Department of Justice

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HALLIBURTON CO. AGREES TO SELL PART OF ITS WORLDWIDE OIL FIELD SERVICES BUSINESS AND ITS DRILLING FLUIDS BUSINESS IN ORDER TO PROCEED WITH DRESSER INDUSTRIES MERGER

WASHINGTON, D.C. -- The Department of Justice reached a settlement today allowing Halliburton Company and Dresser Industries Inc. to merge, after Halliburton agreed to sell off a key part of its worldwide oilfield service business--logging-while-drilling (LWD)--to resolve the Department's competitive concerns.

LWD services provide information to oil and gas companies about the formations through which the companies are drilling, whether there is oil in the formation, and the ease with which oil can be extracted. They are particularly useful during offshore drilling projects. Total worldwide revenues for LWD services in 1997 exceeded $500 million. Halliburton had revenues in 1997 of over $8 billion. Dresser had approximately $7.5 billion in revenues in 1997. Both companies are headquartered in Dallas.

Without the divestiture, the merger likely would have resulted in increased prices and decreased quality for LWD services, as well as decreased competition in the development and improvement of LWD tools.

"Customers rely on competition among the oilfield service companies to ensure high quality LWD services at the lowest prices, as well as to ensure that innovation for new and improved LWD tools continues," said Joel I. Klein, Assistant Attorney General of the

Department's Antitrust Division. “The divestiture will maintain that competition, increasing the ability of oil and natural gas companies to recover these depleting resources so that Americans have ready sources of these critical products.”

According to the complaint, filed in U.S. District Court in Washington, D.C., the merger would have combined two of four companies that provide LWD tools and services for oil and natural gas drilling projects. It also would have combined two of the four companies that provide innovation in LWD tools for oil and natural gas exploration.

The proposed settlement requires Halliburton to sell its entire LWD business, including its manufacturing, research and development, sales, and service capabilities, to a buyer acceptable to the Department. The agreement allows the merging companies to combine the remainder of their businesses.

The Department also indicated that Halliburton also agreed to sell its 36 percent interest in M-I Drilling to Smith International Inc. Without that divestiture, the transaction would have caused Halliburton to acquire one of its principal competitors, Dresser’s Baroid Division. M-I and Baroid are the two largest drilling fluids competitors in a $3 billion business. Halliburton sold this interest on August 31, 1998.

Drilling fluids, which are a combination of chemical compounds and minerals, are the second largest cost -- after rental of the rig -- of drilling for oil and natural gas. They are critical for cooling and lubricating the drill bit and controlling downhole pressure.

The Department’s investigation was conducted simultaneously and cooperatively with, but independently of, an investigation by the competition authorities of the European Union into the merger. In particular, the European Commission relied on Halliburton’s commitment to the Department to sell its M-I interest in order to resolve competitive issues that might have arisen for the European Union in the drilling fluids business.

As required by the Tunney Act, the proposed settlement will be published in the Federal Register, along with the Department's competitive impact statement. Any person may submit written comments concerning the proposed decree during a 60-day comment period to Roger W. Fones, Chief, Transportation Energy & Agriculture Section, Antitrust Division, U.S. Department of Justice, 325 7th Street, N.W., Suite 500, Washington, D.C. 20530. At the conclusion of the 60-day comment period, the Court may enter the consent decree upon its finding that it serves the public interest.

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