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May 2, 2005

Mr. David J. Lesar
Chairman of the Board, President, and Chief Executive Officer
Halliburton Company
5 Houston Center
1401 McKinney, Suite 2400
Houston, TX 77010

Dear Mr. Lesar:

We are writing to seek an explanation for the apparent discrepancy between testimony of senior Halliburton officials before the House Committee on Government Reform and information disclosed in a recent federal indictment. Halliburton representatives testified that the Halliburton employees being investigated for taking kickbacks under the LOGCAP troop support contract were not managers but were "administrative people." Yet according to the Justice Department, a Halliburton manager has now been indicted for this kickback scheme.

On March 17, 2005, the Justice Department announced an indictment against a Halliburton official and subcontractor for "major fraud against the United States" under Halliburton's LOGCAP contract to provide support for the U.S. Army in Kuwait and Iraq. The indictment alleges that Jeff Mazon, a former manager at Halliburton subsidiary Kellogg, Brown, and Root (KBR), and Ali Hijazi, the managing partner of Halliburton subcontractor LaNouvelle General Trading and Contracting Company, billed U.S. taxpayers more than $5.5 million for work that should have cost only $680,000 — a markup of more than 700%. In exchange for this markup, Mr. Mazon allegedly received a $1 million kickback from Mr. Hijazi.

The new information in the indictment raises issues about the testimony of Halliburton officials before Congress. At a July 22, 2004, hearing held by the Government Reform Committee, Alfred Neffgren, a chief operations officer at KBR, was questioned about the

authority and positions of the Halliburton employees being investigated.[1] When asked whether these Halliburton employees were managers, Mr. Neffgren testified, "No, they weren't." Instead, he asserted that they were "administrative people." Upon further questioning, he testified that they were "senior subcontract administrators." Mr. Neffgren also downplayed Mr. Mazon's role in overseeing subcontracts, stating that there were "300 to 350" senior subcontract administrators in Iraq at the time.

According to the indictment, however, Jeff Mazon held the managerial position of Procurement, Materials and Property Manager. Former Halliburton employees have informed Committee staff that there were far fewer than "300 to 350" managers with Mr. Mazon's position in Iraq and Kuwait.

This discrepancy is significant because it bears on whether Mr. Mazon was involved in a large number of Halliburton subcontracts. Some of these subcontracts were with LaNouvelle and involved inflated costs. For example, prior testimony before the Committee, which was supported by documentation, revealed that LaNouvelle was charging $45 per case of soda and $100 per bag of laundry. Documents obtained by Committee staff show that LaNouvelle's laundry subcontract was approved and personally signed by Jeff Mazon.

In light of this apparent inconsistency between the testimony of senior Halliburton officials and the information about the criminal investigation contained in the indictment, we ask that you answer the following questions:

(1) During his July 22, 2004, testimony, was Mr. Neffgren referring to Jeff Mazon when he said that "administrative people" were being investigated for allegedly accepting kickbacks? If not, to whom was he referring?

(2) During what period of time was Jeff Mazon a KBR Procurement, Materials, and Property Manger? What was the scope of his responsibilities and authority? How many subcontracts did he negotiate, approve, manage, or oversee in this capacity?

(3) How many Halliburton Senior Subcontracts Administrators were in Iraq on July 22, 2004? How many Halliburton Procurement, Materials, and Property Mangers were in Iraq at that time?

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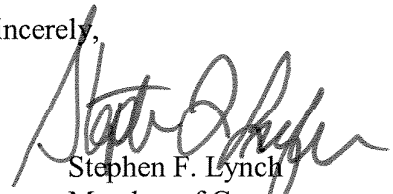
[1] House Committee on Government Reform, *Hearings on Unprecedented Challenges: The Complex Task of Coordinating Contracts Amid the Chaos and the Rebuilding of Iraq*, 108th Cong. (July 22, 2004).

(4) Please provide a list of KBR's subcontracts with LaNouvelle that includes their values. When did Halliburton terminate the last of its subcontracts with LaNouvelle?

Given the significance of this issue, we would appreciate a prompt answer to these questions. Our interest is in ensuring that kickbacks and deliberately inflated prices did not impact other Halliburton subcontracts under LOGCAP.

Sincerely,

Henry A. Waxman
Ranking Minority Member



Stephen F. Lynch
Member of Congress