with required notice procedures. Nominations shall be made pursuant to written notice to the Vice President and Secretary at the address set forth on page 2 of this proxy statement, and must be received at our principal executive offices not less than ninety (90) days prior to the anniversary date of the immediately preceding Annual Meeting of Stockholders. The notice shall set forth:

- as to each person the stockholder proposes to nominate for election or reelection as a Director:
 - the name, age, business address and residence address of the person;
 - the principal occupation or employment of the person;
 - the class and number of shares of Halliburton common stock that are beneficially owned by the person; and
 - all other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended; and
- as to the stockholder giving the notice:
 - the name and record address of the stockholder; and
 - the class and number of shares of Halliburton common stock that are beneficially owned by the stockholder.

The proposed nominee may be required to furnish other information as

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Halliburton may reasonably require to determine the eligibility of the proposed nominee to serve as a Director. At any meeting of stockholders, the presiding officer may disregard the purported nomination of any person not made in compliance with these procedures.

Qualifications of Directors. Candidates nominated for election or reelection to the Board of Directors should possess the following qualifications:

- personal characteristics:
 - highest personal and professional ethics, integrity and values;
 - an inquiring and independent mind; and
 - practical wisdom and mature judgment;
- broad training and experience at the policy-making level in business, government, education or technology;
- expertise that is useful to Halliburton and complementary to the background and experience of other Board members, so that an optimum balance of members on the Board can be achieved and maintained;
- willingness to devote the required amount of time to carrying out the duties and responsibilities of Board membership;
- commitment to serve on the Board over a period of several years to develop knowledge about Halliburton's principal operations;
- willingness to represent the best interests of all stockholders and objectively appraise management performance; and
- involvement only in activities or interests that do not create a conflict with the Director's responsibilities to Halliburton and its stockholders.

The Nominating and Corporate Governance Committee is responsible for assessing the appropriate mix of skills and characteristics required of Board members in the context of the perceived needs of the Board at a given point in time and shall periodically review and update the criteria as deemed necessary. Diversity in personal background, race, gender, age and nationality for the Board as a whole may be taken into account in considering individual candidates.

Process for the Selection of New Directors. The Board is responsible for filling vacancies on the Board. The Board has delegated to the Nominating and Corporate Governance Committee the duty of selecting and recommending prospective nominees to the Board for approval. The Nominating and Corporate Governance Committee considers suggestions of candidates for Board membership made by current Committee and Board

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members, Halliburton management, and stockholders. On occasion, the Committee may retain an independent executive search firm to identify candidates for consideration. A stockholder who wishes to recommend a prospective candidate should notify Halliburton's Vice President and Secretary, as described in this proxy statement. The Nominating and Corporate Governance Committee also considers whether to nominate persons put forward by stockholders pursuant to Halliburton's By-laws relating to stockholder nominations.

When the Nominating and Corporate Governance Committee identifies a prospective candidate, the Committee determines whether it will carry out a full evaluation of the candidate. This determination is based on the information provided to the Committee by the person recommending the prospective candidate, and the Committee's knowledge of the candidate. This information may be supplemented by inquiries to the person who made the recommendation or to others. The preliminary determination is based on the need for additional Board members to fill vacancies or to expand the size of the Board, and the likelihood

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that the candidate will meet the Board membership criteria listed above. The Committee will determine, after discussion with the Chairman of the Board and other Board members, whether a candidate should continue to be considered as a potential nominee. If a candidate warrants additional consideration, the Committee may request an independent executive search firm to gather additional information about the candidate's background, experience and reputation, and to report its findings to the Committee. The Committee then evaluates the candidate and determines whether to interview the candidate. Such an interview would be carried out, in person or via telephone conference, by one or more members of the Committee and others as appropriate. Once the evaluation and interview are completed, the Committee recommends to the Board which candidates should be nominated. The Board makes a determination of nominees after review of the recommendation and the Committee's report.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

The Health, Safety and Environment Committee's responsibilities include, but are not limited to:

- reviewing and assessing Halliburton's health, safety and environmental policies and practices and proposing modifications or additions as needed;
- overseeing the communication and implementation of these policies throughout Halliburton;
- reviewing annually the health, safety and environmental performance of Halliburton's operating units and their compliance with applicable policies and legal requirements; and
- identifying, analyzing and advising the Board on health, safety and environmental trends and related emerging issues.

MANAGEMENT OVERSIGHT COMMITTEE

The Management Oversight Committee's responsibilities include, but are not limited to:

- evaluating the performance of the Chief Executive Officer;
- reviewing succession plans for senior management of Halliburton and its major operating units;
- evaluating management development programs and activities; and
- reviewing other internal matters of broad corporate significance.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

Halliburton seeks to enhance the Company's value by providing a broad spectrum of high quality services and related products within the energy services and engineering and construction business segments in which Halliburton operates. We believe that Halliburton's total compensation package for executives should emphasize compensation plans that are linked to measures of both absolute and relative performance.

Our charter makes us responsible for overseeing Halliburton's overall compensation philosophy and objectives and gives us specific responsibility for reviewing, approving and monitoring the compensation program for senior executives of Halliburton and its business units. Our principal function is to ensure that Halliburton's compensation program is effective in attracting, retaining and motivating key employees, that it reinforces business strategies and

objectives consistent with the Company's goals and that it is administered in a

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fair and equitable manner consistent with established policies and guidelines.

OVERALL EXECUTIVE COMPENSATION PHILOSOPHY AND STRATEGY

The primary objectives of Halliburton's total compensation package for senior executives are to:

- emphasize operating performance drivers; and
- establish and maintain competitive executive compensation programs that enable Halliburton to attract, retain and motivate high caliber executives who will assure the long-term success of the business.

Halliburton's compensation program is designed and regularly reviewed to ensure that the program's components support Halliburton's strategies and motivate employees to achieve business success. In determining what we deem to be appropriate types and amounts of compensation for executive officers, we consult with outside compensation consultants and review compensation data obtained from independent sources.

In the design and administration of executive compensation programs, we generally target current market levels of compensation at the 50th percentile for good performance and between the 50th and 75th percentile competitive level for outstanding performance. In doing so, we consider the market data for a comparator group which reflects the markets in which Halliburton competes for business and people. The comparator group is composed of:

- specific peer companies within the energy services and engineering and construction industries; and
- selected companies from general industry having similar revenue size, number of employees and market capitalization and which, in our opinion, provide comparable references.

Regression analysis is used in assessing all market compensation data to provide appropriate comparisons based on company size, complexity and performance, and individual role and job content. A consistent present value methodology is used in assessing stock-based and other long-term incentive awards.

The focus and mix of executive compensation elements and opportunities are tailored by individual position to reflect an appropriate balance among fixed and variable pay, short and long-term focus, and business/organization unit or corporate accountability.

Our executive compensation program consists of:

- a cash base salary;
- an annual incentive program;
- long-term incentive awards; and
- supplemental retirement and other executive benefits.

2003 SPECIAL COMPENSATION-RELATED CONSIDERATIONS

Although steady progress was made during 2003 with respect to the resolution of our asbestos liability, investor concerns continued throughout the year and our stock price remained depressed relative to our competitors. As a result, achieving comparable levels of compensation, particularly long-term compensation, for our executives relative to our comparator group remained a challenge. As a consequence we chose to continue dividend equivalent payments on outstanding stock options for all actively employed option holders throughout 2003.

Payment of 2002 Retention Awards. As reported in our Report on Executive

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Compensation in the 2003 proxy statement, Halliburton established retention arrangements in early 2002 for a select group of high performing senior and key executives deemed critical to the continuing operations of the Company. The retention period lasted from February 1, 2002 until January 1, 2003 and payments were made in January 2003. Accordingly, these payments are included in the Summary Compensation Table on page 18 with respect to the participating named executive officers.

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BASE SALARY

Executive salaries are referenced to market data for comparable positions within the comparator group. In addition to considering market comparisons in making salary decisions, we exercise discretion and judgment based on the following factors:

- level of responsibility;
- experience in current role and equitable compensation relationships among all Halliburton executives;
- performance; and
- external factors involving competitive positioning and general economic conditions.

No specific formula is applied to determine the weight of each factor.

In light of Mr. Lesar's excellent performance and leadership in dealing with the asbestos situation and other serious issues facing the Company in 2003, the Committee raised his annual base salary by 9.1% to \$1,200,000. In recognition of promotions, Messrs. Cornelison and Gibson also received base salary increases in 2003. Overall, adjustments to executive salaries made in 2003 were minimal except those recognizing promotions or significant changes in job responsibilities.

SHORT TERM INCENTIVE PLANS

In 1995, we established the Annual Performance Pay Plan to provide a means to link total compensation to Halliburton's performance, as measured by cash value added, or CVA. CVA measures the difference between after tax cash income and a capital charge, based upon Halliburton's weighted average cost of capital, to determine the amount of value, in terms of cash flow, added to Halliburton's business. Since the inception of the Plan, CVA has provided a close correlation to total stockholder return, notwithstanding the reduced stock price resulting from Halliburton's asbestos-related issues in recent years. We believe the long-term viability of CVA will continue to be an astute proxy for total stockholder return.

At the beginning of each plan year, we establish a reward schedule that aligns given levels of CVA performance beyond a threshold level with reward opportunities. The level of achievement of annual CVA performance determines the dollar amount of incentive compensation payable to participants.

Officers of Halliburton and its business units and specific senior managers were eligible to participate in the Annual Performance Pay Plan during 2003. In 2003, consolidated CVA performance did not meet the required threshold level. Accordingly, Mr. Lesar and the other executives named in the Summary Compensation Table earned no annual incentive compensation for the year.

The Company continues to make substantial progress in a number of critical areas. In an effort to recognize the ongoing efforts and future contributions made by selected named executive officers and key managers towards this progress, discretionary cash payments were made in early 2004. Accordingly, such

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payments will be included in the 2005 proxy statement Summary Compensation Table.

LONG-TERM INCENTIVE PLANS

Halliburton uses long-term incentives to achieve the following objectives:

- reward consistent achievement of value creation and operating performance goals;
- align management with stockholder interests; and
- encourage long-term perspectives and commitment.

Our 1993 Stock and Incentive Plan (the "1993 Plan") provides for a variety of cash and stock-based awards, including stock options, restricted stock, and performance shares, among others. Under the 1993 Plan, we may, in our discretion, select from among these types of awards to establish individual long-term incentive awards.

In 2003 we continued to reduce our emphasis on stock options as the primary form of long-term compensation by using a combination of vehicles to meet our long-term incentive objectives. These included restricted stock and performance units as well as stock options. The appropriate mix was determined based on level within the organization. At the executive level, we placed particular emphasis on operations-based incentives, such as performance units, in addition to stock options and restricted stock.

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By granting a mix of long-term incentives, the Company expects to effectively address volatility in our industry and in the stock market -- thereby sustaining more value and preserving an incentive for management to meet performance goals. In addition to assuring judicious use of Company shares, we believe that this strategy will also achieve enhanced stockholder value through performance goals that use operating performance as the primary measure of success.

Our determination of the size of equity-based grants to executive officers are based on market references to long-term incentive compensation for comparable positions within the comparator group and on our subjective assessment of organizational roles and internal job relationships. As a result of the long-term incentive awards that were made in 2001 and 2002, which were intended to provide three years worth of long-term incentive value, Messrs. Lesar, Cornelison, Gibson and Harl did not receive any option grants or restricted stock awards in 2003. Mr. Gaut received awards as listed in the Summary Compensation Table pursuant to his employment agreement with the Company.

In 2003, we expanded participation in the Performance Unit Program to a broader group of key executives. The Performance Unit Program is a long-term program designed to provide key executives with specified incentive opportunities contingent on the level of achievement of pre-established corporate performance objectives and continued employment. The 2003 cycle began on January 1, 2003 and will end on December 31, 2005 (the "2003 Cycle"). Performance is measured based on Company consolidated Return on Capital Employed ("ROCE") compared to both absolute goals and results achieved by comparator companies. Individual incentive opportunities are established based on market references. The Program allows for rewards to be paid in cash, stock or a combination thereof.

The 2001 cycle ended on December 31, 2003. Results for this first cycle of

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the Program included the achievement of Target levels of performance on both absolute and relative measures. Reward amounts earned by applicable named executive officers are listed in the Summary Compensation Table. Rewards for the 2001 cycle were paid in the form of one-half stock and one-half cash.

As noted under 2003 Special Compensation-Related Considerations, we chose to continue to pay dividend equivalents on outstanding stock options to actively-employed option holders throughout 2003. This temporary program, established in 2002, serves to enhance the Company's ability to retain and motivate key employees by offsetting lost equity compensation associated with the decline in share price. The program was very well received by option holders and has been approved to continue, at a minimum, through the first two quarters of 2004.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

The Supplemental Executive Retirement Plan (formerly the Senior Executives' Deferred Compensation Plan) was established to provide retirement benefits to key executives. Determinations as to who will receive an allocation for a particular plan year and the amount of the allocation are made in our sole discretion. However, in making our determinations, we consider guidelines that include references to:

- retirement benefits provided from other company programs;
- compensation;
- length of service;

- years of service to normal retirement,

and allocating contributions with a goal of achieving a 75% base pay replacement assuming retirement at age 65 with 25 or more years of service.

We authorized a 2003 supplemental retirement benefit addition for Mr. Lesar of \$267,000.

POLICY REGARDING SECTION 162(M) OF THE INTERNAL REVENUE CODE

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation paid to the chief executive officer or any of the four other most highly compensated officers to the extent the compensation exceeds \$1 million in any year. Qualifying performance-based compensation is not subject to this sanction if certain requirements are met.

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Our policy is to utilize available tax deductions whenever appropriate and consistent with our compensation philosophy. When designing and implementing executive compensation programs, we consider all relevant factors, including the availability of tax deductions with respect to compensation. Accordingly, we have attempted to preserve the federal tax deductibility of compensation in excess of \$1 million a year to the extent doing so is consistent with the intended objectives of our executive compensation philosophy but we may from time to time pay compensation to our executive officers that may not be fully deductible. Because of the elective deferral by some executive officers of portions of their salary and incentive compensation, the loss of deductibility for 2003 earned compensation will not be significant.

The 1993 Stock and Incentive Plan, as amended and restated effective May 20, 2003, enables qualification of stock options, stock appreciation rights and

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performance share awards as well as short-term and long-term cash performance plans under Section 162(m).

We believe that the interests of Halliburton and its stockholders are well served by the executive compensation programs currently in place. These programs encourage and promote Halliburton's compensation objectives and permit the exercise of our discretion in the design and implementation of compensation packages. We will continue to review our executive compensation plans periodically to determine what changes, if any, should be made.

Respectfully submitted,

THE COMPENSATION COMMITTEE OF
DIRECTORS

Robert L. Crandall, Chairman
Charles J. DiBona
W. R. Howell
Aylwin B. Lewis
Jay A. Precourt
C. J. Silas

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COMPARISON OF CUMULATIVE TOTAL RETURN

The following graph compares the cumulative total stockholder return on our common stock for the five-year period ended December 31, 2003, with the Standard & Poor's 500 Stock Index and the Standard & Poor's Energy Composite Index over the same period. This comparison assumes the investment of \$100 on December 31, 1998 and the reinvestment of all dividends. The stockholder return set forth on the chart below is not necessarily indicative of future performance.

TOTAL STOCKHOLDERS' RETURN - FIVE YEARS
ASSUMES INVESTMENT OF \$100 ON DECEMBER 31, 1998 AND REINVESTMENT OF DIVIDENDS

(PERFORMANCE GRAPH)

	12/31/98	12/31/99	12/31/00	12/31/01	12/31/02	12/31/03
Halliburton.....	100	137.69	125.46	46.05	67.80	96.32
S&P 500.....	100	121.04	110.01	96.94	75.51	97.17
S&P Energy.....	100	100.65	100.91	104.55	106.79	115.30

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The following four tables set forth information regarding the Chief Executive Officer and the next four most highly compensated executive officers of Halliburton (collectively, the "named executive officers").

SUMMARY COMPENSATION TABLE

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NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION			AWARDS	
		SALARY (\$)	BONUS (\$ (1))	OTHER ANNUAL COMPENSATION (\$ (2))	RESTRICTED STOCK AWARDS (\$ (3))	SECURITIES UNDERLYING OPTIONS (#)
David J. Lesar..... Chairman of the Board, President and Chief Executive Officer of the Company	2003	1,200,000	1,008,333	--	0	
	2002	1,100,000	1,719,972	--	4,482,368	
	2001	1,100,000	2,200,000	--	3,381,513	154,407
Albert O. Cornelison, Jr..... Executive Vice President and General Counsel of the Company (6)	2003	432,000	212,667	--	0	
	2002	N/A	N/A	--	N/A	
	2001	N/A	N/A	--	N/A	
C. Christopher Gaut..... Executive Vice President and Chief Financial Officer of the Company (6)	2003	416,667	100,000	--	615,000	100,000
	2002	N/A	N/A	--	N/A	N/A
	2001	N/A	N/A	--	N/A	N/A
John W. Gibson, Jr..... President and Chief Executive Officer of Halliburton Energy Services, Inc. (6)	2003	600,000	352,917	--	0	
	2002	N/A	N/A	--	N/A	
	2001	N/A	N/A	--	N/A	
Robert R. Harl..... President and Chief Executive Officer of Kellogg Brown & Root	2003	425,000	212,500	--	0	
	2002	425,000	166,134	--	1,004,247	
	2001	425,000	212,500	--	757,609	34,594

- (1) The amounts disclosed include cash retention bonus payments made in 2003 for the 2002 Retention Awards for Messrs. Lesar, Cornelison, Gibson, and Harl, and a signing bonus for Mr. Gaut.
- (2) The dollar value of perquisites and other personal benefits for each of the named executive officers was less than established reporting thresholds.
- (3) In 2001, Mr. Lesar was granted 154,407 shares with restrictions lapsing over 10 years and Mr. Harl was granted 34,594 shares with restrictions lapsing over 10 years. In 2002, Mr. Lesar was granted 308,810 shares with restrictions lapsing over 10 years and Mr. Harl was granted 69,187 shares with restrictions lapsing over 10 years. In 2003, Mr. Gaut was granted 30,000 shares with restrictions lapsing over 10 years. Dividends are paid on the restricted shares. The total number and value of restricted shares held by each of the above individuals as of December 31, 2003 were as follows:

TOTAL RESTRICTED	AGGREGATE MARKET
---------------------	---------------------

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NAME	SHARES	VALUE
Mr. Lesar.....	783,740	\$20,377,240
Mr. Cornelison.....	45,143	1,173,718
Mr. Gaut.....	30,000	780,000
Mr. Gibson.....	130,584	3,395,184
Mr. Harl.....	171,587	4,461,266

- (4) Payouts from the Performance Unit Program for the 2001 cycle that began on January 1, 2001 and ended on December 31, 2003.
- (5) "All Other Compensation" includes the following accruals for or contributions to various plans for the fiscal year ending December 31, 2003: (i) 401(k) plan matching contributions for Mr. Lesar -- \$8,000, Mr. Cornelison -- \$8,000, Mr. Gaut -- \$8,000, Mr. Gibson -- \$8,000, and Mr. Harl -- \$8,000; (ii) benefit restoration accruals for Mr. Lesar -- \$108,799, Mr. Cornelison -- \$36,377, Mr. Gaut -- \$8,667, Mr. Gibson -- \$31,777, and Mr. Harl -- \$16,103; (iii) supplemental executive retirement plan contributions for Mr. Lesar -- \$267,000, Mr. Cornelison -- \$150,000, Mr. Gaut -- \$120,000, Mr. Gibson -- \$177,000, and Mr. Harl -- \$0; (iv) above-market earnings on benefit restoration account for Mr. Lesar -- \$19,923, Mr. Cornelison -- \$5,764, Mr. Gaut -- \$0, Mr. Gibson -- \$544, and Mr. Harl -- \$8,691; and (v) above-market earnings on amounts deferred under elective deferral plans for Mr. Lesar -- \$22,806, Mr. Cornelison -- \$0, Mr. Gaut -- \$0, Mr. Gibson -- \$24,235, and Mr. Harl -- \$0.
- (6) Mr. Cornelison became an executive officer on May 15, 2002; Mr. Gaut became an executive officer on March 3, 2003; and Mr. Gibson became an executive officer on January 13, 2003.

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OPTION GRANTS FOR FISCAL 2003

INDIVIDUAL GRANTS(1)						POTE
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED (#)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE (\$/SHARE)	EXPIRATION DATE		AT OF ST
David J. Lesar.....	0	0	--	--		\$
Albert O. Cornelison, Jr.....	0	0	--	--		
C. Christopher Gaut.....	100,000	4.09	20.50	3/3/2013		1,
John W. Gibson, Jr.....	0	0	--	--		
Robert R. Harl.....	0	0	--	--		
All Optionees.....	2,443,139	100.00	23.447 (3)	(3)		36,
All Stockholders.....	N/A	N/A	N/A	N/A		\$6,463,

(1) All options granted under the 1993 Plan are granted at the fair market

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value of the common stock on the grant date and generally expire ten years from the grant date. During employment, options vest over a three year period, with one-third of the shares becoming exercisable on each of the first, second and third anniversaries of the grant date. The options granted to designated executives are transferable by gift to individuals and entities related to the optionee, subject to compliance with guidelines adopted by the Compensation Committee.

- (2) The assumed values result from the indicated rates of stock price appreciation. Values were calculated based on a 10-year exercise period for all grants. The actual value of the option grants is dependent on future performance of the common stock. There is no assurance that the values reflected in this table will be achieved. Halliburton did not use an alternative formula for a grant date valuation, as it is not aware of any formula that will determine with reasonable accuracy a present value based on future unknown or volatile factors.
- (3) The exercise price shown is an average of the price of all options granted in 2003. Options expire on one or more of the following dates: January 6, 2013, January 29, 2013, February 14, 2013, March 3, 2013, May 22, 2013, June 9, 2013, July 17, 2013, July 30, 2013, August 15, 2013, September 4, 2013, October 9, 2013, October 24, 2013, November 10, 2013, November 12, 2013, November 13, 2013, and November 21, 2013.
- (4) "All Stockholders" values are calculated using the average exercise price for all options awarded in 2003, \$23.447, based on the outstanding shares of common stock on December 31, 2003.

AGGREGATED OPTION EXERCISES IN FISCAL 2003
AND DECEMBER 31, 2003 OPTION VALUES

NAME ----	SHARES ACQUIRED ON EXERCISE (#) -----	VALUE REALIZED (\$) -----	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR-END (SHARES) -----	
			EXERCISABLE -----	UNEXERCISABLE -----
David J. Lesar.....	0	0	895,704	115,806
Albert O. Cornelison, Jr.....	0	0	27,069	5,906
C. Christopher Gaut.....	0	0	0	100,000
John W. Gibson, Jr.....	0	0	164,985	16,453
Robert R. Harl.....	0	0	150,982	25,945

LONG-TERM INCENTIVE COMPETITION

The Performance Unit Program was established in 2001 to provide selected key executives with incentive opportunities based on the level of achievement of pre-established corporate performance objectives over three-year performance cycles. The purpose of the program is to reinforce Halliburton's objectives for sustained long-term performance and value creation as well as reinforce strategic planning processes and balance short and long-term decision making.

Performance measures for the three-year cycle that began January 1, 2003, combine relative and absolute components tied to Halliburton's consolidated weighted average return on capital employed (ROCE). A

performance matrix combining both the actual achievement of pre-established ROCE level (Absolute Goal) and Halliburton's ROCE achievement level as compared to the comparator group (Relative Goal) is used to determine the percent of incentive opportunity achieved. The award is then calculated by multiplying the percent of incentive opportunity achieved by the target award. Payment may be made in cash, stock or a combination of cash and stock at the discretion of the Compensation Committee. No incentive will be earned or payment made under the Performance Unit Program for performance below the threshold level.

LONG-TERM INCENTIVE PLANS - AWARDS IN FISCAL 2003

NAME	PERFORMANCE CATEGORY JANUARY 1, 2003 SALARY (\$)	PERFORMANCE OR OTHER PERIOD UNTIL MATURATION OR PAYOUT	ESTIMATED FUTURE PAYOUT
			THRESHOLD (\$)
David J. Lesar.....	1,200,000	2003-2005	900,000
Albert O. Cornelison, Jr.	432,000	Fiscal Years	129,600
C. Christopher Gaut (1).....	500,000		187,500
John W. Gibson, Jr.	600,000		225,000
Robert R. Harl.....	425,000		127,500

(1) Annual salary as of commencement of employment on March 3, 2003.

EQUITY COMPENSATION PLAN INFORMATION

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (A)	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (B)
Equity compensation plans approved by security holders.....	18,280,780	\$31.05
Equity compensation plans not approved by security holders.....	--	--
Total.....	18,280,780	\$31.05

Note: There are 1,257,147 million shares with a weighted average exercise price of \$35.76 to be issued upon exercise of outstanding options that were assumed in the 1998 Dresser merger, the 1996 Landmark acquisition and other business combinations. No further grants can be issued under these assumed plans.

EMPLOYMENT CONTRACTS AND
CHANGE-IN-CONTROL ARRANGEMENTS

EMPLOYMENT CONTRACTS

Mr. Lesar. Mr. Lesar entered into an employment agreement with Halliburton as of August 1, 1995 which provided for his employment as Executive Vice President and Chief Financial Officer of Halliburton. The agreement also provides that, while Mr. Lesar is employed by Halliburton, management will recommend to the Compensation Committee:

- annual supplemental retirement benefit allocations under the Supplemental Executive Retirement Plan (formerly part of the Senior Executives' Deferred Compensation Plan); and
- annual grants of stock options under Halliburton's 1993 Stock and Incentive Plan, or 1993 Plan.

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These recommendations are to be consistent with the criteria utilized by the Compensation Committee for similarly situated executives.

Under the terms of his employment agreement, in the event Mr. Lesar is involuntarily terminated by Halliburton for any reason other than termination for cause (as defined in the agreement), Halliburton is obligated to pay Mr. Lesar a severance payment equal to:

- the value of any restricted shares that are forfeited because of termination; and
- five times his annual base salary.

Mr. Cornelison. Mr. Cornelison entered into an employment agreement with Halliburton on May 15, 2002, which provided for his employment as Vice President and General Counsel. Mr. Cornelison's employment agreement also provides for an annual salary of not less than \$332,000 and participation in Halliburton's Annual Performance Pay Plan.

Mr. Gaut. Mr. Gaut entered into an employment agreement with Halliburton on March 3, 2003, which provided for his employment as Executive Vice President. Mr. Gaut's employment agreement also provided for his subsequent appointment as Chief Financial Officer, an annual salary of not less than \$500,000 and participation in Halliburton's Annual Performance Pay Plan. In addition, Mr. Gaut was granted 30,000 restricted shares and 100,000 stock options under the 1993 Plan.

Mr. Gibson. Mr. Gibson entered into an employment agreement with Halliburton and Halliburton's subsidiary Landmark Graphics Corporation on January 1, 2000, which provided for his employment as Chief Operating Officer of Landmark. Mr. Gibson's employment agreement also provides for an annual salary of not less than \$360,000 and participation in Halliburton's Annual Performance Pay Plan.

Mr. Harl. Mr. Harl entered into an employment agreement with Halliburton and Halliburton's subsidiary, Brown & Root Services Corporation (which was merged into Kellogg Brown & Root, Inc. or KBR), on September 29, 1998, which provided

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for his employment as President of KBR. Mr. Harl's employment agreement also provides for an annual salary of not less than \$325,000 and participation in Halliburton's Annual Performance Pay Plan. In addition, Mr. Harl was granted 15,000 restricted shares under the 1993 Plan.

Under the terms of the employment agreements with Messrs. Cornelison, Gaut, Gibson and Harl, if any of these executives are terminated for any reason other than voluntary termination (as defined in the agreements), death, retirement (either at age 65 or voluntarily prior to age 65), permanent disability, or termination by Halliburton for cause (as defined in the agreements), the executive is entitled to severance payments equal to:

- the value of any restricted shares that are forfeited because of termination;
- two years' base salary;
- any unpaid bonus earned in prior years; and
- any bonus payable for the year in which his employment is terminated determined as if he had remained employed for the full year.

CHANGE-IN-CONTROL ARRANGEMENTS

Under the 1993 Plan, in the event of a Corporate Change, unless an Award Document otherwise provides, as of the Corporate Change Effective Date, the following will occur automatically:

- any outstanding Options and Stock Appreciation Rights shall become immediately vested and fully exercisable;
- any restrictions on Restricted Stock Awards shall immediately lapse;
- all performance measures upon which an outstanding Performance Award is contingent shall be deemed achieved and the Holder shall receive a payment equal to the maximum amount of the Award he or she would have been entitled to receive, prorated to the Corporate Change Effective Date; and
- any outstanding cash Awards including, but not limited to, Stock Value Equivalent Awards, shall immediately vest and be paid based on the vested value of the award.

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Under the Annual Performance Pay Plan:

- in the event of a change-in-control during a plan year, a participant will be entitled to an immediate cash payment equal to the maximum dollar amount he or she would have been entitled to for the year, prorated through the date of the change-in-control; and
- in the event of a change-in-control after the end of a plan year but before the payment date, a participant will be entitled to an immediate cash payment equal to the incentive earned for the plan year.

Under the Performance Unit Program:

- in the event of a change-in-control during a performance cycle, a participant will be entitled to an immediate cash payment equal to the maximum amount he or she would have been entitled to receive for the performance cycle, prorated to the date of the change-in-control; and
- in the event of a change-in-control after the end of a performance cycle but before the payment date, a participant will be entitled to an immediate cash payment equal to the incentive earned for that performance cycle.

Under the Employee Stock Purchase Plan, in the event of a change-in-control,

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unless the successor corporation assumes or substitutes new stock purchase rights:

- the purchase date for the outstanding stock purchase rights will be accelerated to a date fixed by the Compensation Committee prior to the effective date of the change-in-control; and
- on the effective date, any unexercised stock purchase rights will expire and Halliburton will promptly refund the unused amount of each participant's payroll deductions.

DIRECTORS' COMPENSATION

Directors' Fees and Deferred Compensation Plan

All non-employee Directors receive an annual fee of \$40,000 and an attendance fee of \$2,000 for each meeting of the Board of Directors. The Directors' also receive an attendance fee of \$2,000 per meeting for committee service. The annual fee was increased from \$30,000 to \$40,000 at the May 21, 2003 meeting. The increase became effective in June 2003. The Chairmen of the Audit; Compensation; Nominating and Corporate Governance; Health, Safety and Environment; and Management Oversight Committees each receive an additional \$10,000 retainer annually.

Under the Directors' Deferred Compensation Plan, Directors are permitted to defer their fees, or a portion of their fees, until after they cease to be a Director. A participant may elect, on a prospective basis, to have his or her deferred compensation account either credited quarterly with interest at the prime rate of Citibank, N.A. or translated on a quarterly basis into common stock equivalents. Distribution will be made either in a lump sum or in annual installments over a 5- or 10-year period, as determined in the discretion of the committee appointed to administer the plan. Distributions of common stock equivalents are made in shares of common stock, while distributions of deferred compensation credited with interest are made in cash. Messrs. Crandall, Derr, DiBona, Hunt, Lewis and Precourt and Ms. Reed have elected to participate in the plan.

Directors' Restricted Stock Awards

Pursuant to the terms of the Restricted Stock Plan for Non-Employee Directors, which was approved by the stockholders at the 1993 Annual Meeting, each non-employee Director receives an annual award of 400 restricted shares of common stock as a part of his or her compensation. The awards are in addition to the Directors' annual retainer and attendance fees. Shares awarded under the Directors' Restricted Stock Plan may not be sold, assigned, pledged or otherwise transferred or encumbered until the restrictions are removed. Restrictions will be removed following termination of Board service under specified circumstances, which include, among others, death or disability, retirement under the Director mandatory retirement policy, or early retirement after at least four years of service. During the restriction period, Directors have the right to vote, and to receive dividends on, the restricted

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shares. Any shares that under the plan's provisions remain restricted following termination of service will be forfeited.

At the July 17, 2003 meeting of Directors, the Directors approved annual awards of 600 restricted shares of common stock under the 1993 Plan for non-employee Directors as compensation in addition to the 400 restricted shares awarded under the Restricted Stock Plan for Non-Employee Directors. The terms of the awards are the same as the annual awards under the Restricted Stock Plan for

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Non-Employee Directors. Directors not participating in the Directors' Retirement Plan will also receive an annual award of 800 restricted shares of common stock that have been converted from stock option awards as described below for a total annual award of 1,800 restricted shares of common stock under both the Restricted Stock Plan for Non-Employee Directors and the 1993 Plan. Directors participating in the Directors' Retirement Plan will also receive an annual award of 400 restricted shares of common stock that have been converted from stock option awards for a total annual award of 1,400 restricted shares of common stock.

Directors' Stock Options

Subsequent to the 2000 Annual Meeting and until the July 17, 2003 meeting of Directors, the non-employee Directors were granted awards under the 1993 Plan as follows:

- Each Director elected after the 2000 Annual Meeting received an option for 5,000 shares of Halliburton common stock at the time of initial election to the Board and an option for 2,000 shares each year thereafter at the time of the Director's reelection. The option grants were in lieu of benefits under the Directors' Retirement Plan (discussed below) which is closed to Directors first elected after the 2000 Annual Meeting.
- Each Director who continued to participate in the Directors' Retirement Plan received an annual option for 1,000 shares at the time of reelection to the Board.
- Each "grandfathered" Director who opted out of the Directors' Retirement Plan (Messrs. Hunt, Martin and Precourt) received a one-time option grant for 5,000 shares and an annual option for 2,000 shares at the time of reelection.

Options granted under the stock option program:

- have an exercise price equal to the closing price of Halliburton's common stock on the grant date;
- become exercisable six months after the grant date; and
- are exercisable for 10 years from the date of grant or three years after termination of service, whichever is the shorter period.

At the July 17, 2003 meeting of Directors, the Directors determined that, in lieu of future stock option awards, restricted stock would be awarded under the 1993 Plan. Using a 2.5 conversion rate effective August 1, 2003, awards which would have been of 5,000, 2,000 and 1,000 stock options will now be awards of 2,000, 800 and 400 shares of restricted stock, respectively. This Director action prospectively terminates the awards of stock options to non-employee Directors, but it does not impact stock options previously awarded to such Directors.

Directors' Retirement Plan

As noted above, the Directors' Retirement Plan is closed to new Directors elected after May 16, 2000. Each individual who was serving as a non-employee Director on May 16, 2000 continued to be eligible to participate in the plan but had a one-time right to opt out of the plan and receive the same level of option grants as a new Director. Messrs. Hunt, Martin and Precourt elected to cease participation in the plan in exchange for the right to receive additional grants of options.

Under the Directors' Retirement Plan, each non-employee Director who continues as a participant will receive an annual benefit upon the benefit commencement date. The benefit commencement date is the later of a participant's termination date or attainment of age 65. The benefit will be equal to the last

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annual retainer for the participant for a period of years equal to the participant's years of service on his or her termination date. The

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minimum benefit payment period for each participant is 5 years. Upon the death of a participant, benefit payments will be made to the surviving spouse, if any, over the remainder of the retirement benefit payment period. Years of service for each Director participant under the plan are: Mr. Crandall - 19, Mr. DiBona - 7, Mr. Howell - 13, and Mr. Silas - 11. Assets are transferred to State Street Bank and Trust Company, as Trustee, to be held under an irrevocable grantor trust to aid Halliburton in meeting its obligations under the Directors' Retirement Plan. The principal and income of the trust are treated as assets and income of Halliburton for federal income tax purposes and are subject to the claims of general creditors of Halliburton to the extent provided in the plan.

Charitable Contributions

Matching Gifts. To further Halliburton's support for charities, non-employee Directors are able to participate in Halliburton's educational and not-for-profit hospital and medical foundation programs on the same terms as Halliburton's employees. Under those programs, Halliburton may make a contribution in the amount double the amount contributed by the Director to an educational institution, not-for-profit hospital or medical foundation approved by the Halliburton Foundation. The maximum aggregate match is \$40,000 per year. Halliburton has not made a charitable contribution to any charitable organization in which any Director serves as an executive officer, within the preceding three years, that exceeds in any single fiscal year the greater of \$1 million or 2% of such charitable organizations consolidated gross revenues.

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AUDIT COMMITTEE REPORT

Halliburton's Audit Committee consists of Directors who, in the business judgment of the Board of Directors, are independent under Securities and Exchange Commission regulations and the New York Stock Exchange listing standards. In addition, in the business judgment of the Board of Directors, all five members of the Audit Committee, Robert L. Crandall, Kenneth T. Derr, W. R. Howell, Ray L. Hunt and C. J. Silas, have accounting or related financial management experience required under the listing standards and have been designated by the Board of Directors as "audit committee financial experts". We operate under a written charter, a copy of which is included as Appendix B to this proxy statement. As required by the charter, we review and reassess the charter annually and recommend any changes to the Board of Directors for approval.

Under the charter, Halliburton's management is responsible for preparing Halliburton's financial statements and the principal independent accountants are responsible for auditing those financial statements. The Audit Committee's role under the charter is to provide oversight of management in carrying out management's responsibility and to appoint, compensate, retain and oversee the work of the principal independent accountants. The Audit Committee is not providing any expert or special assurance as to Halliburton's financial statements or any professional certification as to the principal independent accountants' work.

In fulfilling our oversight role for the year ended December 31, 2003, we:

- reviewed and discussed Halliburton's audited financial statements with management;

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- discussed with KPMG LLP, Halliburton's principal independent accountants, the matters required by Statement on Auditing Standards No. 61 relating to the conduct of the audit;
- received from KPMG LLP the written disclosures and letter required by Independence Standards Board Standard No. 1; and
- discussed with KPMG LLP its independence.

Based on our:

- review of the audited financial statements,
- discussions with management,
- discussions with KPMG LLP, and
- review of KPMG LLP's written disclosures and letter,

we recommended to the Board of Directors that the audited financial statements be included in Halliburton's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 for filing with the Securities and Exchange Commission. Our recommendation considers our review of that firm's qualifications as independent accountants for the Company. Our review also included matters required to be considered under Securities and Exchange Commission rules on auditor independence, including the nature and extent of non-audit services. In our business judgment the nature and extent of non-audit services performed by KPMG LLP during the year did not impair the firm's independence.

Respectfully submitted,
THE AUDIT COMMITTEE OF DIRECTORS

Robert L. Crandall
Kenneth T. Derr
W. R. Howell
Ray L. Hunt
C. J. Silas, Chairman

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FEES PAID TO KPMG LLP

During 2002 and 2003, Halliburton incurred the following fees for services performed by KPMG LLP:

	2003 ---- (IN MILLIONS)	2002 ---- (IN MILLIONS)
Audit Fees.....	\$13.4	\$10.2
Audit-related fees.....	1.2	0.5
Tax fees.....	3.2	1.2
Other fees.....	6.6	4.3
	-----	-----
Total.....	\$24.4 =====	\$16.2 =====

AUDIT FEES

Audit fees represent the aggregate fees for professional services rendered by KPMG LLP for the audit of our annual financial statements for the fiscal year ended December 31, 2003 and December 31, 2002, including audits of many of our subsidiaries in regards to compliance with statutory requirements in foreign

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countries, and the reviews of our financial statements included in the Forms 10-Q we filed for fiscal year 2003 and 2002.

AUDIT-RELATED FEES

Audit-related fees primarily include professional services rendered by KPMG LLP for audits of our employee benefit plans and advice and consultation related to our implementation of the provisions of Section 404 of the Sarbanes-Oxley Act.

TAX FEES

The aggregate fees for tax services primarily consisted of international tax compliance, and services related to our expatriate employees including tax and immigration related services.

ALL OTHER FEES

All other fees comprise professional services rendered by KPMG LLP primarily related to the SEC investigation and work associated with the bankruptcy proceedings of our subsidiaries DII Industries, LLC, Kellogg Brown & Root, Inc. and other affected subsidiaries.

PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee has established written pre-approval policies that require the approval by the Audit Committee of all services provided by KPMG LLP as the principal independent accountants that examine the financial statements and the books and records of Halliburton and all audit services provided by other independent accountants. The current version of the policy is attached to this proxy statement as Appendix F. All of the fees described above provided by KPMG LLP to Halliburton were approved in accordance with the policy. Our Audit Committee considered whether KPMG LLP's provisions of tax services and All Other Fees as reported above is compatible with maintaining KPMG LLP's independence as our principal independent accounting firm.

WORK PERFORMED BY PRINCIPAL ACCOUNTANT'S FULL TIME, PERMANENT EMPLOYEES

KPMG LLP's work on Halliburton's audit was performed by KPMG LLP partners and employees.

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THE SELECTION OF AUDITORS

KPMG LLP has examined Halliburton's financial statements beginning with the fiscal year ending December 31, 2002. The Board of Directors has appointed KPMG LLP as principal independent accountants to examine the financial statements and the books and records of Halliburton for the year ending December 31, 2004. The appointment was made upon the recommendation of the Audit Committee. KPMG LLP has advised that neither the firm nor any member of the firm has any direct financial interest or any material indirect interest in Halliburton. Also, during at least the past three years, neither the firm nor any member of the firm has had any connection with Halliburton in the capacity of promoter, underwriter, voting trustee, Director, officer or employee.

Representatives of KPMG LLP are expected to be present at the Annual Meeting, will have an opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from stockholders.

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The Board of Directors has decided to change its practice of presenting a resolution at the Annual Meeting for the stockholders to ratify the appointment of the principal independent accountants. The Board of Directors believes procedures that the Board and the Audit Committee have put in place with respect to the principal independent accountants makes such practice unnecessary.

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PROPOSAL TO AMEND THE CERTIFICATE OF INCORPORATION TO INCREASE AUTHORIZED COMMON STOCK

(ITEM 2)

The Board of Directors has unanimously approved, declared advisable and recommends that the stockholders consider and approve an amendment (the "Amendment") to ARTICLE FOURTH of Halliburton's Certificate of Incorporation, as amended (the "Certificate"), pursuant to which the authorized amount of shares of common stock would be increased from 600 million shares to 1 billion shares. The Certificate also currently authorizes the issuance of up to 5 million shares of preferred stock (the "Preferred Stock"), of which no shares are issued and outstanding. The Amendment would not alter the authorized amount of Preferred Stock.

The resolution to be voted upon to effect the Amendment is set forth in Appendix G to this proxy statement.

PURPOSE AND EFFECTS OF THE AMENDMENT

As of March 22, 2004 there were approximately 439.8 million shares of common stock issued and outstanding and approximately 140.4 million shares reserved. Of the shares reserved, approximately 49.0 million shares were reserved for employee benefit plans and director compensation plans, approximately 31.9 million shares were reserved for issuance upon conversion of our 3 1/8% convertible senior notes due 2023 and 59.5 million shares were reserved for issuance to one or more trusts for the benefit of asbestos and silica personal injury claimants in connection with the plan of reorganization proposed in the Chapter 11 bankruptcy proceedings of our subsidiaries DII Industries, LLC, Kellogg Brown & Root, Inc. and other affected subsidiaries.

The Board of Directors believes that the flexibility provided by the Amendment to permit Halliburton to issue or reserve additional common stock, in the discretion of the Board of Directors, without the delay or expense of a special meeting of stockholders, is in the best interests of Halliburton and its stockholders. Shares of common stock may be used for general purposes, including stock splits and stock dividends, acquisitions, possible financing activities and other employee, executive and director benefit plans. Possible financing activities might include raising additional capital funds through offerings of shares of our common stock or of equity or debt securities convertible into or exchangeable for shares of our common stock. We have no present plans, arrangements, commitments or understanding with respect to the issuance of any of the additional shares of common stock that would be authorized by adoption of the Amendment.

Pursuant to the Certificate, our stockholders have no preemptive rights with respect to the additional shares of common stock being authorized. The Certificate does not require further approval of stockholders prior to the issuance of any additional shares of common stock. In some circumstances

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(generally relating to the number of shares to be issued, the manner of offering and the identity of the recipients), the rules of the New York Stock Exchange, or NYSE, may require specific authorization in connection with the issuance of additional shares. We do not anticipate that we will seek authorization from stockholders for issuance of additional shares of common stock unless required by applicable laws or the NYSE.

The issuance of any additional shares of common stock may have the effect of diluting the percentage of stock ownership, book value and voting rights of the present holders of the common stock. The Amendment also may have the effect of discouraging attempts to take over control of Halliburton, as additional shares of common stock could be issued to dilute the stock ownership and voting power of, or increase the cost to, a party seeking to obtain control of us. The Amendment is not being proposed in response to any known effort or threat to acquire control of Halliburton and is not part of a plan by management to adopt a series of amendments to the Certificate and By-laws having an anti-takeover effect.

In accordance with Delaware law, the affirmative vote of the holders of a majority of the outstanding shares of common stock is required to approve the Amendment. Accordingly, abstentions and broker non-votes applicable to shares present at the Meeting will have the same effect as votes cast against approval of the Amendment. If the Amendment is approved, we intend to file the Amendment with the Secretary of State of Delaware soon after the approval.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE PROPOSED AMENDMENT TO OUR CERTIFICATE OF INCORPORATION.

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STOCKHOLDER PROPOSAL ON OPERATIONS IN IRAN

(ITEM 3)

The New York City Police Pension Fund and the New York City Fire Department Pension Fund ("NYC Funds"), located at 1 Centre Street, New York, New York 10007-2341, has notified Halliburton that it intends to present the resolution set forth below to the Annual Meeting for action by the stockholders. NYC Funds' supporting statement for the resolution, along with the Board of Directors' statement in opposition is set forth below. As of December 2, 2003, the New York City Police Pension Fund beneficially owned 284,984 shares of Halliburton's common stock and the New York City Fire Department Pension Fund beneficially owned 128,606 shares of Halliburton's common stock. Proxies solicited on behalf of the Board of Directors will be voted AGAINST this proposal unless stockholders specify a contrary choice in their proxies.

PROPOSAL

Halliburton Company

Review and Report on Operations in Iran

WHEREAS, since the 2001 terrorist attacks against the United States, there has been increased interest among investors and the general public concerning corporate ties to states that reportedly sponsor terrorist activity, and

WHEREAS, U.S. law currently restricts trade by American companies with states designated as "sponsors of terrorism" by the U.S. State Department, and

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WHEREAS, in February 2000 Halliburton opened an office in Iran under the name of Halliburton Products and Services, Ltd., its Cayman Islands subsidiary,

THEREFORE, be it resolved that shareholders request that the Board of Directors establish a committee of the Board to review Halliburton's operations in Iran with a particular reference to potential financial and reputational risks incurred by the company by such operations, and

Be it further resolved that shareholders request that this review committee report to shareholders on its findings no later than September 2004. This report should be produced at reasonable cost and contain no proprietary information.

SUPPORTING STATEMENT

According to the U.S. State Department, the Iranian government has actively supported and funded terrorist operations against innocent civilians outside its own borders. These activities led to the imposition of government sanctions that provide that virtually all trade and investment activity with Iran by U.S. corporations, is prohibited. We believe that Halliburton's use of its Cayman Island subsidiary to establish operations in Tehran violates the spirit, if not the letter of the law. It also exposes the company to the prospect of negative publicity, public protests, and a loss of consumer confidence, all of which can have a negative impact on shareholder value.

In 2001, the Securities and Exchange Commission stated that a company's involvement with states that sponsor terrorism is a legitimate shareholder concern "substantially likely to be significant to a reasonable investors decision about whether to invest in that company". The New York City Police and Fire Department Pension Funds urge you to vote FOR this resolution.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THIS PROPOSAL. HALLIBURTON'S STATEMENT IN OPPOSITION IS AS FOLLOWS:

The New York City Police Pension Fund and the New York City Fire Department Pension Fund (the Funds) have submitted an identical proposal to the one the Funds submitted for last year's proxy statement. Last year, the parties agreed that Halliburton would prepare a report for its Board of Directors, and would publish the report in

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its 2003 Annual Report, in return for the New York City Comptroller, on behalf of the Funds, withdrawing the proposal. Halliburton believes it complied with that agreement, prepared the Iran report which stated the nature and amount of Halliburton subsidiaries' business in Iran, and sent it to the New York City Comptroller's office on October 23, 2003. A copy of Halliburton's Iran report is available on Halliburton's website at www.halliburton.com, and is included in our 2003 Annual Report.

We do not believe that our reputation is adversely affected by doing legitimate business. Further, the amount of Iran work is not significant to our total operations. Our foreign subsidiaries' operations in Iran represented less than one percent of both gross sales and net earnings from continuing operations of Halliburton in 2003. Inasmuch as Halliburton subsidiaries have conducted these operations in Iran openly for some fifty years, we perceive no significant risk to the company in continuing.

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Regarding allegations of terrorist activity sponsored by the government of Iran, we believe that decisions as to the nature of such governments and their actions are better made by governmental authorities and international entities such as the United Nations as opposed to individual persons or companies. Where the United States government has mandated that United States companies refrain from commerce, we comply, often to the advantage of our international competitors. In the case of doing business in Iran, Halliburton's limited operations are staffed and managed by non-U.S. personnel in compliance with applicable law. While the Board shares the Funds' concern about terrorist activities, history has shown that single country, let alone corporate, boycotts and sanctions, are ineffective, often injuring the economic interests of the boycotting entity.

Halliburton does not always agree with the policies or actions of governments in every place that we or our affiliates do business. Due to the long-term nature of our business and the inevitability of political and social change, however, it is neither prudent nor appropriate for Halliburton to establish its own country-by-country foreign policy.

Because of the long-term view we need to take and the requirements of our customers, the Board believes that the reporting requested by the proposal will not create value to the stockholders. Halliburton fully complied with the New York Comptroller's request last year and produced a thorough report.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THE PROPOSAL. PROXIES SOLICITED BY THE BOARD WILL BE VOTED AGAINST THE PROPOSAL UNLESS INSTRUCTED OTHERWISE.

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STOCKHOLDER PROPOSAL ON DIRECTOR ELECTION VOTE THRESHOLD

(ITEM 4)

The United Brotherhood of Carpenters Pension Fund ("UBC Funds"), located at 101 Constitution Avenue, N.W., Washington, D.C. 20001, has notified Halliburton that it intends to present the resolution set forth below to the Annual Meeting for action by the stockholders. UBC Funds' supporting statement for the resolution, along with the Board of Directors' statement in opposition is set forth below. As of December 19, 2003, the UBC Funds beneficially owned 7,400 shares of Halliburton's common stock. Proxies solicited on behalf of the Board of Directors will be voted AGAINST this proposal unless stockholders specify a contrary choice in their proxies.

PROPOSAL

RESOLVED: That the shareholders of Halliburton Company ("Company") hereby request that the board of directors initiate the appropriate process to amend the Company's governance documents (certificate of incorporation or bylaws) to provide that nominees standing for election to the board of directors must receive the vote of a majority of the shares entitled to vote at an annual meeting of shareholders in order to be elected or re-elected to the board of directors.

SUPPORTING STATEMENT

Our Company is incorporated in the state of Delaware. Delaware corporate law provides that a company's certificate of incorporation or bylaws may specify the number of votes that shall be necessary for the transaction of any business. (8

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Del. C. 1953, Section 216 -- Quorum and required vote for stock corporations). Further, the law provides that in the absence of any such specification in the certificate of incorporation or bylaws of the corporation, directors "shall be elected by a plurality of the votes of the shares present in person