

Libya

continued from page 1

But regardless of whether the equipment was sold, or who inside Libya controlled it, federal officials say they must determine precisely where Halliburton believed the hardware was going.

It is the sort of case that customs agents thirst for.

Dallas agent Wayne Frandsen said other cases often are set aside temporarily if investigators think they have caught an American business dealing in a forbidden country.

"It's particularly refreshing when you find that it's a country such as Libya," he said.

The United States has long suspected Libya of bankrolling international terrorists with the proceeds of the OPEC country's bountiful oil resources.

John Kellogg, head of the Customs Service branch conducting the Halliburton probe, said the investigation started late last year.

Kellogg said investigators might spend several months untangling the "convoluted" web of international relationships that sometimes conceal the true source of American exports.

Investigators will travel outside the United States to track Halliburton's shipments, he said, and the results of the investigation will be turned over to the U.S. attorney's office in Houston for possible grand jury indictments.

"It's going to be a detailed investigation," he said.

Assisting the Customs Service are the U.S. Department of Commerce and the U.S. Treasury Department.

In its recent disclosure to stockholders, Halliburton said government investigators were focusing on Halliburton Logging Services Inc., a Houston-based subsidiary.

Agents have executed seven search warrants in seizing records of some of Halliburton Logging Services' re-exports — products that leave the United States and later are sent to a third destination.

Halliburton did not deny that shipments to Libya occurred, but it told stockholders that "foreign affiliates" were on the shipping and receiving ends.

Halliburton spokesman Guy Marcus told the *Dallas Business Journal* that the company would not explain the shipments further except to government investigators.

"We feel that the appropriate thing at this particular time is to deal directly with the government," Marcus said.

Halliburton Logging Services provides oil companies with equipment to gather extremely technical data about earth formations surrounding oil wells. The procedure is useful in determining which direction crews should continue to explore.

Industry analysts say Halliburton is among only two or three suppliers of the sophisticated technology.

PaineWebber analyst James Carroll said some of the equipment pumps electrons underground — in a manner similar to radar — and some of it operates on nuclear technology.

"It works under unbelievable circumstances," he said. "This is expensive stuff."

Halliburton said each piece of equipment shipped into Libya had a value of about \$25,000.

The potential nuclear uses of the equipment has prompted U.S. Rep. John Bryant of Dallas, to raise concerns in Washington

about allowing such technology into hostile territories.

Bryant spokesman Carlton Carl said the congressman's staff has conducted research showing that portions of the oilfield equipment could be fashioned into "triggers" for nuclear weapons.

In 1987, the House Energy and Commerce Committee member asked several federal agencies to determine whether Schlumberger Ltd., a Halliburton competitor, had violated the Libyan embargo and whether such equipment could be used to manufacture nuclear weapons.

Carl said the congressman thought Halliburton had stopped shipping any such equipment to Libya.

Bryant's requests were ignored, he said, and Reagan administration officials instructed him not to discuss the nuclear question publicly.

"We're talking about a very sensitive issue," Carl said. "If it were commonly known — the implications of this equipment — you'd have a lot of nervous people."

Schlumberger spokesman Bud Bell called it "patently ridiculous" to suggest that oilfield equipment could be used for nuclear weapons.

Bell also said his company, in fact, was investigated by the State Department and Commerce Department at about the same time Bryant was pushing for such an investigation.

The investigation, he said, found that Schlumberger had equipment in Libya, but that no violations of the embargo had occurred.

"We came away with a clean bill of health," he said.

The embargo prohibits all direct U.S. trade with Libya. It allows the re-export of certain American products, such as food and medical supplies, if the Commerce Department approves.

Halliburton told its stockholders that no such approval had been obtained for the oil equipment shipments being investigated.

According to a recent Commerce Department report, the re-exporting of oil equipment generally is denied because proceeds from the oil industry "enhance Libya's continued support of international terrorism."

Kellogg said no political overtones will enter into the Customs Service investigation of Halliburton.

"This is convoluted enough without getting involved in politics," he said.

He explained that U.S. companies sometimes get involved in illegal exports through "front companies," foreign concerns that shop for American-made products without divulging their ultimate destination.

Whether such a company was involved and whether Halliburton knew its equipment was bound for Libya will be key to the outcome of the investigation, Kellogg said.

Possibly complicating matters further, Halliburton Logging Services itself was evolving during the late 1980s.

The subsidiary was formed in 1988 by merging an existing Halliburton division with Gearhart Industries Inc., a technological leader acquired for \$277 million in September of that year.

In its 1988 annual report, Halliburton said the acquisition of Gearhart would provide a "broader market presence" around the world.

Industry analyst Kevin Simpson of Wertheim Schroder & Co. theorizes that Gearhart initiated the shipments to Libya shortly before being acquired by Halliburton.

Simpson said the matter could have been overlooked during the merger because the shipments would have represented a small segment of Halliburton's worldwide business portfolio.

"This is pretty small-change stuff," he said.

Officials at Halliburton Logging Services in Houston referred questions to the parent company in Dallas.

In the recent disclosure to stockholders, Halliburton mentioned the involvement of corporate "predecessors" in the Libyan shipments.

The company also said all its equipment either had been moved out of Libya or destroyed.

Carroll, the PaineWebber analyst, was taken aback by the idea of Halliburton destroying its own equipment.

"That's very unusual," he said. "Why the heck would they destroy it?"