

November 14, 2006

Halliburton Company
Attn: General Counsel's Office
5 Houston Center
1401 McKinney, Suite 2400
Houston, TX 77010

Dear General Counsel of Halliburton:

The Project On Government Oversight (POGO) is overhauling and renewing its Federal Contractor Misconduct Database (www.pogo.org/db/index.cfm), a compilation of information from public resources regarding government contractors, including Halliburton. On August 16, 2005 and December 2, 2005, we sent you information regarding findings relevant to Halliburton, which we have enclosed for your reference. As of today, we have not received a response from your office.

A written response is certainly in the best interest of everyone involved. It is the best way for your company to go on record regarding this process and the instances identified; your letter will be posted in its entirety on the database. Several companies have already responded and have expressed appreciation for the opportunity to express their views. POGO would prefer to receive a response by November 30, 2006 to ensure it is included with the launch of our new database.

If you have any questions, I can be reached at (202) 347-1122. Thank you for your time and consideration.

Sincerely,

Scott Amey
General Counsel

Enclosure

Instances of Misconduct

1.

BJ Services v. Halliburton (Patent Infringement)

Date: 04/12/2002 (Date of Decision)

Misconduct Type: Other

Contracting Party: Non-Governmental

Court Type: Civil

Amount: \$101,000,000

Disposition: Judgment Against Defendant

Synopsis: The jury found that Halliburton Energy Services, Inc. infringed BJ's patent on its Vistar fracturing fluid and awarded BJ approximately \$98 million of damages; the court also awarded prejudgment interest of approximately \$3 million. The court also indicated that it would issue an injunction preventing Halliburton from further use of its Phoenix fracturing fluid that was determined by the jury to infringe the BJ patent.

Document(s):

Halliburton Press Release

2.

SEC v. Halliburton (Accounting Practices)

Date: 08/03/2004 (Date of Settlement)

Misconduct Type: Securities

Contracting Party: N/A

Court Type: Civil

Amount: \$7,500,000

Disposition: Settlement

Synopsis: In response to Halliburton's failure to disclose a 1998 change to its accounting practice, the Securities and Exchange Commission began enforcement proceedings. As a result of that undisclosed change, Halliburton's public statements regarding its income in 1998 and 1999 were materially misleading. Halliburton has agreed to settle the enforcement actions by consenting to a Commission order to cease and desist from committing or causing future securities law violations. Additionally, Halliburton has agreed to pay penalties of \$7.5 million in a related civil action. Halliburton's penalty for the disclosure failure reflects lapses in the company's conduct during the course of the Commission investigation, which commenced in mid-2002.

Document(s):

SEC Press Release

3.

Overcharging the Government

Date: 02/08/2002 (Date of Settlement)

Misconduct Type: Government Contract Fraud
Contracting Party: Government Defense
Court Type: Civil
Amount: \$2,000,000
Disposition: Settlement

Synopsis: “Brown & Root Services, now operating as Kellogg Brown & Root [and a subsidiary of Halliburton], has been a defendant in civil litigation pending in federal court in Sacramento, California. The lawsuit alleges that Brown & Root Services violated provisions of the False Claims Act while performing work for the United States Army at Fort Ord in California. This lawsuit was filed by a former employee in 1997. On February 8, 2002, this lawsuit and a related grand jury investigation were settled. Kellogg Brown & Root made a \$2 million payment to the United States government and paid the former employee’s legal expenses. Kellogg Brown & Root denied wrongdoing and did not admit liability. The United States agreed to suspend further investigation and forgo any further sanctions with regard to the Ft. Ord contract. Kellogg Brown & Root’s ability to perform further work for the United States government has not been impaired.”

Document(s):
Annual Report 2001

4.
Unauthorized Exports and Reexports
Date: 07/25/1995 (Date of Penalty Order)
Misconduct Type: Import/Export
Contracting Party: N/A
Court Type: Civil
Amount: \$2,610,000
Disposition: Pleaded Guilty

Synopsis: “On July 25, 1995, Assistant Secretary for Export Enforcement John Despres signed an order assessing a civil penalty of \$2,610,000 against the Halliburton Company of Texas. The civil penalty was the largest fine imposed by the Department for export violations, and was part of a global settlement related to unauthorized exports and reexports of oil field equipment made to Libya by two Halliburton subsidiaries, Halliburton Logging Services (HLS) and Halliburton Geophysical Services (HGS).”

Document(s):
DOC Press Release

5.
Criminal Unauthorized Exports and Reexports
Date: 07/25/1995 (Date of Plea)
Misconduct Type: Import/Export
Contracting Party: N/A
Court Type: Criminal

Amount: \$1,200,000

Disposition: Pleaded Guilty

Synopsis: In connection with a civil suit concerning “unauthorized exports and reexports of oil field equipment made to Libya by two Halliburton subsidiaries, Halliburton Logging Services (HLS) and Halliburton Geophysical Services (HGS)”, Halliburton pled guilty to additional criminal charges and accepted “a criminal penalty of \$1,200,000 for three violations of the International Emergency Economic Powers Act in connection with the export of the pulse neutron generators to Libya.”

Document(s):

DOC Press Release

6.

Criminal Unauthorized Exports and Reexports

Date: 07/25/1995 (Date of Plea)

Misconduct Type: Import/Export

Contracting Party: N/A

Court Type: Criminal

Amount: \$1,200,000

Disposition: Pleaded Guilty

Synopsis: In connection with a civil suit concerning “unauthorized exports and reexports of oil field equipment made to Libya by two Halliburton subsidiaries, Halliburton Logging Services (HLS) and Halliburton Geophysical Services (HGS)”, Halliburton pled guilty to additional criminal charges and accepted “a criminal penalty of \$1,200,000 for three violations of the International Emergency Economic Powers Act in connection with the export of the pulse neutron generators to Libya.”

Document(s):

DOC Press Release

7.

Violation of Anti-Kickback Act

Date: 06/09/2004 (Date of Testimony)

Misconduct Type: Government Contract Fraud

Contracting Party: Government Defense

Court Type: Administrative

Amount: \$6,300,000

Disposition: Settlement

Synopsis: “KBR has voluntarily disclosed a possible violation of the Anti-Kickback Act 18 USC §874 et. seq. by two of its employees. KBR has already reimbursed the Government for the estimated impact of \$6.3 million, but has failed to provide data necessary for DCAA to verify the accuracy of that amount.”

Document(s):
DCAA Testimony

8.
Excessive Subcontract Costs
Date: 06/09/2004 (Date of Testimony)
Misconduct Type: Government Contract Fraud
Contracting Party: Government Defense
Court Type: Administrative
Amount: \$186,000,000
Disposition: Suspension/Debarment

Synopsis: The DCAA (Defense Contract Audit Agency) “has identified issues related to the reasonableness of negotiated subcontract costs for DFACs (Dining Facilities). KBR has been unable to support the reasonableness of subcontract prices or the appropriate billing methodology intended in its subcontracts.” Billed headcount numbers [at these facilities] exceeded the actual meals served by at least 19 percent according to KBR’s own studies and could be as high as 36 percent based on on-going DCAA analysis. Initially, DCAA and KBR agreed on a withholding of \$176.5 million until additional supporting data could be provided by KBR...[however] the DCAA has currently increased its suspended DFAC costs to \$186 million.”

Document(s):
DCAA Testimony

9.
Fraud and Accepting Kickbacks
Date: 08/19/2005 (Date of Guilty Plea)
Misconduct Type: Government Contract Fraud
Contracting Party: Government Defense
Court Type: Criminal
Amount: \$0
Disposition: Pleaded Guilty

Synopsis: On August 19, 2005, Glenn Allen Powell, 40, of Texas, a former employee of Kellogg, Brown & Root (KBR), entered a plea of guilty today to charges he defrauded the United States and accepted kickbacks of more than \$100,000 from an Iraqi subcontractor. Powell admitted accepting approximately \$110,300 in kickbacks related to the award of a subcontract to an Iraqi company for renovation of buildings in Iraq. From October 2003 to January 6, 2005, Powell, a U.S. citizen, was employed by KBR as a subcontracts administrator in Iraq. The maximum statutory penalty for the offense of major fraud against the United States is 10 years in prison, a fine of \$1 million, or both. For the offense of violating the Anti-Kickback Act, the maximum penalty is no more than 10 years in prison, a \$250,000 fine, or both.

Document(s):
DOJ Press Release

10.

Wire Fraud and Conspiracy to Launder Money

Date: 03/23/2006 (Date of Guilty Plea)

Misconduct Type: Government Contract Fraud

Contracting Party: Government Defense

Court Type: Criminal

Amount: \$0

Disposition: Pleaded Guilty

Synopsis: On March 23, 2006 Stephen Lowell Seamans, a former employee of Kellogg, Brown & Root Services, Inc. (KBR), pleaded guilty to wire fraud and conspiracy to launder money related to the awarding of a subcontract to a Middle Eastern company for food services in Kuwait. According to statements in court, and the plea agreement, from October 2002 through November 2002, and from March 2003 through May 2003, Seamans worked in Kuwait as a Procurement Materials and Property Manager for KBR. From October 2002 to May 2003, "Seamans accepted kickbacks in excess of \$124,000 from a Middle Eastern company, or one or more of its managers, on a subcontract relating to a military dining facility in Kuwait", among several others..."according to the plea agreement, Seamans has agreed to pay restitution of at least \$60,500, plus an additional \$319,630 in uncharged conduct which he voluntarily disclosed. The maximum statutory penalty for the offense of wire fraud is 20 years in prison, a fine of \$250,000, or both. For conspiracy to launder money, the maximum penalty is 20 years in prison, a fine of up to \$500,000, or both."

Document(s):

USAO Press Release

Pending Cases

1.

Unpaid Overtime

Date: 06/23/2006

Misconduct Type: Labor

Contracting Party: Government Defense

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: "Halliburton and KBR didn't pay workers in and millions of dollars in overtime, violating the companies' Army contracts, according to a federal lawsuit. Five workers claim that Halliburton and its subsidiaries failed to pay overtime to 20,000 to 40,000 truck drivers, cooks, mechanics and other workers."

2.

Deficiencies in Estimating Policies

Date: 07/12/2006 (Date of Government Notification)

Misconduct Type: Defective Pricing

Contracting Party: Government Defense
Court Type: Administrative
Amount: \$0
Disposition: Pending

Synopsis: The DCAA (Defense Contract Audit Agency) issued a report identifying “significant deficiencies in KBR’s estimating practices related to the award of subcontract costs. Earlier this year, after consultation with the Contracting Officer, DCAA returned two major task order proposals (worth more than \$3 billion) to KBR because they were inadequate for the purpose of negotiating a fair and reasonable price. On January 13, 2004, DCAA notified the appropriate Government contracting officials that KBR’s subcontracting estimating process and procedures were considered inadequate. Currently DCAA is in the process of performing a comprehensive review of the entire estimating system to address this matter as well as other possible deficiencies.”

Document(s):
DCAA Testimony

3.
United States v. Mazon, et. al. (Fraud)
Date: 03/17/2005 (Date of Indictment)
Misconduct Type: Government Contract Fraud
Contracting Party: Government Defense
Court Type: Criminal
Amount: \$0
Disposition: Pending

Synopsis: On March 17, 2005, two men - Jeff Alex Mazon, a former employee of Kellogg, Brown & Root (KBR); and Ali Hijazi, the managing partner of a Kuwaiti business, LaNouvelle General Trading and Contracting Company – [were] indicted on charges of devising a scheme to defraud the United States of more than \$3.5 million related to the awarding of a subcontract to LaNouvelle to supply fuel tankers for military operations in Kuwait... The indictment alleges that on or about Feb. 2, 2003, Mazon, a negotiator for subcontractors, solicited bids by e-mail from potential subcontractors for fuel tankers to store and dispense fuel at the airport for a six-month period. The cost of the subcontract was estimated by KBR at \$685,080. The indictment alleges Mazon inflated the bid he received from Hijazi of LaNouvelle for fuel tankers to ensure that LaNouvelle would be overpaid... If convicted, the maximum statutory penalty for each count of the offense of major fraud against the United States is up to 10 years in prison and a fine of \$5 million or up to twice the amount of the gross loss or gain. For each count of the offense of wire fraud, the penalty is no more than 20 years in prison and a fine of up to \$250,000, or both.”

Document(s):
DOJ Press Release

4.

Exposing Troops to Hazardous Water Conditions

Date: 04/07/2006 (Date of Hearing)

Misconduct Type: Environment

Contracting Party: Government Defense

Court Type: Administrative

Amount: \$0

Disposition: Pending

Synopsis: "The Senate Democratic Policy Committee (DPC) held a hearing today on allegations that Halliburton and its KBR subsidiary have knowingly exposed thousands of U.S. troops in Iraq to hazardous levels of unhealthy water from the Euphrates River, including human fecal matter. The allegations, made by current and former Halliburton employees involved in water quality maintenance, were first disclosed by HalliburtonWatch last September."

Document(s):

Senate Committee Transcript

5.

Bribery to Win International Government Contracts

Date: 06/12/2004 (Date Investigation Opened)

Misconduct Type: Government Contract Fraud

Contracting Party: International

Court Type: Administrative

Amount: \$0

Disposition: Pending

Synopsis: The Securities and Exchange Commission has opened a formal investigation into whether a subsidiary of Halliburton Co. was among several companies that paid \$180 million in bribes to win a contract to build a natural gas liquefaction plant in Nigeria in the 1990s...The investigation, an escalation of an informal probe begun in February, focuses on the activity of a joint venture that includes Halliburton subsidiary KBR and three other companies."

Document(s):

Halliburton Watch

Washington Post Article

6.

Alleged Procurement Fraud

Date: 11/03/2004 (Date of Report)

Misconduct Type: Government Contract Fraud

Contracting Party: Government Defense

Court Type: Administrative

Amount: \$0

Disposition: Pending

Synopsis: “Documents obtained by the Center for Public Integrity show that the Army Corps of Engineers ignored sharp objections by its top procurement official concerning Halliburton contracts in Iraq and the Balkans. The most recent controversy surrounds the extension of a troop-support contract in the Balkans held by Kellogg, Brown & Root, a Halliburton subsidiary. Bunnatine Greenhouse, the contracting official, objected to the 11-month extension worth an estimated \$165 million because she felt it was not justified. She has asked for an independent investigation of possible procurement fraud.” This event was first investigated by Time magazine. “The Army awarded the Balkans Support Contract, worth an estimated \$2 billion, to KBR on May 28, 1999. The contract, one of the largest service contracts the Army has ever awarded, was for one year with four annual options.”

Document(s):
Attorney Letter

7.
Violations of Iranian Transaction Regulations
Date: 07/19/2004 (Date of Subpoena)
Misconduct Type: Import/Export
Contracting Party: International
Court Type: Criminal
Amount: \$0
Disposition: Pending

Synopsis: On July 19, 2004 Halliburton received a subpoena from a grand jury investigating its business interactions with Iran. “The U.S. Treasury Department's Office of Foreign Assets Control (OFAC) has been investigating Halliburton since 2001 to determine whether it violated the ban on U.S. companies doing business with Iran. The OFAC referred the case to the Justice Department in early July 2004, prompting the subpoena from the Assistant U.S. Attorney for the Southern District of Texas. The subpoena requests Halliburton provide company documents pertaining to its business relationship with Iran.” Halliburton’s international subsidiaries have legally sold products to Iran in recent years.

Document(s):
Halliburton Watch
SEC 10-K

8.
Overpricing Fuel
Date: 12/11/2003 (Date of Report)
Misconduct Type: Defective Pricing
Contracting Party: Government Defense
Court Type: Administrative
Amount: \$0
Disposition: Pending

Synopsis: Halliburton's Kellogg, Brown and Root, a long-time supplier of logistical support for

the military, may have overpriced fuel provided to the Iraqi people by as much as \$61 million, according to defense contract auditors.

Document(s):
DOD Press Release

9.
Stevens, et. al. v. Halliburton Company, et. al.
Date: 07/10/2002 (Date of Filing)
Misconduct Type: Securities
Contracting Party: N/A
Court Type: Civil
Amount: \$0
Disposition: Pending

Synopsis: Judicial Watch filed a lawsuit on July 10, 2002 alleging Halliburton and Vice President Dick Cheney deceived investors with fraudulent accounting practices in the 1990s. Judicial Watch is also suing for access to some of the Vice President's records.

Document(s):
Complaint

10.
Johnson v. Halliburton, et. al.
Date: 03/29/2005 (Date of Complaint)
Misconduct Type: Labor
Contracting Party: Government Defense
Court Type: Civil
Amount: \$0
Disposition: Pending

Synopsis: "A complaint by plaintiff April Johnson, the daughter of truck driver Tony Johnson, who died in the attack, accuses Halliburton and subsidiaries Kellogg Brown & Root and Service Employees International Inc. of knowingly and intentionally deploying her father's fuel delivery convoy as a decoy in a hostile area. The suit alleges the ploy was used to ensure the safe passage of another convoy traveling to the same destination, the Baghdad International Airport. Profit under a federal contract was the motive for deployment of the decoy convoy, according to the suit... The complaint raises causes of action for fraud, wrongful death, violations of civil rights, violations of the Racketeer Influenced and Corrupt Organizations Act, and conspiracy to commit racketeering. Unspecified amounts are requested for general damages, funeral expenses, punitive damages, pain and suffering, and loss of financial support.

Document(s):
FindLaw Article

11.

Kuwait Company for Process Plan Construction & Contracting v. Halliburton (Breach of Contract)

Date: 10/26/2004 (Date of Filing)

Misconduct Type: Non-governmental Contract Fraud

Contracting Party: International

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: "The latest lawsuit, filed October 26, charges that Halliburton subsidiary, Kellogg, Brown & Root (KBR), has refused to pay \$20.4 million for food services and other work near the city of Tikrit provided in 2003 by the Kuwait Company for Process Plant Construction & Contracting (KCPC) and the Morris Corporation of Australia for several months after the invasion of Iraq."

Document(s):

Complaint

12.

La Nouvelle v. Halliburton (Failure to Pay for Services)

Date: 10/15/2004 (Date of Filing)

Misconduct Type: Non-governmental Contract Fraud

Contracting Party: International

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: La Nouvelle filed a lawsuit on October 15, 2004 demanding more than \$224 million in payment for services rendered in Iraq and Kuwait as subcontractor to Halliburton subsidiary KBR.

Document(s):

Complaint