
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarter ended September 30, 2002

or

- 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 1-1204

AMERADA HESS CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

13-4921002

(I.R.S. employer identification number)

1185 AVENUE OF THE AMERICAS, NEW YORK, N.Y.

(Address of principal executive offices)

10036

Zip Code

(Registrant's telephone number, including area code is (212) 997-8500)

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 No

At September 30, 2002, 89,200,930 shares of Common Stock were outstanding.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME

(in millions, except per share data)

	Three Months ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
REVENUES				
Sales (excluding excise taxes) and other operating revenues	\$2,818	\$2,888	\$8,635	\$10,531
Non-operating income				
Equity in income (loss) of HOVENSA L.L.C.	(6)	11	(50)	77
Other	83	35	162	120
Total revenues	2,895	2,934	8,747	10,728
COSTS AND EXPENSES				
Cost of products sold	1,629	1,848	5,118	7,016
Production expenses	222	196	589	522
Marketing expenses	144	161	500	466
Exploration expenses, including dry holes and lease impairment	105	75	209	232
Other operating expenses	49	54	145	163
General and administrative expenses	72	71	195	195
Interest expense	64	51	204	132
Depreciation, depletion and amortization	342	254	1,012	664
Asset impairment	394	--	394	--
Total costs and expenses	3,021	2,710	8,366	9,390
Income (loss) before income taxes	(126)	224	381	1,338
Provision for income taxes	10	57	228	478
NET INCOME (LOSS)	\$ (136)	\$ 167	\$ 153	\$ 860
NET INCOME (LOSS) PER SHARE				
BASIC	\$ (1.54)	\$ 1.90	\$ 1.74	\$ 9.76
DILUTED	\$ (1.54)	\$ 1.86	\$ 1.72	\$ 9.63
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	88.3	89.4	89.3	89.3
COMMON STOCK DIVIDENDS PER SHARE	\$.30	\$.30	\$.90	\$.90

See accompanying notes to consolidated financial statements.

PART I — FINANCIAL INFORMATION (CONT'D.)
AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(in millions of dollars, thousands of shares)

ASSETS

	September 30, 2002	December 31, 2001
CURRENT ASSETS		
Cash and cash equivalents	\$ 48	\$ 37
Accounts receivable	1,773	2,962
Inventories	522	550
Other current assets	131	397
	<u>2,474</u>	<u>3,946</u>
INVESTMENTS AND ADVANCES		
HOVENSA L.L.C.	839	889
Other	769	747
	<u>1,608</u>	<u>1,636</u>
PROPERTY, PLANT AND EQUIPMENT		
Total — at cost	16,593	16,627
Less reserves for depreciation, depletion, amortization and lease impairment	8,852	8,462
	<u>7,741</u>	<u>8,165</u>
NOTES RECEIVABLE	376	395
GOODWILL	977	982
DEFERRED INCOME TAXES AND OTHER ASSETS	451	245
TOTAL ASSETS	<u>\$13,627</u>	<u>\$15,369</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable — trade	\$ 1,267	\$ 1,807
Accrued liabilities	791	1,115
Taxes payable	304	414
Notes payable	3	106
Current maturities of long-term debt	15	276
	<u>2,380</u>	<u>3,718</u>
LONG-TERM DEBT	5,065	5,283
DEFERRED LIABILITIES AND CREDITS		
Deferred income taxes	1,196	1,111
Other	303	350
	<u>1,499</u>	<u>1,461</u>
STOCKHOLDERS' EQUITY		
Preferred stock, par value \$1.00, 20,000 shares authorized		
3% cumulative convertible series		
Authorized - 330 shares		
Issued - 327 shares (\$16 million liquidation preference)	--	--
Common stock, par value \$1.00		
Authorized - 200,000 shares		
Issued - 89,201 shares at September 30, 2002; 88,757 shares at December 31, 2001	89	89
Capital in excess of par value	932	903
Retained earnings	3,880	3,807
Accumulated other comprehensive income (loss)	(218)	108

Total stockholders' equity	4,683	4,907
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$13,627	\$15,369

See accompanying notes to consolidated financial statements.

PART I — FINANCIAL INFORMATION (CONT'D.)**AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES****STATEMENT OF CONSOLIDATED CASH FLOWS****Nine months ended September 30**

(in millions)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 153	\$ 860
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization	1,012	664
Asset impairment	394	-
Exploratory dry hole costs	99	122
Lease impairment	33	24
Gain on asset sales	(103)	-
Provision (benefit) for deferred income taxes	(70)	99
Undistributed earnings of affiliates	52	(68)
	1,570	1,701
Changes in operating assets and liabilities	(143)	(67)
Net cash provided by operating activities	1,427	1,634
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,207)	(1,981)
Acquisition of Triton Energy Limited, net of cash	-	(2,720)
Payment received on note	48	48
Proceeds from asset sales and other	363	(31)
Net cash used in investing activities	(796)	(4,684)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in notes payable	(103)	52
Long-term borrowings	597	2,891
Repayment of long-term debt	(1,035)	(5)
Cash dividends paid	(107)	(94)
Common stock acquired	-	(100)
Stock options exercised	28	59
Net cash provided by (used in) financing activities	(620)	2,803
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11	(247)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	37	312
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 48	\$ 65

See accompanying notes to consolidated financial statements.

PART I — FINANCIAL INFORMATION (CONT'D.)**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

- Note 1 - The financial statements included in this report reflect all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the Corporation's consolidated financial position at September 30, 2002 and December 31, 2001, and the consolidated results of operations for the three- and nine-month periods ended September 30, 2002 and 2001 and the consolidated cash flows for the nine-month periods ended September 30, 2002 and 2001. The unaudited results of operations for the interim periods reported are not necessarily indicative of results to be expected for the full year. Certain notes and other information have been condensed or omitted from these interim financial statements. These statements, therefore, should be read in conjunction with the consolidated financial statements and related notes included in the 2001 Annual Report to Stockholders, which have been incorporated by reference in the Corporation's Form 10-K for the year ended December 31, 2001.
- Note 2 - In the third quarter of 2002, the Corporation recorded an impairment of \$394 million (\$256 million after income taxes) to reduce the carrying value of certain producing oil and gas fields and exploration acreage in the Gulf of Mexico to their estimated fair values. The impairment principally reflects reduced reserve estimates on these fields. Estimated fair values were determined by discounting anticipated future net cash flows.
- Note 3 - In September 2002, the Corporation recorded a gain of \$103 million (\$67 million after income taxes) from the sale of six United States flag tankers and ancillary assets. In connection with this sale, the Corporation has agreed to support the buyer's charter hire rates for these vessels for up to five years. Consequently, the Corporation has deferred a pre-tax gain of \$50 million as part of the sale transaction to reflect potential obligations under the support agreement.
- Note 4 - Inventories consist of the following (in millions):

	September 30, 2002	December 31, 2001
Crude oil and other charge stocks	\$ 94	\$ 108
Refined and other finished products	477	440
Less: LIFO adjustment	(222)	(111)
	349	437
Materials and supplies	173	113
	\$ 522	\$ 550

PART I — FINANCIAL INFORMATION (CONT'D.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 - The Corporation accounts for its investment in HOVENSA L.L.C. using the equity method. Summarized financial information for HOVENSA follows (in millions):

	At September 30, 2002		At December 31, 2001	
	_____		_____	
Balance sheet				
Assets				
Current assets	\$	474	\$	491
Net fixed assets		1,908		1,846
Other assets		31		35
		_____		_____
Total assets		\$2,413		\$2,372
		_____		_____
Liabilities and partners' equity				
Current liabilities	\$	383	\$	294
Long-term debt		397		365
Deferred liabilities and credits		34		23
Partners' equity		1,599		1,690
		_____		_____
Total liabilities and partners' equity		\$2,413		\$2,372
		_____		_____
	Three months ended September 30		Nine months ended September 30	
	_____		_____	
	2002	2001	2002	2001
	_____	_____	_____	_____
Income statement				
Total revenues	\$1,054	\$1,058	\$2,622	\$3,403
Costs and expenses	1,065	1,035	2,720	3,246
	_____	_____	_____	_____
Net income (loss)	\$ (11)	\$ 23	\$ (98)	\$ 157
	_____	_____	_____	_____
Amerada Hess Corporation's share	\$ (6)	\$ 11	\$ (50)	\$ 77
	_____	_____	_____	_____

In connection with the startup of the new coking facilities in the third quarter of 2002, HOVENSA reduced its last-in, first-out (LIFO) inventory of high sulfur crude oil. Consequently, HOVENSA recognized LIFO inventory cost in its cost of sales that is lower than the current cost. This reduced Amerada Hess Corporation's share of HOVENSA's loss by approximately \$13 million.

Note 6 - During the three- and nine-month periods ended September 30, 2002, the Corporation capitalized interest of \$26 million and \$75 million on major development projects (\$14 million during the three- and nine-month periods ended September 30, 2001).

PART I — FINANCIAL INFORMATION (CONT'D.)**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Note 7 - The provision for income taxes consisted of the following (in millions):

	Three months ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
Current	\$ 75	\$17	\$298	\$379
Deferred	(65)	40	(70)	99
Total	\$ 10	\$57	\$228	\$478

Note 8 - Foreign currency gains (losses), after income tax effects, amounted to the following (in millions):

	Three months ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
Foreign currency gains (losses)	\$20	\$(13)	\$8	\$ —

Note 9 - The weighted average number of common shares used in the basic and diluted earnings per share computations are as follows (in thousands):

	Three months ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
Common shares — basic	88,328	88,133	88,116	88,116
Effect of dilutive securities (equivalent shares)				
Nonvested common stock	—	470	477	422
Stock options	—	593	491	523
Convertible preferred stock	—	205	205	205
Common shares — diluted	88,328	89,401	89,289	89,266

PART I — FINANCIAL INFORMATION (CONT'D.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 - Comprehensive income (loss) was as follows (in millions):

	Three months ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
Net income (loss)	\$ (136)	\$ 167	\$ 153	\$ 860
FAS 133 transition adjustment	—	—	—	100
Net change in gain (loss) from hedging activities not recognized in net income (loss)	(100)	113	(352)	89
Change in foreign currency translation adjustment	(2)	4	26	—
Total comprehensive income (loss)	\$ (238)	\$ 284	\$ (173)	\$ 1,049

The Corporation reclassifies hedging gains and losses included in other comprehensive income to earnings at the time the hedged transactions are recognized. Hedging results for exploration and production operations were approximately breakeven in the third quarter of 2002 and hedging increased earnings by \$87 million (\$133 million before taxes) in the first nine months of 2002. Hedging increased exploration and production results by \$12 million (\$19 million before taxes) and \$6 million (\$9 million before taxes) for the corresponding periods of 2001. At September 30, 2002, the after-tax deferred loss from crude oil and natural gas contracts used as exploration and production hedges and expiring through 2004 was approximately \$94 million (\$86 million of unrealized losses and \$8 million of realized losses).

Note 11 - The Corporation's results by operating segment were as follows (in millions):

	Three months ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
Operating revenues				
Exploration and production(*)	\$ 1,009	\$ 1,060	\$ 3,201	\$ 3,579
Refining, marketing and shipping	1,962	2,015	5,888	7,664
Total	\$ 2,971	\$ 3,075	\$ 9,089	\$ 11,243
Net income (loss)				
Exploration and production	\$ (143)	\$ 228	\$ 281	\$ 808
Refining, marketing and shipping	70	5	65	210
Corporate, including interest	(63)	(66)	(193)	(158)
Total	\$ (136)	\$ 167	\$ 153	\$ 860

(*) Includes transfers to affiliates of \$153 million and \$454 million during the three and nine months ended September 30, 2002, compared to \$187 million and \$712 million for the corresponding periods of 2001.

PART I — FINANCIAL INFORMATION (CONT'D.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 - The Financial Accounting Standards Board issued FAS No. 143, *Accounting for Asset Retirement Obligations*. This statement significantly changes the method of accruing costs associated with the retirement of fixed assets for which a legal retirement obligation exists, such as certain oil and gas production facilities. This standard becomes effective in 2003. The Corporation does not expect the effect of adopting the new accounting standard to be material to its income or financial position.

PART I — FINANCIAL INFORMATION (CONT'D.)

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition.

Results of Operations

Operating earnings, excluding special items, amounted to \$121 million in the third quarter of 2002 compared with \$167 million in the third quarter of 2001. Operating earnings for the first nine months of 2002 were \$405 million compared with \$860 million in the first nine months of 2001. There was a net loss of \$136 million in the third quarter of 2002, including a charge for asset impairment and other special items. Net income was \$153 million in the first nine months of 2002. The after-tax results by major operating activity for the three and nine months ended September 30, 2002 and 2001 were as follows (in millions, except per share data):

	Three months ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
Exploration and production	\$ 181	\$ 228	\$ 578	\$ 808
Refining, marketing and shipping	3	5	20	210
Corporate	(23)	(32)	(56)	(65)
Interest expense	(40)	(34)	(137)	(93)
Operating earnings	121	167	405	860
Special items	(257)	—	(252)	—
Net income (loss)	\$ (136)	\$ 167	\$ 153	\$ 860
Net income (loss) per share	\$(1.54)	\$1.86	\$1.72	\$9.63

Exploration and Production

Operating earnings from exploration and production activities decreased by \$47 million and \$230 million, respectively, in the third quarter and first nine months of 2002. The 2001 third quarter included income of \$48 million from the resolution of a United Kingdom income tax dispute. Excluding the tax settlement, exploration and production earnings in the third quarter of each year were comparable. Results in the first nine months of 2002 were lower than the corresponding period of 2001 reflecting lower average crude oil and natural gas selling prices and higher unit costs, partially offset by increased production volumes.

PART I — FINANCIAL INFORMATION (CONT'D.)
Results of Operations (Continued)

The Corporation's average selling prices, including the effects of hedging, were as follows:

	Three months ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
Crude oil (per barrel)				
United States	\$26.19	\$23.38	\$24.33	\$24.15
Foreign	26.25	24.62	24.91	26.02
Natural gas liquids (per barrel)				
United States	\$16.31	\$17.73	\$14.84	\$20.94
Foreign	19.52	17.86	17.86	20.29
Natural gas (per Mcf)				
United States	\$ 3.40	\$ 3.42	\$ 3.45	\$ 4.39
Foreign	2.17	1.96	2.17	2.51

The Corporation's net daily worldwide production was as follows (in thousands):

	Three months ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
Crude oil (barrels per day)				
United States	53	66	56	64
United Kingdom	112	114	113	117
Equatorial Guinea	39	9	39	3
Norway	26	23	24	24
Colombia	21	14	22	5
Denmark	20	18	21	20
Algeria	15	13	14	13
Gabon	8	9	9	8
Indonesia	4	6	5	6
Azerbaijan	4	4	4	4
Total	302	276	307	264
Natural gas liquids (barrels per day)				
United States	12	16	13	14
Foreign	9	8	9	9
Total	21	24	22	23
Natural gas (Mcf per day)				
United States	355	464	390	421
United Kingdom	227	240	275	291
Denmark	30	39	36	42
Norway	28	24	25	25
Indonesia, Thailand and other	63	30	42	31
Total	703	797	768	810
Barrels of oil equivalent (barrels per day)	441	433	456	422

PART I — FINANCIAL INFORMATION (CONT'D.)

Results of Operations (Continued)

The Corporation's oil and gas production, on a barrel-of-oil equivalent basis, increased by 2% in the third quarter and 8% in the first nine months of 2002 compared with the corresponding periods of 2001. The increase was primarily due to crude oil production from fields in Equatorial Guinea and Colombia acquired in August 2001, offset by lower United States crude oil and natural gas production, due principally to natural decline. The Corporation currently anticipates that 2003 crude oil and natural gas production will be lower than in 2002.

Production expenses and depreciation, depletion and amortization charges were higher in the third quarter and first nine months of 2002, compared to the same periods of last year. The increases are due to higher production volumes and increased per barrel costs. Increased production expense per barrel principally reflects higher workover expense on several fields in the United States and North Sea. Per barrel depreciation, depletion and amortization charges reflect higher costs from production in Equatorial Guinea and certain Gulf of Mexico properties which were acquired in 2001 and have acquisition cost in their depletable base. The production from these properties has become a more significant portion of the Corporation's total production in 2002. These per barrel expenses may continue to increase in 2003.

Exploration expense was higher in the third quarter of 2002 compared with 2001 largely reflecting a \$19 million expense for a prior year natural gas discovery in the United Kingdom, for which there are no current development plans. Exploration expense decreased in the first nine months of 2002 compared with 2001, while total spending for exploration drilling was comparable. The decrease was primarily due to improved exploration results.

Foreign currency gains were \$20 million in the third quarter of 2002 compared with a loss of \$13 million in the third quarter of 2001. The gain largely reflects the strengthening of the U.S. dollar in relation to the Colombian peso. In the first nine months of 2002 foreign currency gains were \$8 million compared with breakeven in the first nine months of 2001. This increase was due to a currency gain in Colombia, partially offset by a loss in the United Kingdom.

Excluding the one-time deferred tax charge referred to below, the effective income tax rate on exploration and production earnings in the first nine months of 2002 was 40%, the same as in 2001. During the third quarter, the United Kingdom government enacted a 10% supplementary tax on profits from oil and gas production. A one-time charge of \$43 million was recorded as a special item to increase the existing United Kingdom deferred tax liability on the balance sheet. In addition, the third quarter operating results include \$23 million related to this tax increase. Nine million of the \$23 million is the tax for the period from the retroactive effective date of April 17 through June 30 and \$14 million is the tax on third quarter income.

PART I — FINANCIAL INFORMATION (CONT'D.)

Results of Operations (Continued)

Refining, Marketing and Shipping

The operating earnings of refining and marketing activities amounted to income of \$3 million in the third quarter of 2002 compared with income of \$5 million in the corresponding period of 2001. For the first nine months of 2002, refining and marketing had income of \$20 million compared with \$210 million in 2001.

HOVENSA

The Corporation's share of HOVENSA's loss was \$6 million in the third quarter of 2002 compared with income of \$11 million in the third quarter of 2001. The Corporation's share of HOVENSA's loss in the first nine months of 2002 was \$50 million compared with income of \$77 million in 2001. Refining margins were depressed throughout the first nine months of 2002. In connection with the startup of the new coking facilities in the third quarter of 2002, HOVENSA reduced its last-in, first-out (LIFO) inventory of high sulfur crude oil. As a result, LIFO inventory cost was recognized in cost of sales that was lower than current cost. This reduced the Corporation's share of HOVENSA's loss by approximately \$13 million. Income taxes on the Corporation's share of HOVENSA's results are not recorded due to available loss carryforwards.

The Corporation's share of HOVENSA's crude runs amounted to 175,000 barrels per day in the first nine months of 2002 compared with 204,000 barrels per day in the first nine months of 2001, reflecting downtime at the fluid catalytic cracking unit and lower refining margins. The 58,000 barrel per day coker at HOVENSA is now fully operational.

Operating earnings from refining and marketing activities also included interest income of \$27 million in the first nine months of 2002 and \$30 million in the first nine months of 2001 on the note received from PDVSA V.I. in connection with the formation of the joint venture.

Effective October 2002, the Corporation agreed to surrender for cancellation the \$125 million contingent note of PDVSA, V.I. issued to it in connection with the formation of HOVENSA. The cancellation of the contingent note was made in connection with the amendment of certain contracts relating to the HOVENSA joint venture, including a six-year extension of the contract for the supply of Mesa crude oil by an affiliate of Petroleos de Venezuela S.A. ("PDVSA"), an amendment to the pricing formula for the Merey crude oil supplied by an affiliate of PDVSA and an amendment to the services agreement between the Corporation and HOVENSA. The contingent note was not valued for accounting purposes and its cancellation will have no effect on the Corporation's financial condition. In addition, in connection with the amendments to certain financing documents between HOVENSA and its lenders, the Corporation agreed to increase its obligation to provide funding to meet senior debt obligations from \$15 million to \$40 million until implementation of final low sulfur fuel regulations. After implementation, the Corporation's support obligation will be reduced to \$15 million.

PART I — FINANCIAL INFORMATION (CONT'D.)

Results of Operations (Continued)

Retail, energy marketing and other

Results from retail gasoline operations were profitable in the third quarter and first nine months of 2002, but significantly lower than the corresponding periods of 2001, reflecting lower margins at gasoline stations. Energy marketing activities were slightly profitable in the third quarter of 2002 compared with a loss in the third quarter of 2001. Energy marketing results were also higher in the first nine months of 2002 compared with the same period last year. Results of the Port Reading refining facility in the third quarters of each year were comparable, but were lower in the first nine months of 2002, reflecting reduced refining margins.

Total refined product sales volumes amounted to 103 million barrels in the first nine months of 2002 compared with 109 million barrels in the first nine months of 2001. The decrease was largely due to lower demand for distillates and residual fuel oils.

The Corporation has a 50% voting interest in a consolidated partnership that trades energy commodities and energy derivatives. The Corporation also takes trading positions in addition to its hedging program. The Corporation's after-tax results from trading activities, including its share of the earnings of the trading partnership, amounted to losses of \$14 million in the third quarter and income of \$4 million in the first nine months of 2002. Trading activities had income of \$14 million in the third quarter and \$26 million in the first nine months of 2001.

Refining and marketing earnings will continue to be volatile reflecting competitive industry conditions and supply and demand factors, including the effects of weather.

Corporate

Net corporate expenses were \$23 million in the third quarter and \$56 million in the first nine months of 2002, compared to \$32 million and \$65 million in the same periods of 2001. The 2001 expenses include after-tax severance of \$7 million and a contribution to the Twin Towers Fund of \$3 million (\$5 million before tax). There was also a higher provision for United States taxes on foreign source income in 2001. Pension expense increased in 2002.

Interest

After-tax interest increased to \$40 million in the third quarter of 2002 compared with \$34 million in the third quarter of 2001. In the first nine months of 2002, after-tax interest amounted to \$137 million compared with \$93 million in the same period of 2001. The change is due to increased borrowings related to acquisitions in 2001, partially offset by lower interest rates and higher amounts capitalized. Pre-tax capitalized interest amounted to \$75 million in the first nine months of 2002 compared to \$14 million in the corresponding period of 2001.

PART I — FINANCIAL INFORMATION (CONT'D.)**Results of Operations (Continued)***Special Items*

After-tax special items in the third quarter and first nine months of 2002 were as follows (in millions):

	Three months ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
Asset impairment	\$(256)	\$—	\$(256)	\$—
Net gain from asset sales	42	—	69	—
Charge for increase in United Kingdom income tax rate	(43)	—	(43)	—
Reduction in carrying value of intangible assets	—	—	(14)	—
Severance accrual	—	—	(8)	—
	—	—	—	—
	\$(257)	\$—	\$(252)	\$—
	—	—	—	—

In the third quarter of 2002, the Corporation recorded an after-tax impairment charge of \$256 million to reduce the carrying value of certain producing oil and gas fields and exploration acreage in the Gulf of Mexico. The charge principally reflects reduced reserve estimates on these fields. The estimated reserve reduction is 29 million barrels of oil equivalent, or approximately 2% of proved reserves.

In the third quarter, the Corporation completed the sale of six United States flag vessels for \$161 million in cash and a note for \$29 million. The sale resulted in a net gain of \$67 million. The Corporation has agreed to support the buyer's charter rate for these vessels for up to five years. A pre-tax gain of \$50 million has been deferred as part of the sale transaction to reflect potential obligations under the support agreement. While the Corporation's eventual obligations under the support agreement could exceed the amount of the deferred gain, based on current charter rates the amount recorded is considered adequate.

In addition, several small oil and gas producing properties, principally in the United States, were sold for a loss of \$25 million. The net gain from asset sales in the first nine months of 2002 included the sale of several small United Kingdom oil and gas fields and the Corporation's United Kingdom energy marketing business. The pre-tax gain from asset sales of \$103 million in the first nine months of 2002 is recorded in non-operating income in the income statement.

As a result of the United Kingdom tax law change in the third quarter, the Corporation recorded a one-time charge of \$43 million to increase the deferred tax liability on its balance sheet.

PART I — FINANCIAL INFORMATION (CONT'D.)

Results of Operations (Continued)

Consolidated Operating Revenues

Sales and other operating revenues decreased by 2% in the third quarter and 18% in the first nine months of 2002, compared with the corresponding periods of 2001. The decrease in the third quarter primarily reflects the sale of the United Kingdom energy marketing business. The decrease in the first nine months of 2002 also reflects lower sales volumes of refined products and purchased natural gas related to U.S. energy marketing activities.

Liquidity and Capital Resources

Net cash provided by operating activities, including changes in operating assets and liabilities, amounted to \$1,427 million in the first nine months of 2002 compared with \$1,634 million in the first nine months of 2001. Excluding changes in balance sheet accounts, operating cash flow was \$1,570 million in 2002 compared with \$1,701 million in the first nine months of 2001.

Total debt was \$5,083 million at September 30, 2002 compared with \$5,665 million at December 31, 2001. The Corporation's debt to capitalization ratio decreased to 52.0% at September 30, 2002 compared with 53.6% at year-end. The Corporation expects to meet its debt reduction goal of \$600 million for the year, including the purchase of \$260 million of public debt in the first nine months of 2002.

Loan agreement covenants allow the Corporation to borrow an additional \$2,722 million for the construction or acquisition of assets at September 30, 2002. The Corporation has \$1,495 million of additional borrowing capacity available under its revolving credit agreements and has additional unused lines of credit for \$203 million under uncommitted arrangements with banks.

In the first nine months of 2002, the Corporation sold United States flag vessels, its energy marketing business in the United Kingdom and several small oil and gas fields for net proceeds of \$378 million. During the quarter, the Corporation entered into an agreement with Premier Oil PLC to exchange the Corporation's 25% shareholding interest in Premier, plus \$17 million in cash, for a 23% stake in Natuna Sea Block A in Indonesia. Completion of the transaction is conditional upon certain governmental consents. The Corporation does not expect a material income statement impact from this transaction. In addition, selected assets representing 5% to 10% of the Corporation's crude oil and natural gas production are being considered for sale.

The balances in accounts receivable, as well as accounts payable and accrued liabilities, are substantially lower at September 30, 2002 than at December 31, 2001. This decrease is largely due to the sale of the United Kingdom energy marketing business and the impact of lower selling prices and sales volumes on energy marketing activities in the United States.

PART I — FINANCIAL INFORMATION (CONT'D.)**Liquidity and Capital Resources (Continued)**

The Corporation has increased cash contributions to its U.S. qualified pension plan in 2002. To date, \$25 million has been contributed to the plan and a comparable amount is expected to be contributed by year-end or in early 2003. In addition to these two contributions, the Corporation expects to contribute approximately \$50 million in 2003. Because of declines in equity markets and interest rates, the fair value of the Corporation's pension plan assets is currently below the accumulated benefit obligation. If equity investment values do not significantly increase by the end of the year, the Corporation will record a non-cash charge of approximately \$80 million, after-tax, to accumulated other comprehensive income in stockholders' equity. The amount of the charge will vary based on changes in the fair value of pension assets and interest rates used to determine the present value of the accumulated benefits obligation.

Following is a table showing aggregated information about certain contractual obligations at September 30, 2002 (in millions):

	Payments due by period				
	Total	Remainder of 2002	2003 and 2004	2005 and 2006	Thereafter
Short-term notes	\$ 3	\$ 3	\$ —	\$ —	\$ —
Long-term debt, including capital leases	5,080	9	531	712	3,828
Operating leases	1,146	15	198	121	812

The Corporation has entered into leveraged leases that are not included in the Corporation's balance sheet, primarily related to retail gasoline stations. The rental commitments under these leases are included in the operating lease obligations shown in the above table. The net present value of the financings is approximately \$425 million.

None of the Corporation's debt or lease obligations would be terminated, nor would principal or interest payments be accelerated, solely because of a credit rating downgrade to non-investment status. However, certain contracts with trading counterparties would require cash margin or collateral. The amount of potential additional margin fluctuates depending on trading volumes and market prices and, at September 30, 2002, it was approximately \$150 million.

The Corporation uses futures, forwards, options and swaps to reduce the effects of changes in the selling prices of crude oil, natural gas and refined products. These instruments fix the selling prices of a portion of the Corporation's production and the related gains or losses are an integral part of the Corporation's selling prices. The Corporation also uses derivatives in its energy marketing activities, generally to fix the purchase prices of energy products. At September 30, 2002, the Corporation had open hedge positions on 60% of its estimated worldwide crude oil production and 35% of its U.S. natural gas production for the remainder of the year. The Corporation has also hedged 70% of its estimated crude

PART I — FINANCIAL INFORMATION (CONT'D.)

Liquidity and Capital Resources (Continued)

oil production and 35% of its U.S. natural gas production for 2003 and 5% of its estimated crude oil production for 2004. The average price of WTI crude oil hedges is \$25.25 for the remainder of 2002, \$24.80 for 2003 and \$24.05 for 2004. The average price of U.S. natural gas exploration and production hedges is \$4.40 for the remainder of 2002 and \$4.05 for 2003. In its energy marketing business, the Corporation has entered into fixed price sales contracts with deferred losses of \$34 million, partially offset by financial instruments which fix the future purchase price. As market conditions change, the Corporation may adjust its hedge positions.

The Corporation uses value at risk to estimate the potential effects of changes in fair values of derivatives and other instruments used in hedging activities and derivatives and commodities used in trading activities. Value at risk represents the maximum potential negative one-day change in fair value with 95% confidence. The Corporation estimates that at September 30, 2002, the value at risk was \$62 million (\$35 million at December 31, 2001) related to hedging activities and \$10 million (\$13 million at December 31, 2001) for trading activities.

The Corporation's trading activities consist of a consolidated trading partnership, in which the Corporation owns a 50% voting interest, and its proprietary trading accounts. Trading transactions are marked-to-market and are reflected in income currently. The information that follows represents 100% of the trading partnership and the Corporation's proprietary accounts (in millions):

Fair value of unrealized positions at January 1, 2002	\$(58)
Realized losses	59
Other changes in fair value	57
	—
Fair value of unrealized positions at September 30, 2002	\$ 58

Other changes in fair value reflect changes in market prices of existing positions and new positions added. There was no material change in fair value related to changes in valuation techniques and assumptions. After expenses and income taxes, the Corporation's share of net trading income was \$4 million in the first nine months of 2002.

The table below summarizes the sources used in determining fair values for trading activities at September 30, 2002:

Source of fair value	Percentage of total fair value by year of maturity		
	Total	2002	2003
Prices actively quoted	92%	74%	18%
Other external sources	7	4	3
Internal estimates	1	1	—
	—	—	—
Total	100%	79%	21%

PART I — FINANCIAL INFORMATION (CONT'D.)**Liquidity and Capital Resources (Continued)**

The following table summarizes the fair values of net receivables relating to the Corporation's trading activities and the credit rating of counterparties at September 30, 2002 (in millions):

Investment grade determined by outside sources	\$235
Investment grade determined internally*	66
Less than investment grade	32
Not determined	1
	—
Total	\$334

* Based on information provided by counterparties and other available sources.

The Corporation reduces its exposure to fluctuating foreign exchange rates by using forward contracts to fix the exchange rate on a portion of the foreign denominated liabilities of its North Sea operations. At September 30, 2002, the Corporation had \$271 million of notional value foreign exchange contracts outstanding.

During the first nine months of 2002, the Corporation made payments of \$14 million relating to accrued severance liabilities established in connection with cost reduction initiatives in exploration and production and refining and marketing operations. An immaterial amount of accrued severance was reversed to income in the third quarter of 2002. The remaining severance balance is \$15 million and will be paid primarily in the next twelve months.

Capital expenditures in the first nine months of 2002 amounted to \$1,207 million, of which \$1,101 million related to exploration and production activities. Capital expenditures in the first nine months of 2001 amounted to \$4,701 million, including the acquisition of Triton Energy Limited and the purchase of United States crude oil and natural gas reserves. Excluding acquisitions, capital expenditures in the first nine months of 2001 amounted to \$1,116 million. For the remainder of 2002, capital expenditures are expected to be approximately \$350 million and will be financed by internally generated funds. Capital expenditures for 2003 are expected to be approximately \$1,750 million.

Forward-Looking Information

Certain sections of Management's Discussion and Analysis of Results of Operations and Financial Condition, including references to the Corporation's future results of operations and financial position, liquidity and capital resources, capital expenditures, oil and gas production, debt repayment and derivative disclosures, represent forward-looking information. Forward-looking disclosures are based on the Corporation's current understanding and assessment of these activities and reasonable assumptions about the future. Actual results may differ from these disclosures because of changes in market conditions, government actions and other factors.

PART I — FINANCIAL INFORMATION (CONT'D.)

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is presented under Item 2, “Management’s Discussion and Analysis of Results of Operations and Financial Condition.”

Item 4. Controls and Procedures

Based upon their evaluation of the Corporation’s disclosure controls and procedures (as defined in Exchange Act Rules 13a - 14(c) and 15d - 14(c)) as of September 30, 2002, John B. Hess, Chief Executive Officer, and John Y. Schreyer, Chief Financial Officer, concluded that these disclosure controls and procedures were effective as of September 30, 2002.

There have been no significant changes in the Corporation’s internal controls or in other factors that could significantly affect internal controls after September 30, 2002.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

As reported in the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, on July 22, the Corporation was served with a complaint filed in the U.S. District Court for the District of New Jersey alleging that sales of the Corporation's common stock by 10 persons who are officers or former officers or directors violated federal securities laws. On August 5, the Corporation was served with a second complaint filed in the same court and making the same allegations. Each of these actions purports to be a class action.

On September 10, a derivative complaint was filed in the Superior Court of the State of New Jersey in Middlesex County against all of the directors and certain officers and former officers and a former director alleging, among other grounds, breach of fiduciary duty in connection with sales of common stock of the Corporation by persons who are officers or former officers or directors of the Corporation. Two additional derivative complaints were filed in September in the same court and a third additional complaint was filed in October in New Jersey Superior Court in Mercer County against some or all of the same individuals also alleging, among other things, breach of fiduciary duty in connection with such sales.

The Corporation believes that these actions are without merit and that they will have no material effect on the Corporation.

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

99(1) - Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99(2) - Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

b. Reports on Form 8-K

During the three months ended September 30, 2002, Registrant filed the following reports on Form 8-K: i) a filing on August 8, 2002, reporting under Items 7 and 9 the filing of certifications of both John B. Hess, Chairman of the Board and Chief Executive Officer of the Registrant, and John Y. Schreyer, Executive Vice President and Chief Financial Officer of the Registrant, pursuant to the Commission's Order No. 4-460, and ii) a filing on August 12, 2002, reporting under Item 5 the resignation of William R. Johnson as a member of the Registrant's Board of Directors for personal reasons.

On October 24, 2002, Registrant filed a report on Form 8-K reporting under Item 9 the prepared remarks of the Chairman of the Board of Registrant at a public conference call held on that date.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERADA HESS CORPORATION
(REGISTRANT)

By /s/ John B. Hess

JOHN B. HESS
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER

By /s/ John Y. Schreyer

JOHN Y. SCHREYER
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Date: November 8, 2002

CERTIFICATIONS

I, John B. Hess, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Amerada Hess Corporation;
 2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
 4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
 5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
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I, John Y. Schreyer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Amerada Hess Corporation;
 2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
 4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
 5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
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6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

By /s/ John Y. Schreyer

JOHN Y. SCHREYER
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Date: November 8, 2002

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Amerada Hess Corporation (the "Corporation") on Form 10-Q for the period ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John B. Hess, Chairman of the Board and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ John B. Hess

JOHN B. HESS
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER
Date: November 8, 2002

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Amerada Hess Corporation (the "Corporation") on Form 10-Q for the period ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Y. Schreyer, Executive Vice President and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ John Y. Schreyer

JOHN Y. SCHREYER
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER
Date: November 8, 2002