

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,

Plaintiff,

v

HALLIBURTON COMPANY and
DRESSER INDUSTRIES, INC.,

Defendants

Civil Action No. 98-2340

Entered: April 1, 1999

FILED

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CLERK, U.S. DISTRICT COURT
DISTRICT OF COLUMBIA

FINAL JUDGMENT

WHEREAS, plaintiff, the United States of America, filed its Complaint in this action on September 29, 1998, and plaintiff and defendants Halliburton Company ("Halliburton") and Dresser Industries, Inc ("Dresser") by their respective attorneys, having consented to the entry of this Final Judgment without trial or adjudication of any issue of fact or law herein, and without this Final Judgment constituting any evidence against or an admission by any party with respect to any issue of law or fact herein;

AND WHEREAS, defendants have agreed to be bound by the provisions of this Final Judgment pending its approval by the Court;

AND WHEREAS, the essence of this Final Judgment is prompt and certain divestiture of Halliburton's LWD Business to assure that competition is not substantially lessened;

AND WHEREAS, plaintiff requires defendants to make certain divestitures for the purpose of remedying the loss of competition alleged in the Complaint;

J

AND WHEREAS, defendants have represented to the plaintiff that the divestiture ordered herein can and will be made and that defendants will later raise no claims of hardship or difficulty as grounds for asking the Court to modify any of the divestiture requirements contained below.

NOW, THEREFORE, before the taking of any testimony, and without trial or adjudication of any issue of fact or law herein, and upon consent of the parties hereto, it is hereby ORDERED, ADJUDGED, AND DECREED as follows:

I. JURISDICTION

This Court has jurisdiction over defendants hereto and over the subject matter of this action. The Complaint states a claim upon which relief may be granted against defendants, as hereafter defined, under Section 7 of the Clayton Act, as amended (15 U.S.C. § 18).

II. DEFINITIONS

As used in this Final Judgment:

A. "Dresser" means Dresser Industries, Inc., a Delaware corporation with its headquarters and principal place of business in Dallas, Texas, and its successors, assigns, subsidiaries, divisions, groups, affiliates, partnerships and joint ventures, directors, officers, managers, agents, and employees.

B. "Halliburton" means Halliburton Company, a Delaware corporation with its headquarters and principal place of business in Dallas, Texas, and its successors, assigns, subsidiaries, divisions, groups, affiliates, partnerships and joint ventures, directors, officers, managers, agents, and employees.

C. "HESI" means Halliburton Energy Services, Inc., a wholly owned subsidiary of Halliburton.

D "Intellectual Property" means intellectual property used in connection with the use, manufacture and/or sale of the transferred LWD and MWD tools and related software, including without limitation, foreign and domestic patent applications and patents; trade secrets, foreign and domestic copyrights and copyright registrations; and foreign and domestic common law and registered trademarks or service marks, and trademark or service mark applications.

E "LWD Services" means the services and products used to provide real-time logging-while-drilling formation evaluation data which is utilized to evaluate the formation characteristics of a given geologic formation. LWD Services also include MWD Services provided in conjunction with LWD Services.

F "LWD Business" means HESI's worldwide business providing LWD Services and includes the tangible and intangible assets, obligations, and understandings set forth in Schedule A.

G "MWD Services" means the services and products used in drilling directional wells to provide real-time information about the inclination and azimuth of downhole drilling tools at the bottom of the hole.

H "Person" means any natural person, corporation, association, firm, relationship, or other business or legal entity.

III. APPLICABILITY

A The provisions of this Final Judgment apply to each of the defendants, their successors and assigns, their subsidiaries, directors, officers, managers, agents, and employers, and all other persons in active concert or participation with any of them who shall have received actual notice of this Final Judgment by personal service or otherwise.

B Defendants shall require, as a condition of the sale or other disposition of all or substantially all of the LWD Business, that the acquiring party agree to be bound by the provisions of this Final Judgment

IV. DIVESTITURE

A. Defendants are hereby ordered and directed in accordance with the terms of this Final Judgment, within one hundred and eighty (180) calendar days after this Final Judgment is filed by plaintiff or five (5) days after notice of the entry of this Final Judgment by the Court, whichever is later, to divest the LWD Business as an ongoing business, in accordance with the terms and commitments set forth in Schedule A, to an acquirer acceptable to plaintiff in its sole discretion.

B Defendants shall use their best efforts to accomplish the divestiture ordered by this Final Judgment as expeditiously and timely as possible. Plaintiff, in its sole discretion, may extend the time period for any divestiture for an additional period of time not to exceed thirty (30) days.

C. In accomplishing the divestiture ordered by this Final Judgment, defendants promptly shall make known, by usual and customary means, the availability for sale of the LWD Business. Defendants shall inform any person making an inquiry regarding a possible purchase that the sale is being made pursuant to this Final Judgment and provide such person with a copy of the Final Judgment. Defendants shall also offer to furnish to all prospective purchasers, subject to customary confidentiality assurances, all information regarding the LWD Business customarily provided in a due diligence process except such information subject to attorney-client privilege or attorney work-product privilege. Defendants shall make available such information to plaintiff at the same time that such information is made available to any other person. Defendants shall not interfere with a negotiations by any purchaser to employ any Halliburton employee of the LWD Business.

D Defendants shall permit prospective purchasers of the LWD Business to have reasonable access to their personnel and to make such inspection of the physical facilities and any and all of their financial, operational, or other documents and information customarily provided as part of a due diligence process

E Defendants shall not take any action, direct or indirect, that will impede in any way the operation of the LWD Business.

F Unless plaintiff otherwise consents in writing, the divestiture pursuant to Section IV, or by trustee appointed pursuant to Section V of this Final Judgment, shall include all of the LWD Business, and shall be accomplished in such a way as to satisfy plaintiff, in its sole discretion, that the LWD Business can and will be used by the purchaser as part of a viable, ongoing business engaged in the provision of LWD Services. The divestiture, whether pursuant to Section IV or Section V of this Final Judgment, shall be made (1) to a purchaser who is demonstrated to plaintiff's sole satisfaction (a) to have the capability and intent of competing effectively in LWD Services, and (b) to have the managerial, operational, and financial capability to compete effectively in LWD Services, and (2) on terms none of which give defendants the ability unreasonably to raise the purchaser's costs, to lower the purchaser's efficiency, or otherwise to interfere in the ability of the purchaser to compete effectively.

G Defendants shall not sell the LWD Business to Baker Hughes, Inc., Schlumberger Limited, or any of their affiliates or subsidiaries during the life of this decree.

V. APPOINTMENT OF TRUSTEE

A In the event that defendants have not divested the LWD Business within the time specified in Section IV of this Final Judgment, the Court shall appoint, on application of the U-

States, a trustee selected by plaintiff to effect the divestiture of the LWD Business. Until such time as a trustee is appointed, defendants shall continue their efforts to effect the divestiture as specified in Section IV.

B After the appointment of a trustee becomes effective, only the trustee shall have the right to sell the LWD Business. The trustee shall have the power and authority to accomplish the divestiture at the best price then obtainable upon a reasonable effort by the trustee, subject to the provisions of Sections IV and VI of this Final Judgment, and shall have such other powers as the Court shall deem appropriate. Subject to Section V(C) of this Final Judgment, the trustee shall have the power and authority to hire at the cost and expense of defendants any investment bankers, attorneys, or other agents reasonably necessary in the judgment of the trustee to assist in the divestiture, and such professionals and agents shall be accountable solely to the trustee. The trustee shall have the power and authority to accomplish the divestiture at the earliest possible time to a purchaser acceptable to plaintiff in its sole discretion, and shall have such other powers as this Court shall deem appropriate. Defendants shall not object to a sale by the trustee on any grounds other than the trustee's malfeasance. Any such objections by defendants must be conveyed in writing to plaintiff and the trustee within ten (10) calendar days after the trustee has provided the notice required under Section VI of this Final Judgment.

C. The trustee shall serve at the cost and expense of defendants, on such terms and conditions as the Court may prescribe, and shall account for all monies derived from the sale of the assets sold by the trustee and all costs and expenses so incurred. After approval by the Court of the trustee's accounting, including fees for its services and those of any professionals and agents retained by the trustee, all remaining money shall be paid to defendants, and the trust shall then be termin-

The compensation of such trustee and of any professionals and agents retained by the trustee shall be reasonable in light of the value of the divested business and based on a fee arrangement providing the trustee with an incentive based on the price and terms of the divestiture and the speed with which it is accomplished.

D Defendants shall use their best efforts to assist the trustee in accomplishing the required divestiture, including their best efforts to effect all necessary regulatory approvals. The trustee and any consultants, accountants, attorneys, and other persons retained by the trustee shall have full and complete access to the personnel, books, records, and facilities of the business to be divested, and Defendants shall develop financial or other information relevant to the business to be divested customarily provided in a due diligence process as the trustee may reasonably request, subject to customary confidentiality assurances. Defendants shall permit bona fide prospective purchasers of the assets to have reasonable access to their personnel and to make such inspection of physical facilities and any and all financial, operational or other documents and other information as may be relevant to the divestiture required by this Final Judgment.

E. After its appointment, the trustee shall file monthly reports with the parties and the Court setting forth the trustee's efforts to accomplish the divestiture ordered under this Final Judgment; provided, however, that to the extent such reports contain information that the trustee deems confidential, such reports shall not be filed in the public docket of the Court. Such reports shall include the name, address and telephone number of each person who, during the preceding month, made an offer to acquire, expressed an interest in acquiring, entered into negotiations to acquire, or was contacted or made an inquiry about acquiring, any interest in the business.

divested, and shall describe in detail each contact with any such person during that period. The trustee shall maintain full records of all efforts made to divest the LWD Business.

F. If the trustee has not accomplished such divestiture within six (6) months after its appointment, the trustee thereupon shall file promptly with the Court a report setting forth (1) the trustee's efforts to accomplish the required divestitures, (2) the reasons, in the trustee's judgment, why the required divestiture has not been accomplished, and (3) the trustee's recommendations, provided, however, that to the extent such reports contain information that the trustee deems confidential, such reports shall not be filed in the public docket of the Court. The trustee shall at the same time furnish such report to the parties, who shall each have the right to be heard and to make additional recommendations consistent with the purpose of the trust. The Court shall enter thereafter such orders as it shall deem appropriate in order to carry out the purpose of the trust which may, if necessary, include extending the trust and the term of the trustee's appointment by a period requested by plaintiff.

VI. NOTIFICATION

Within two (2) business days following execution of a definitive agreement, contingent upon compliance with the terms of this Final Judgment, to effect, in whole or in part, any proposed divestiture pursuant to Sections IV or V of this Final Judgment, defendants or the trustee, whichever is then responsible for effecting the divestiture, shall notify plaintiff of the proposed divestiture. If the trustee is responsible, it shall similarly notify defendants. The notice shall set forth the details of the proposed transaction and list the name, address and telephone number of each person not previously identified who offered to, or expressed an interest in or a desire to, acquire any own interest in the business to be divested, together with full details of same. Within fifteen (15)

days of receipt by plaintiff of such notice, plaintiff may, in its sole discretion, request from defendants, the proposed purchaser or purchasers, or any other third party, additional information concerning the proposed divestiture and the proposed purchaser. Defendants and the trustee shall furnish any additional information requested from them within fifteen (15) calendar days of the receipt of the request, unless the parties shall otherwise agree. Within thirty (30) calendar days after receipt of the notice or within twenty (20) calendar days after plaintiff has been provided with the additional information requested from defendants, the proposed purchaser or purchasers, and any third party, whichever is later, plaintiff shall provide written notice to defendants and the trustee, if there is one, stating whether or not it objects to the proposed divestiture. If plaintiff provides written notice to defendants and the trustee that it does not object, then the divestiture may be consummated, subject only to defendants' limited right to object to the sale under Section V(B) of this Final Judgment. Absent written notice that plaintiff does not object to the proposed purchaser or upon objection by the plaintiff, a divestiture proposed under Sections IV or V may not be consummated. Upon objection by defendants under the provision in Section V(B), a divestiture proposed under Section V shall not be consummated unless approved by the Court.

VII. AFFIDAVITS

A. Within twenty (20) calendar days of the filing of the Complaint in this matter and every thirty (30) calendar days thereafter until the divestiture has been completed, whether pursuant to Section IV or Section V of this Final Judgment, defendants shall deliver to plaintiff an affidavit as to the fact and manner of compliance with Sections IV or V of this Final Judgment. Each such affidavit shall include, inter alia, the name, address, and telephone number of each person who, at any time after the period covered by the last such report, made an offer to acquire, expressed an interest in

acquiring, entered into negotiations to acquire, or was contacted or made an inquiry about acquiring, any interest in the business to be divested, and shall describe in detail each contact with any such person during that period. Each such affidavit shall also include a description of the efforts that defendants have taken to solicit a purchaser for the relevant business and to provide required information to prospective purchasers including the limitations, if any, on such information.

B Within twenty (20) calendar days of the filing of the Complaint in this matter, defendants shall deliver to plaintiff an affidavit which describes in detail all actions defendants have taken and all steps defendants have implemented on an on-going basis to preserve the LWD Business pursuant to Section VIII of this Final Judgment. The affidavit also shall describe, but not be limited to, defendants' efforts to maintain and operate the LWD Business as an active competitor, maintain the management, staffing, research and development activities, sales, marketing and pricing of the LWD Business, and maintain the LWD Business in operable condition at current capacity configurations. Defendants shall deliver to plaintiff an affidavit describing any changes to the efforts and actions outlined in defendants' earlier affidavit(s) filed pursuant to this Section within fifteen (15) calendar days after the change is implemented.

C Until one year after such divestiture has been completed, defendants shall preserve all records of all efforts made to preserve the business to be divested and effect the divestiture.

VIII. PRESERVATION OF ASSETS

Until the divestiture required by the Final Judgment has been accomplished:

A. Defendants shall take all steps necessary to assure that the LWD Business will be maintained as a separate and independent, economically viable, ongoing business with its assets (including Intellectual Property, management, operations, and books and records) separate, distinct

and apart from those of defendants. Defendants shall use all reasonable efforts on behalf of themselves and the LWD Business to maintain and increase sales of LWD Services, continue current plans for research, development, and testing of LWD Services, and otherwise maintain the business as a viable and active competitor. Defendants shall take no action that would jeopardize the sale of the LWD Business.

B. Defendants shall not sell, lease, assign, transfer or otherwise dispose of, or pledge as collateral for loans (except such loans as are currently outstanding or replacements or substitutes therefore), assets required to be divested pursuant to Section IV or V, except that any component of such assets as is replaced in the ordinary course of business with a newly purchased, assembled, remanufactured or manufactured component may be sold or otherwise disposed of, provided the newly purchased, assembled, remanufactured or manufactured component is so identified as a replacement component for one to be divested.

C. Defendants shall provide and maintain sufficient working capital to maintain the LWD Business as a viable, ongoing business consistent with the requirements of Section VIII(A).

D. Defendants shall preserve the assets required to be divested pursuant to Section IV or V, except those replaced with newly acquired assets in the ordinary course of business, in a state of repair equal to their state of repair as of the date this Final Judgment is filed, ordinary wear and tear excepted. Defendants shall preserve the documents, books, and records relating to the LWD Business until the date of divestiture of the LWD Business.

E. Except in the ordinary course of business, Defendants shall refrain from terminating or altering current employment, salary, or benefit agreements for any executive or managerial person whose principal responsibilities are with the LWD Business, or for any sales, manufacturing,

marketing, engineering, or other technical person of the LWD Business. Defendants shall also refrain from transferring any employee so employed without the prior approval of plaintiff.

F Defendants shall use all reasonable efforts to maintain the manufacturing activities of the LWD Business, and shall maintain at a level no less than the highest level since February 25, 1998, research and development funding, promotional, advertising, sales, technical assistance, marketing, and merchandising support for the LWD Business.

G Defendants shall provide and maintain sufficient lines and sources of credit to maintain the LWD Business as an economically viable, ongoing business

H Defendants shall take all steps necessary to ensure that the facilities associated with the LWD Business are fully maintained in operable condition at no lower than their current rated capacity, and shall maintain and adhere to normal repair and maintenance schedules for the LWD Business

I Defendants shall maintain, in accordance with sound accounting principles, separate, true, accurate and complete financial ledgers, books and records that report, on a periodic basis, such as the last business day of every month, consistent with past practices, the assets, liabilities, expenses, revenues, income, profit and loss of the LWD Business.

J Defendants shall take no action that would interfere with the ability of any trustee appointed pursuant to the Final Judgment to complete the divestiture pursuant to the Final Judgment to a suitable purchaser.

K Until such time as the LWD Business is divested, the assets to be divested shall be managed by a person appointed by Halliburton within ten (10) business days of consummation of the merger of Halliburton and Dresser, subject to plaintiff's approval. The person so appointed shall have

complete managerial responsibility for the LWD Business, subject to the provisions of this Order and the Final Judgment. In the event that the person becomes unable to perform his duties, defendants shall appoint, subject to plaintiff's approval, a replacement within ten (10) business days. Should defendants fail to appoint a replacement acceptable to plaintiff within ten (10) business days, plaintiff shall appoint a replacement.

IX. FINANCING

Defendants are ordered and directed not to finance all or any part of any purchase by purchaser made pursuant to Sections IV or V of this Final Judgment.

X. COMPLIANCE INSPECTION

For purposes of determining or securing compliance with the Final Judgment and subject to any legally recognized privilege, from time to time:

A Duly authorized representatives of the United States Department of Justice, upon written request of the Attorney General or of the Assistant Attorney General in charge of the Antitrust Division, and on reasonable notice to defendants made to their principal offices, shall be permitted

1. Access during office hours of defendants to inspect and copy all books, ledgers, accounts, correspondence, memoranda, and other records and documents in the possession or under the control of defendants, who may have counsel present, relating to the matters contained in this Final Judgment; and

2. Subject to the reasonable convenience of defendants and without restraint or interference from them, to interview, either informally or on the record, their officers, employees, and agents, who may have counsel present, regarding any such matters.

B. Upon the written request of the Attorney General or of the Assistant Attorney General in charge of the Antitrust Division, made to defendants' principal offices, defendants shall submit such written reports, under oath if requested, with respect to any matter contained in the Final Judgment

C. No information or documents obtained by the means provided in Sections VII or X of this Final Judgment shall be divulged by a representative of the plaintiff to any person other than a duly authorized representative of the Executive Branch of the United States, except in the course of legal proceedings to which the United States is a party (including grand jury proceedings), or for the purpose of securing compliance with this Final Judgment, or as otherwise required by law.

D. If at the time information or documents are furnished by defendants to plaintiff, defendants represent and identify in writing the material in any such information or documents to which a claim of protection may be asserted under Rule 26(c)(7) of the Federal Rules of Civil Procedure, and defendants mark each pertinent page of such material: "Subject to claim of protection under Rule 26(c)(7) of the Federal Rules of Civil Procedure," then ten (10) calendar days notice, if practicable, shall be given by plaintiff to defendants prior to divulging such material in any legal proceeding (other than a grand jury proceeding) to which each defendant is not a party.

XI. RETENTION OF JURISDICTION

Jurisdiction is retained by this Court for the purpose of enabling any of the parties to this Final Judgment to apply to this Court at any time for such further orders and directions as may be necessary or appropriate for the construction or carrying out of this Final Judgment, for the modification of any of the provisions hereof, for the enforcement of compliance herewith, and for the punishment of any violations hereof.

XII. TERMINATION

Unless this Court grants an extension, this Final Judgment will expire upon the tenth anniversary of the day of its entry.

XIII. PUBLIC INTEREST

Entry of this Final Judgment is in the public interest.

Dated April 1 ¹⁹⁹⁵ ~~1998~~


UNITED STATES DISTRICT JUDGE

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Schedule A

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1. LWD and MWD Tools

CLERK, U.S. DISTRICT COURT
DISTRICT OF COLUMBIA

Subject to the other provisions of this Schedule A, HESI shall transfer to purchaser all of its LWD tools and such quantity of MWD tools as will allow purchaser to operate such LWD tools. Such LWD tools shall include the following tools:

Approximate Current Quantity

LWD

CWRGM Resistivity - GR Tool	Qty 111
DNSC Density-Neutron Tool	Qty 53
SCWR Slim Resistivity Tool	Qty 42

In order to allow purchaser to operate such LWD tools, HESI will transfer the following MWD tools to purchaser:

MWD

HDSM Directional Tool (positive pulse)	Qty 95
HDS1 MWD Kits (positive pulse)	Qty 17
RX4 MLWD Surface System	Qty 50

Included with such tools shall be the software required to operate such tools in their current mode of operation by HESI and a hard copy and copy of all computer tapes and discs containing any data in the possession or control of HESI (but not data owned by a customer unless the customer consents) that record the performance anywhere of those tools, together with instructions and all other materials necessary to use or interpret the data. HESI will use its best efforts to obtain the consent of customers who own such data that is in its possession or control.

2. Sonic Tools

HESI shall transfer to purchaser 50% of its CLSS Sonic Tools (approximately 23 tools), 50% of its SCLSS Sonic (slim) Tools (approximately 9 tools), and 50% of its Sonic Workstations

(approximately 7 workstations). HESI will also grant to purchaser a worldwide, royalty-free, irrevocable, non-exclusive license covering HESI's Intellectual Property for the use, manufacture and sale of such Sonic Tools. Such license will not be subject to any requirement to grant back to HESI rights to any improvements made by purchaser to such tools.

Included with such tools shall be the software necessary to operate such tools in their current mode of operation by HESI and a hard copy and copy of all computer tapes and discs containing any data in the possession or control of HESI (but not data owned by a customer unless the customer consents) that record the performance anywhere of those tools, together with instructions and all other materials necessary to use or interpret the data. HESI will use its best efforts to obtain the consent of customers who own such data that is in its possession or control. HESI shall be permitted to offer Sonic LWD services worldwide using the Sonic LWD tools and workstations it retains. HESI shall be permitted to rent from purchaser sufficient other HESI LWD tools to allow it to provide sonic LWD services until such time as HESI is able to adapt its sonic LWD tools to operate in real time with LWD tools acquired from Dresser Industries, Inc., but in any event not longer than 12 months after the merger of Halliburton Company and Dresser Industries, Inc. is consummated. To the extent and for the period that HESI retains LWD tools (other than sonic tools) for such purpose, it shall pay purchaser a reasonable rental amount for such retained tools.

3. Buildings

(a) In the United States, the LWD Business is operated from the HESI-owned Lafayette, Louisiana service center, which is a 63,400 sq. ft. facility located on a 9.8 acre site, and configured for the storage of radioactive well logging sources. HESI shall transfer to purchaser the entire

Lafayette facility, including all workshop, testing, and repair equipment required for the maintenance of the tools.

(b) With respect to equipment and facilities located outside the United States which are used by HESI to conduct the LWD Business, HESI will transfer to purchaser all workshop, testing, and repair equipment used by HESI to conduct the LWD Business and such of the buildings HESI owns or leases which are used solely for purposes of conducting the LWD Business. Where HESI conducts its LWD Business from a facility that is also used by HESI for other purposes, HESI will transfer such workshop, testing and repair equipment to purchaser at a nearby facility of purchaser's selection which purchaser has acquired for such purpose. In those areas where, following the merger of Halliburton Company and Dresser Industries, Inc., a facility formerly used by one of the companies to provide LWD services will not be used by HESI to provide LWD services, purchaser will have the option to acquire that facility from HESI as part of the LWD Business.

4. Manufacturing

(a) HESI will transfer to purchaser manufacturing, assembly, testing, calibration and other machinery and equipment, including related software, to equip a building, to be supplied by purchaser, with sufficient equipment to permit purchaser to conduct the manufacturing, assembly, testing, and calibration of LWD tools and MWD tools used in conjunction with the LWD tools currently performed by HESI (with the exception of a test well). HESI will make its current test well in Fort Worth, TX available to purchaser for a period of two years for a charge not to exceed the amount charged by AMOCO at its test well in Catoosa, OK, which is available on a rental basis to the industry. This transferred equipment shall include HESI designed automated test equipment and

accelerated stress screen test equipment, and standard injection molding equipment used to "port" circuit boards in shock resistant elastomer. Also included will be a hydraulic shake table used to perform tool chassis testing. HESI will provide purchaser with copies of all drawings, histories, manuals, lab notebooks, blueprints, designs, design protocols, specifications for materials, specifications for parts and devices, and quality assurance control procedures and other records maintained by HESI related to the tools specified in paragraphs 1 and 2.

(b) A reasonable number of employees whose qualifications are suited to conduct the management of the manufacturing, assembly, testing or calibration process will be selected by purchaser from a list HESI shall supply to purchaser of all of its skilled technical and management employees who work in the manufacturing, assembly, testing, or calibration of LWD tools and MWD tools used in conjunction with the LWD tools, which list shall include their expertise, qualifications, job descriptions, salary, date of hire, and all other information from the employee's personnel file that HESI can legally provide to purchaser. Purchaser will be responsible for offering such employees such compensation and benefit programs as will induce such persons voluntarily to agree to leave HESI's employment and become employees of purchaser. HESI will use its best efforts to work with purchaser to make reasonable arrangements to cause such employees to accept such employment by purchaser

(c) If at the time of sale there exist continuing contract obligations of HESI to sell or maintain or support LWD tools previously sold to third-parties, HESI shall identify and purchaser shall assume such obligations.

5. R&D

HESI will deliver to purchaser R&D equipment, including related software, and copies of tool histories, development records and laboratory records related to the LWD tools and MWD tools listed in paragraphs 1 and 2, including the results of unsuccessful designs. HESI will provide purchaser, at a location to be supplied by purchaser, a LWD research laboratory capable of conducting the research projects existing at any time on or after February 25, 1998 with respect to existing LWD or MWD tools or new tools that extend the technology contained in the tools listed in paragraphs 1 and 2. A reasonable number of employees whose technical qualifications are suited to conduct the types of LWD research and development purchaser wishes to conduct will be selected by purchaser from HESI's current LWD technical staff. HESI shall supply to purchaser a complete list of all its LWD technical staff members who have participated in any research projects with respect to LWD or MWD tools, including their expertise, qualifications, job descriptions, salary, date of hire, and all other information from the employee's personnel file that HESI can legally provide to purchaser. Purchaser will be responsible for offering such employees such compensation and benefit programs as will induce such persons voluntarily to agree to leave HESI's employment and become employees of purchaser. HESI will use its best efforts to work with purchaser to make reasonable arrangements to cause such employees to accept employment by purchaser.

6. Licenses

(a) HESI will grant to purchaser a worldwide, royalty-free, irrevocable, non-exclusive license covering HESI owned Intellectual Property. Purchaser shall not be granted any rights, including trademarks and service marks, associated with the use of the tradenames or commercial

names of Halliburton or HESI; provided, however, that in the marketing of LWD services using LWD or MWD tools acquired from HESI, purchaser will possess the right following the date of the purchase of the LWD Business to identify its LWD and MWD tools as being manufactured pursuant to a license from HESI and its LWD Business as having been acquired from HESI. Such license will not be subject to any requirement that purchaser grant back to HESI rights to any improvements made by purchaser to such tools.

(b) HESI will grant to purchaser sublicenses covering the use of third-party technology and related software embodied in the transferred LWD and MWD tools and software, to the extent permitted by its licenses from such third parties. Such sublicenses will not be subject to any requirement that purchaser grant back to HESI rights to any improvements made by purchaser to such tools. To the extent that the third party licenses do not permit HESI to grant purchaser a sublicense, HESI will identify each such third party license and use its best efforts to assist purchaser in obtaining a license from the third party.

7. Contracts

(a) At the time of sale, HESI will assign to purchaser all of its contracts with customers to provide LWD services in the United States, or to the extent applicable, portions of contracts to provide LWD services in the United States that are outstanding at closing. To the extent not assignable, HESI will use its best efforts to obtain for purchaser the benefit of such contracts by designating purchaser as HESI's agent for the purposes of performing such contracts and paying to purchaser all monies due under such contracts for the performance of such LWD services.

(b) At the time of sale, HESI will assign to purchaser all of its contracts with customers to provide LWD Services outside the United States, or to the extent applicable, portions of contracts to provide LWD Services that are outstanding at closing. To the extent not assignable or to the extent that the assignment is unacceptable to the customer, in order to allow HESI to complete contracts existing at the time of sale and any resulting from the award under a tender outstanding at the date of sale, HESI shall be allowed to rent from purchaser such LWD and MWD tools, and to use equipment and facilities of the LWD Business and such employees of the LWD Business as are reasonably required for HESI to complete the performance of LWD Services under such contracts. HESI shall pay to purchaser a reasonable rental amount for such tools, equipment, facilities, and employees during the period from the close of the sale of the LWD Business to the time such contracts are completed.

8. Employees

Subject to the other terms of this Schedule A, HESI and purchaser will enter into commercially reasonable arrangements for purchaser to employ such of the employees of the LWD Business as purchaser requires to operate the LWD Business.

9. Customer Lists, Credit Records, and Supplier/Vendor Lists and Supplier/Vendor Contracts

HESI will transfer to purchaser its lists of customers, customer credit records, and supplier/vendor lists and supplier/vendor contracts for its LWD Business anywhere in the world.

10. Technical Support and Training

HESI will transfer to purchaser technical support and training services employees and related assets with respect to the LWD Business. Purchaser will be responsible for offering such employees such compensation and benefit programs as will induce such persons voluntarily to agree to leave HESI's employment and become employees of purchaser. HESI shall be permitted to utilize the services of sufficient technical support and training services employees and related assets to the extent required for HESI to complete the contracts referred to in paragraph 7(b). To the extent and for the period that HESI utilizes the services of technical support and training services employees and related assets, it shall pay purchaser a reasonable fee for those services.

11. Spare Parts

HESI's inventory of spare parts and consumables relating to the LWD Business will be transferred to purchaser, provided, however, that the inventory of Sonic LWD tool parts shall be divided between HESI and purchaser in the same proportions as the Sonic tools are divided pursuant to paragraph 2. Purchaser will agree to sell to HESI at reasonable prices spare parts sufficient to permit HESI to complete the contracts referred to in paragraph 7(b).

12. Continuing LWD Services

HESI agrees that after the sale of the LWD Business it will not offer LWD services, directly or indirectly, including by a licensee other than purchaser, anywhere in the world using any of the HESI tools of the type sold to purchaser, except (i) LWD services necessary to complete the contracts referred to in paragraph 7(b); (ii) LWD services using LWD tools acquired from Dresser;

and (iii) sonic LWD services using sonic LWD tools of the type sold to purchaser. Further, HESI may continue to use the underlying technology licensed to purchaser in its wireline logging tools and other products and in Dresser tools.

13. No Transfer of Acquired Assets

HESI may require purchaser to agree that it will not transfer by any means any of the tangible or intangible property or assets it acquires from HESI to either Schlumberger Limited, or Baker Hughes Incorporated, or their affiliates for the life of the consent decree. This provision does not prevent purchaser from making the property or assets available to any joint venture in which it participates.

Excluded assets:

Excluded from the LWD Business are (1) all business, assets and technology of Dresser Industries, Inc. which is being acquired by Halliburton; (2) all business, assets and technology of NULMAR, and (3) Intellectual Property, except to the extent provided in paragraphs 2 and 6.