HALLIBURTON CO
Form 10-K/A
May 12, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A
(Amendment No. 2)

(Mark One)

x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2003

OR

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from __ to __

Commission File Number 1-3492

HALLIBURTON COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**75-2677995**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5 Houston Center
1401 McKinney, Suite 2400
Houston, Texas 77010
(Address of principal executive offices)
Telephone Number - Area code (713)759-2600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each Exchange on which registered
Common Stock par value $2.50 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).
Yes x No o

The aggregate market value of Common Stock held by nonaffiliates on June 30, 2003, determined using the per share closing price on the New York Stock Exchange Composite tape of $23.00 on that date was approximately $10,022,000,000.

As of February 27, 2004, there were 439,713,236 shares of Halliburton Company Common Stock, $2.50 par value per share, outstanding.

Portions of the Halliburton Company Proxy Statement dated March 23, 2004 (File No. 1-3492), are incorporated by reference into Part III of this report.

EXPLANATORY NOTE

This Amendment No. 2 is being filed primarily to reflect:
- additional detail regarding internal control issues identified in the fourth quarter of 2003 in Item 9(a); and
- additional information in the United States Government Contract Work section of Management s Discussion and Analysis of Financial Condition and Results of Operations: and conforming changes elsewhere in the Form 10-K related to United States Government Contract Work.

In order to preserve the nature and character of the disclosures set forth in such Items as originally filed, this report speaks as of the date of the original filing, and we have not updated the disclosures in this report to speak as of a later date. While this report primarily relates to the historical periods covered, events may have taken place since the original filing that might have been reflected in this report if they had taken place prior to the original filing. All information contained in this Amendment No. 2 is subject to updating and supplementing as provided in our reports filed with the Securities and Exchange Commission subsequent to the date of the original filing of the Annual Report on Form 10-K.

PART I

Item 1. Business.

General description of business. Halliburton Company s predecessor was established in 1919 and incorporated under the laws of the State of Delaware in 1924. Halliburton Company provides a variety of services, products, maintenance, engineering and construction to energy, industrial and governmental customers.

Our five business segments are organized around how we manage the business: Drilling and Formation Evaluation, Fluids, Production Optimization, Landmark and Other Energy Services and the Engineering and Construction Group. We sometimes refer to the combination of Drilling and Formation Evaluation, Fluids, Production Optimization and Landmark and Other Energy Services segments as our Energy Services Group. See Note 5 to the consolidated financial statements for financial information about our business segments.

Dresser Equipment Group is presented as discontinued operations through March 31, 2001 as a result of the sale in April 2001 of this business unit.

Proposed Asbestos and Silica Settlement and Pre-packaged Chapter 11 proceedings. DII Industries, LLC, Kellogg Brown & Root, Inc. and our other affected subsidiaries filed Chapter 11 proceedings on December 16, 2003. With the filing of the Chapter 11 proceedings, all asbestos and silica personal injury claims and related lawsuits against Halliburton and our affected subsidiaries have been stayed. See Note 11 and Note 12 to the consolidated financial statements for a more detailed discussion.

The proposed plan of reorganization, which is consistent with the definitive settlement agreements reached with our asbestos and silica personal injury claimants in early 2003, provides that, if and when an order confirming the proposed plan of reorganization becomes final and non-appealable, in addition to the $311 million paid to claimants in December 2003, the following will be contributed to trusts for the benefit of current and future asbestos and silica personal injury claimants:

- up to approximately $2.5 billion in cash;
- 59.5 million shares of Halliburton common stock;
- notes currently valued at approximately $52 million; and
- insurance proceeds, if any, between $2.3 billion and $3.0 billion received by DII Industries and Kellogg Brown & Root.

Upon confirmation of the plan of reorganization, current and future asbestos and silica personal injury claims against Halliburton and its subsidiaries will be channeled into trusts established for the benefit of claimants, thus releasing Halliburton and its affiliates from those claims.

We have also recently entered into a settlement with Equitas, the largest insurer of our asbestos and silica claims. The settlement calls for Equitas to pay us $575 million (representing approximately 60% of applicable limits of liability that DII Industries had substantial likelihood of recovering from Equitas) provided that we receive confirmation of our plan of reorganization and the current United States Congress does not pass national asbestos litigation reform legislation.

Description of services and products. We offer a broad suite of products and services through our five business segments. The following summarizes our services and products for each business segment.

ENERGY SERVICES GROUP

Our Energy Services Group provides a wide range of discrete services and products, as well as integrated solutions to customers for the exploration, development and production of oil and gas. The Energy Services Group serves major, national and independent oil and gas companies throughout the world.

Drilling and Formation Evaluation

Our *Drilling and Formation Evaluation* segment is primarily involved in drilling and evaluating the formations related to bore-hole construction and initial oil and gas formation evaluation. Major products and services offered include:

- drilling systems and services;
- drill bits; and
- logging and perforating.

Our Sperry-Sun business line provides drilling systems and services. These services include directional and horizontal drilling, measurement-while-drilling, logging-while-drilling, multilateral wells and related completion systems, and rig site information systems. Our drilling systems feature bit stability, directional control, borehole quality, low vibration and high rates of penetration while drilling directional wells.

Drill bits, offered by our Security DBS business line, include roller cone rock bits, fixed cutter bits, coring equipment and services and other downhole tools used to drill wells.

Logging and perforating products and services include our Magnetic Resonance Imaging Logging (MRIL®) and high-temperature logging, as well as traditional open-hole and cased-hole logging tools. MRIL® tools apply magnetic resonance imaging technology to the evaluation of subsurface rock formations in newly drilled oil and gas wells. Open-hole tools provide information on well visualization, formation evaluation (including resistivity, porosity, lithology and temperature), rock mechanics and sampling. Cased-hole tools provide cementing evaluation, reservoir monitoring, pipe evaluation, pipe recovery and perforating.

Fluids

Our *Fluids* segment focuses on fluid management and technologies to assist in the drilling and construction of oil and gas wells. This segment offers cementing and drilling fluids systems.

Cementing is the process used to bond the well and well casing while isolating fluid zones and maximizing wellbore stability. Cement and chemical additives are pumped to fill the space between the casing and the side of the wellbore. Our cementing service line also provides casing equipment and services.

Our Baroid business line provides drilling fluid systems and performance additives for oil and gas drilling, completion and workover operations. In addition, Baroid sells products to a wide variety of industrial customers. Drilling fluids usually contain bentonite or barite in a water or oil base. Drilling fluids primarily improve wellbore stability and facilitate the transportation of cuttings from the bottom of a wellbore to the surface. Drilling fluids also help cool the drill bit, seal porous well formations and assist in pressure control within a wellbore. Drilling fluids are often customized by onsite engineers for optimum stability and enhanced oil production.

Also included in this segment is our equity method investment in Enventure Global Technology, LLC (Enventure), which is an expandable casing joint venture. In January 2004, Halliburton and Shell Technology Ventures (Shell, an unrelated party) agreed to restructure two joint venture companies, Enventure and WellDynamics B.V. (WellDynamics), in an effort to more closely align the ventures with near-term priorities in the core businesses of the venture owners. Enventure was owned equally by Halliburton and Shell. Shell acquired an additional 33.5% of Enventure, leaving us with 16.5% ownership in return for enhanced and extended agreements and licenses with Shell for its Poroflex expandable sand screens and a distribution agreement for its Versaflex expandable liner hangers, in addition to a one percent increase in our ownership of WellDynamics.

Production Optimization

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

- production enhancement;
- completion products; and
- tools and testing services.

Production enhancement optimizes oil and gas reservoirs through a variety of pressure pumping services, including fracturing and acidizing, sand control, coiled tubing, hydraulic workover and pipeline and process services. These services are used to clean out a formation or to fracture formations to allow increased oil and gas production.
Completion products include subsurface safety valves and flow control equipment, surface safety systems, packers and specialty completion equipment, production automation, well screens, and slickline equipment and services.
Tools and testing services include underbalanced applications, tubing-conveyed perforating products and services, drill stem and other well testing tools, data acquisition services and production applications.
Also included in this segment are our subsea operations conducted in our 50% owned company, Subsea 7, Inc.

Landmark and Other Energy Services

Our *Landmark and Other Energy Services* segment provides integrated exploration and production software information systems, consulting services, real-time operations, smartwells and other integrated solutions.
Landmark Graphics is the leading supplier of integrated exploration and production software information systems as well as professional and data management services for the upstream oil and gas industry. Landmark Graphics software transforms vast quantities of seismic, well log and other data into detailed computer models of petroleum reservoirs. The models are used by our customers to achieve optimal business and technical decisions in exploration, development and production activities. Landmark Graphics broad range of professional services enables our worldwide customers to optimize technical, business and decision processes. Data management services provides efficient storage, browsing and retrieval of large volumes of exploration and petroleum data. The products and services offered by Landmark Graphics integrate data workflows and operational processes across disciplines, including geophysics, geology, drilling, engineering, production, economics, finance and corporate planning, and key partners and suppliers.
This segment also provides value-added oilfield project management and integrated solutions to independent, integrated and national oil companies. Integrated solutions enhance field deliverability and maximize a customer s return on investment. These services make use of all of our products and technologies, as well as project management capabilities. Other services provide installation and servicing of subsea facilities and pipelines.
Also included in this segment is our equity method investment in WellDynamics, an intelligent well completions joint venture. As discussed above, in January 2004, Halliburton and Shell agreed to restructure the WellDynamics joint venture. We acquired an additional one percent of WellDynamics from Shell, giving us 51% ownership. With our resulting control of day-to-day operations, we believe we will be able to achieve more natural opportunities to leverage existing complementary businesses, reduce costs, and ensure global availability.

ENGINEERING AND CONSTRUCTION GROUP

Our Engineering and Construction Group segment, operating as KBR, provides a wide range of services to energy and industrial customers and government entities worldwide.
KBR offers the following:

- onshore engineering and construction activities, including engineering and construction of liquefied natural gas, ammonia and crude oil refineries and natural gas plants;
- offshore deepwater engineering, marine technology, project management, and related worldwide fabrication capabilities;
- government operations, construction, maintenance and logistics activities for government facilities and installations;

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

Dispositions in 2003. During 2003, we disposed of the following non-core businesses:

- in January 2003, we sold our Mono Pumps business, which was reported in our Drilling and Formation Evaluation segment, to National Oilwell, Inc.;
- in March 2003, we sold the assets relating to our Wellstream business, a global provider of flexible pipe products, systems and solutions, which was reported in our Landmark and Other Energy Services segment, to Candover Partners Ltd.; and
- in May 2003, we sold certain assets of Halliburton Measurement Systems, which provides flow measurement and sampling systems and was reported in our Production Optimization segment, to NuFlo Technologies.

These dispositions will have an immaterial impact on our future operations. See Note 4 to the consolidated financial statements for additional information related to 2003 dispositions.

Business strategy. Our business strategy is to maintain global leadership in providing energy services and products and engineering and construction services. We provide these services and products to our customers as discrete services and products and, when combined with project management services, as integrated solutions. Our ability to be a global leader depends on meeting four key goals:

- establishing and maintaining technological leadership;
- achieving and continuing operational excellence;
- creating and continuing innovative business relationships; and
- preserving a dynamic workforce.

Markets and competition. We are one of the world s largest diversified energy services and engineering and construction services companies. We believe that our future success will depend in large part upon our ability to offer a wide array of services and products on a global scale. Our services and products are sold in highly competitive markets throughout the world. Competitive factors impacting sales of our services and products include:

- price;
- service delivery (including the ability to deliver services and products on an as needed, where needed basis);
- service quality;
- product quality;
- warranty; and
- technical proficiency.

While we provide a wide range of discrete services and products, a number of customers have indicated a preference for integrated services and solutions. In the case of the Energy Services Group, integrated services and solutions relate to all phases of exploration, development and production of oil, natural gas and natural gas liquids. In the case of the Engineering and Construction Group, integrated services and solutions relate to all phases of design, procurement, construction, project management and maintenance of facilities primarily for energy and government customers.

We conduct business worldwide in over 100 countries. In 2003, based on the location of services provided and products sold, 27% of our total revenue was from the United States and 15% of our total revenue was from Iraq, primarily related to our work for the United States government. In 2002, 33% of our total revenue was from the United States and 12% of our total revenue was from the United Kingdom. No other country accounted for more than 10% of our total revenue during these periods. Since the markets for our services and products are vast and cross numerous geographic lines, a meaningful estimate of the total number of competitors cannot be made. The industries we serve are highly competitive and we have many substantial competitors. Substantially all of our services and products are marketed through our servicing and sales organizations. Operations in some countries may be adversely affected by unsettled political conditions, acts of terrorism, civil unrest, expropriation or other governmental actions and exchange control and currency problems. We believe the geographic diversification of our business activities reduces the risk that loss of operations in any one country would be material to the conduct of our operations taken as a whole. While Venezuela accounted for less than one percent of our 2003 revenues, the continuing economic and political instability will continue to negatively impact our business activities in Venezuela until resolved. The currency devaluation in Venezuela in February 2004 did not materially impact our operations, but further devaluations could negatively impact our operations in 2004. Due to continuing levels of civil disturbance and the social, economic and political climate, a number of our customers have ceased operations in the Nigerian Delta region and our operations could be negatively impacted. Energy Services Group operations in Nigeria accounted for approximately 2% of our revenues in 2003, and these developments could negatively impact our operations in 2004. Information regarding our exposures to foreign currency fluctuations, risk concentration and financial instruments used to minimize risk is included in Management s Discussion and Analysis of Financial Condition and Results of Operations - Financial Instrument Market Risk and in Note 18 to the consolidated financial statements.

Customers and backlog. Our revenues during the past three years were mainly derived from the sale of services and products to the energy industry, including 66% in 2003, 86% in 2002 and 85% in 2001. Revenues from the United States government (which resulted primarily from the work performed in the Middle East by our Engineering and Construction Group) represented 26% of our 2003 consolidated revenues. Revenues from the United States government during 2002 and 2001 represented less than 10% of total consolidated revenues. No other customer represented more than 10% of consolidated revenues in any period presented.

The following schedule summarizes our project backlog at December 31, 2003 and 2002:

Millions of dollars	2003	2002
Firm orders	$ 8,928	$ 8,704
Government orders firm but not yet funded; letters of intent and contracts awarded but not signed	1,138	1,330
Total	$ 10,066	$ 10,034

Of the total backlog at December 31, 2003, $9,745 million relates to KBR operations with the remainder arising from our Energy Services Group. The entire Energy Services Group 2003 backlog relates to subsea operations. We estimate that 73% of the total backlog existing at December 31, 2003 will be completed during 2004. Approximately 72% of total backlog relates to cost reimbursable contracts with the remaining 28% relating to fixed-price contracts. In addition, backlog relating to engineering, procurement, installation and commissioning contracts for the offshore oil and gas industry totaled $432 million at December 31, 2003. For contracts that are not for a specific amount, backlog is estimated as follows:

- operations and maintenance contracts that cover multiple years are included in backlog based upon an estimate of the work to be provided over the next twelve months; and
- government contracts that cover a broad scope of work up to a maximum value are included in backlog at the estimated amount of work to be completed under the contract based upon periodic consultation with the customer.

For projects where we act as project manager, we only include our scope of each project in backlog. For projects related to unconsolidated joint ventures, we only include our percentage ownership of each joint venture s backlog, which totaled $1.9 billion at December 31, 2003. Our backlog excludes contracts for recurring hardware and software maintenance and support services offered by Landmark Graphics. Backlog is not indicative of future operating results because backlog figures are subject to substantial fluctuations. Arrangements included in backlog are in many instances extremely complex, nonrepetitive in nature and may fluctuate in contract value and timing. Many contracts do not provide for a fixed amount of work to be performed and are subject to modification or termination by the customer. The termination or modification of any one or more sizeable contracts or the addition of other contracts may have a substantial and immediate effect on backlog.

Not included in the above backlog numbers for December 31, 2003 are two new government contracts awarded in January 2004. KBR was awarded the five year United States Army Corps of Engineers CENTCOM contract for up to $1.5 billion and the competitively bid $1.2 billion Restore Iraqi Oil, or RIO, continuation contract, which will run for up to two years. As KBR receives task orders on these contracts, the amount of the task order will be included in backlog.

Raw materials. Raw materials essential to our business are normally readily available. Where we rely on a single supplier for materials essential to our business, we are confident that we could make satisfactory alternative arrangements in the event of an interruption in supply.

Research and development costs. We maintain an active research and development program. The program improves existing products and processes, develops new products and processes and improves engineering standards and practices that serve the changing needs of our customers. Our expenditures for research and development activities totaled $221 million in 2003 and $233 million in both 2002 and 2001.

Patents. We own a large number of patents and have pending a substantial number of patent applications covering various products and processes. We are also licensed to utilize patents owned by others. Included in Other assets is the cost associated with our patents, net of accumulated amortization, totaling $49 million as of December 31, 2003 and $58 million as of December 31, 2002. We do not consider any particular patent or group of patents to be material to our business operations.

Seasonality. On an overall basis, our operations are not generally affected by seasonality. Weather and natural phenomena can temporarily affect the performance of our services, but the widespread geographical locations of our operations serve to mitigate those effects. Examples of how weather can impact our business include:

- the severity and duration of the winter in North America can have a significant impact on gas storage levels and drilling activity for natural gas;
- the timing and duration of the spring thaw in Canada directly affects activity levels due to road restrictions;
- typhoons and hurricanes can disrupt offshore operations; and
- severe weather during the winter months normally results in reduced activity levels in the North Sea.

Due to higher spending near the end of the year on capital expenditures by its customers for software, Landmark Graphics results of operations are generally stronger in the fourth quarter of the year than at the beginning of the year.

Employees. At December 31, 2003, we employed approximately 101,000 people worldwide compared to 83,000 at December 31, 2002. The large increase is primarily due to KBR s expanded operations in the Middle East during 2003. At December 31, 2003, approximately seven percent of our employees were subject to collective bargaining agreements. Based upon the geographic diversification of these employees, we believe any risk of loss from employee strikes or other collective actions would not be material to the conduct of our operations taken as a whole.

Environmental regulation. We are subject to numerous environmental, legal and regulatory requirements related to our operations worldwide. In the United States, these laws and regulations include, among others:

- the Comprehensive Environmental Response, Compensation and Liability Act;
- the Resources Conservation and Recovery Act;
- the Clean Air Act;
- the Federal Water Pollution Control Act; and
- the Toxic Substances Control Act.

In addition to the federal laws and regulations, states and other countries where we do business may have numerous environmental, legal and regulatory requirements by which we must abide.

We evaluate and address the environmental impact of our operations by assessing and remediating contaminated properties in order to avoid future liabilities and comply with environmental, legal and regulatory requirements. On occasion, we are involved in specific environmental litigation and claims, including the remediation of properties we own or have operated as well as efforts to meet or correct compliance-related matters. Our Health, Safety and Environment group has several programs in place to maintain environmental leadership and to prevent the occurrence of environmental contamination.

We do not expect costs related to these remediation requirements to have a material adverse effect on our consolidated financial position or our results of operations. We have subsidiaries that have been named as potentially responsible parties along with other third parties for nine federal and state superfund sites for which we have established a liability. As of December 31, 2003, those nine sites accounted for approximately $7 million of our total $31 million liability. See Note 13 to the consolidated financial statements.

Website access. The Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act of 1934 are made available free of charge on the Company's internet website at www.halliburton.com as soon as reasonably practicable after the Company has electronically filed the material with, or furnished it to, the Securities and Exchange Commission. Also posted on our website is our Code of Business Conduct, which applies to all our employees and also serves as a code of ethics for our chief executive officer, chief financial officer, chief accounting officer and persons performing similar functions.

Item 2. Properties.

We own or lease numerous properties in domestic and foreign locations. The following locations represent our major facilities:

Location	Owned/Leased	Sq. Footage	Description
Energy Services Group			
North America			
Drilling and Formation Evaluation Segment:			
Dallas, Texas	Owned	352,000	Manufacturing facility includes office, laboratory and warehouse space that primarily produces roller cone drill bits. In December 2003, we moved the production from this facility to our new facility in The Woodlands, Texas. The facility is currently for sale.
The Woodlands, Texas	Leased	256,000	Manufacturing facility including warehouses, engineering and sales, testing, training and research. The manufacturing plant produces roller cone and rotary type drill bits.
Production Optimization Segment:			
Carrollton, Texas	Owned	649,000	Manufacturing facility including warehouses, engineering and sales, testing, training and research. The manufacturing plant produces equipment for the Production Optimization segment, including surface and subsurface safety valves and packer assemblies.
Shared Facilities:			
Duncan, Oklahoma	Owned	1,275,000	Four locations which include manufacturing capacity totaling 655,000 square feet. The manufacturing facility is the main manufacturing site for the cementing, fracturing and acidizing equipment. The Duncan facilities also include a technology and research center, training facility, administrative offices and warehousing. These facilities service our Drilling and Formation Evaluation, Fluids and Production Optimization segments.

Location	Owned/Leased	Sq. Footage	Description
Shared Facilities (continued):			
Houston, Texas	Owned	638,000	Two suburban campus locations utilized by our Drilling and Formation Evaluation and Fluids segments. One campus is on 89 acres consisting of office, training, test well, warehouse, manufacturing and laboratory facilities. The manufacturing facility, which occupies 115,000 square feet, produces highly specialized downhole equipment for our Drilling and Formation Evaluation segment. The other campus is a manufacturing facility with limited office, laboratory and warehouse space that primarily produces fixed cutter drill bits.
Houston, Texas	Owned	564,000	A campus facility that is the home office for the Energy Services Group.
Alvarado, Texas	Owned	238,000	Manufacturing facility including some office and warehouse space. The manufacturing facility produces perforating products and exploratory and formation evaluation tools for our Drilling and Formation Evaluation and Production Optimization segments.
Europe/Africa			
Shared Facilities:			
Aberdeen, United Kingdom	Owned Leased	1,216,000 365,000	A total of 26 sites including 866,000 square feet of manufacturing capacity used by various business segments.
Tananger, Norway	Leased	319,000	Service center with workshops, testing facilities, warehousing and office facilities supporting the Norwegian North Sea operations.
Engineering and Construction Group			
North America			
Houston, Texas	Leased	740,000	Engineering and project support center which occupies 31 full floors in 2 office buildings. One of these buildings is owned by a joint venture in which we have a 50% ownership. The remaining 50% of the joint venture is owned by a subsidiary of Trizec Properties Inc. (NYSE: TRZ). Trizec is not affiliated with Halliburton Company or any of its directors or executive officers.

Location	Owned/Leased	Sq. Footage	Description
North America (continued)			
Houston, Texas	Owned	977,000	A campus facility occupying 135 acres utilized primarily for administrative and support personnel. Approximately 221,000 square feet is dedicated to maintenance and warehousing of construction equipment. This campus also serves as office facilities for KBR.
Europe/Africa			
Leatherhead, United Kingdom	Owned	262,000	Engineering and project support center on 55 acres in suburban London.
Corporate			
Houston, Texas	Leased	30,000	Corporate executive offices.

In addition, we have 173 international and 106 United States field camps from which the Energy Services Group delivers its products and services. We also have numerous small facilities that include sales offices, project offices and bulk storage facilities throughout the world. We own or lease marine fabrication facilities covering approximately 761 acres in Texas, England and Scotland which are used by the Engineering and Construction Group.

We have mineral rights to proven and probable reserves of barite and bentonite. These rights include leaseholds, mining claims and owned property. We process barite and bentonite for supply to many industrial markets worldwide in addition to using it in our Fluids segment. Based on the number of tons of bentonite consumed in fiscal year 2003, we estimate our 19 million tons of proven reserves in areas of active mining are sufficient to fulfill our internal and external needs for the next 15 years. We estimate that our 2.7 million tons of proven reserves of barite in areas of active mining equate to a 17 year supply based on current rates of production. These estimates are subject to change based on periodic updates to reserve estimates and to the extent future consumption differs from current levels of consumption.

We believe all properties that we currently occupy are suitable for their intended use.

Item 3. Legal Proceedings.

Information relating to various commitments and contingencies is described in Management s Discussion and Analysis of Financial Condition and Results of Operations and Forward-Looking Information and Risk Factors and in Notes 11, 12 and 13 to the consolidated financial statements.

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

There were no matters submitted to a vote of security holders during the fourth quarter of 2003.