UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1998
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. 10036
(Address of principal executive offices) (Zip Code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock (par value $1.00)	New York Stock Exchange Toronto Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

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 X No __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of voting stock held by non-affiliates of the Registrant amounted to $3,480,000,000 as of February 28, 1999.

At February 28, 1999, 90,366,705 shares of Common Stock were outstanding.

Certain items in Parts I and II incorporate information by reference from the 1998 Annual Report to Stockholders and Part III is incorporated by reference from the Proxy Statement for the annual meeting of stockholders to be held on May 5, 1999.

PART I

ITEM 1. BUSINESS

Amerada Hess Corporation (the "Registrant") was incorporated in 1920 in the State of Delaware. The Registrant and its subsidiaries (collectively referred to herein as the "Corporation") engage in the exploration for and the production, purchase, transportation and sale of crude oil and natural gas. The Corporation also manufactures, purchases, transports and markets refined petroleum and other energy products.

EXPLORATION AND PRODUCTION

The Corporation's exploration and production activities are located primarily in the United States, United Kingdom, Norway and Gabon. The Corporation also conducts exploration and/or production activities in Azerbaijan, Brazil, Denmark, Indonesia, Thailand and certain other countries. Of the Company's proved reserves (on a barrel of oil equivalent basis), 29% are located in the United States, 58% are located in the United Kingdom, Norwegian and Danish sectors of the North Sea and the remainder are located in Azerbaijan, Gabon, Indonesia and Thailand. Worldwide crude oil and natural gas liquids production amounted to 205,989 barrels per day in 1998 compared with 218,572 barrels per day in 1997. Worldwide natural gas production was 576,477 Mcf per day in 1998 compared with 569,254 Mcf per day in 1997.

At December 31, 1998, the Corporation had 695 million barrels of proved crude oil and natural gas liquids reserves compared with 595 million barrels at the end of 1997. Proved natural gas reserves were 2,055 million Mcf at December 31, 1998 compared with 1,935 million Mcf at December 31, 1997. The Corporation has a number of oil and gas developments underway in the United States, United Kingdom, Denmark and in other international areas. It also has an inventory of domestic and foreign drillable prospects.

UNITED STATES. The Corporation operates principally offshore in the Gulf of Mexico and onshore in the states of Texas, Louisiana and North Dakota. During 1998, 22% of the Corporation's crude oil and natural gas liquids production and 51% of its natural gas production were from United States operations.

The table below sets forth the Corporation's average daily net production by area in the United States:

	1998	1997
CRUDE OIL, INCLUDING CONDENSATE AND NATURAL GAS LIQUIDS (BARRELS PER DAY)		
Texas	15,803	16,136
North Dakota	12,958	12,077
Gulf of Mexico	11,041	10,295
Louisiana	1,588	1,700
Other	3,530	3,742
Total	44,920	43,950
NATURAL GAS (MCF PER DAY)		
Gulf of Mexico	116,392	104,803
North Dakota	58,476	59,576
Louisiana	56,627	43,668
Texas	26,023	52,402
California*	18,320	17,779
New Mexico	12,442	17,467
Mississippi	5,569	14,972
Other	--	1,248
Total	293,849	311,915

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* Properties sold in January 1999.

UNITED KINGDOM. The Corporation's activities in the United Kingdom are conducted by its wholly-owned subsidiary, Amerada Hess Limited. During 1998, 56% of the Corporation's crude oil and natural gas liquids production and 44% of its natural gas production were from United Kingdom operations.

The table below sets forth the Corporation's average daily net production in the United Kingdom by field and the Corporation's interest in each at December 31, 1998:

PRODUCING FIELD	INTEREST	1998	1997
CRUDE OIL, INCLUDING CONDENSATE AND NATURAL GAS LIQUIDS (BARRELS PER DAY)			
Scott	34.95%	33,291	41,040
Beryl/Ness/Nevis	22.22/22.22/37.35	23,472	22,901
Fife/Fergus/Flora	85.00/65.00/85.00	20,761	25,981
Telford	31.42	10,603	10,548
Arbroath/Montrose/Arkwright	28.21	8,945	9,617
Ivanhoe/Rob Roy/Hamish	42.08	5,041	8,622
Durward/Dauntless	28.00	5,012	2,677
Schiehallion	15.67	3,149	--
Hudson	28.00	2,262	8,456
Other	Various	2,917	2,949
Total		115,453	132,791
NATURAL GAS (MCF PER DAY)			
Everest/Lomond	18.67/16.67%	60,500	50,732
Beryl/Ness/Nevis	22.22/22.22/37.35	51,700	40,943
Indefatigable	23.08	36,600	27,360
Leman	21.74	31,600	21,454
Davy/Bessemer	27.78/23.08	29,000	41,292
Scott	34.95	17,200	18,811
Telford	31.42	13,900	10,768
Other	Various	10,500	14,444
Total		251,000	225,804

Production from the Schiehallion and Flora Fields commenced in 1998. The Corporation is developing several oil and gas fields in the United Kingdom North Sea and is evaluating other discoveries.

NORWAY. The Corporation's activities in Norway are conducted through its wholly-owned Norwegian subsidiary, Amerada Hess Norge A/S. The Corporation's Norwegian operations accounted for crude oil and natural gas liquids production of 28,322 and 31,173 net barrels per day in 1998 and 1997, respectively. Approximately 83% of the 1998 production is from the Corporation's 28.09% interest in the Valhall Field.

DENMARK. The Corporation is developing the South Arne Field in Denmark, in which it has a 57.5% interest. Production is scheduled to commence in the third quarter of 1999 at the rate of approximately 30,000 net barrels per day.

GABON. At December 31, 1998, the Corporation had a 10% interest in the Rabi Kounga oil field onshore Gabon. The Corporation's share of production from Gabon averaged 14,345 and 10,127 net barrels of crude oil per day in 1998 and 1997, respectively. In early 1999, the Corporation sold approximately 16% of its investment in Gabon, which will reduce average annual production by approximately 2,000 barrels of crude oil per day.

OTHER INTERNATIONAL. Production in Indonesia and Azerbaijan is currently averaging approximately 2,500 and 1,500 barrels of crude oil per day, respectively. Additional developments are underway or are planned in Indonesia and Thailand.

REFINING AND MARKETING

The Corporation has a 50% interest in a refining joint venture in the United States Virgin Islands and has a fluid catalytic cracking facility in Port Reading, New Jersey. The Corporation also markets petroleum products principally on the East Coast of the United States. Of total refined products sold in 1998, approximately 70% was obtained from the Corporation's refineries. The Corporation purchased the balance from others under short-term supply contracts and by spot purchases from various sources. Sales of refined products averaged 482,000 barrels per day in 1998 and 509,000 barrels per day in 1997.

REFINING JOINT VENTURE. On October 30, 1998, the Corporation and Petroleos de Venezuela, S.A. (PDVSA) formed a 50% joint venture HOVENSA L.L.C. (HOVENSA) to own and operate the refinery located in the United States Virgin Islands, previously 100% owned by the Corporation. Pursuant to this transaction, PDVSA, V.I., Inc. (PDVSA V.I.), a wholly-owned subsidiary of PDVSA, purchased a 50% interest in the fixed assets of the Corporation's refinery. The Corporation's Virgin Islands subsidiary and PDVSA V.I. each contributed their 50% interest in the refinery fixed assets to HOVENSA, which is jointly owned by the Corporation's subsidiary and PDVSA V.I.

In 1998, total refinery crude runs averaged 433,000 barrels per day for the two months since inception of the joint venture and 419,000 barrels per day for the ten months prior. Refinery crude runs were 411,000 barrels per day in 1997. PDVSA supplies 155,000 barrels per day of Venezuelan Mesa crude oil to HOVENSA pursuant to a long-term crude oil supply contract. The remainder was supplied principally under contracts of one year or less with third parties and through spot purchases on the open market. After sales of refined products by HOVENSA to certain third parties, the Corporation may purchase up to 50% of HOVENSA's remaining production of gasolines, distillates and intermediates and must purchase 50% of the remaining production of residual fuel oil and certain other products.

In 1999, HOVENSA will begin construction of a 58,000 barrel per day coker to be completed in 2001. HOVENSA has a long-term supply contract with PDVSA to purchase 115,000 barrels per day of Venezuelan heavy Merey crude oil on completion of the coker.

PORT READING FACILITY. The Corporation owns and operates a fluid catalytic cracking facility in Port Reading, New Jersey, which processes vacuum gas oil and residual fuel oil and currently operates at a rate of approximately 60,000 barrels per day. The Port Reading facility primarily produces gasoline and heating oil.

MARKETING. The Corporation markets refined petroleum products principally on the East Coast of the United States to the motoring public, wholesale distributors, industrial and commercial users, other petroleum companies, commercial airlines, governmental agencies and public utilities. The Corporation also markets natural gas to utilities and other industrial and commercial customers and is currently expanding its energy marketing activities to include electricity.

At December 31, 1998, the Corporation had 637 HESS(R) gasoline stations of which approximately 75% were operated by the Corporation. Most of the Corporation's stations are concentrated in densely populated areas, principally in New York, New Jersey and Florida. Of the Corporation's stations, 335 have convenience stores. The Corporation owns in fee approximately 65% of the properties on which its stations are located. The Corporation also has 41 terminals located throughout its marketing area, with aggregate storage capacity of approximately 44 million barrels. The Corporation is considering the sale of approximately one-third of its United States storage network, principally the terminals located on the Gulf Coast and along the Colonial Pipeline in the southeast United States. The Corporation also expects to sell approximately 40 retail gasoline outlets located in Georgia and South Carolina.

COMPETITION AND MARKET CONDITIONS

The petroleum industry is highly competitive. The Corporation encounters competition from numerous companies in each of its activities, particularly in acquiring rights to explore for crude oil and natural gas and in the purchasing and marketing of refined products. Many competitors are larger and have substantially greater resources than the Corporation. The Corporation is also in competition with producers and marketers of other forms of energy.

The petroleum business involves large-scale capital expenditures and risk-taking. In the search for new oil and gas reserves, long lead times are often required from successful exploration to subsequent production. Operations in the petroleum industry depend on a depleting natural resource. The number of areas where it can be expected that hydrocarbons will be discovered in commercial quantities is constantly diminishing and exploration risks are high. Areas where hydrocarbons may be found are often in remote locations or offshore where exploration and development activities are capital intensive and operating costs are high.

The major foreign oil producing countries, including members of the Organization of Petroleum Exporting Countries ("OPEC"), exert considerable influence over the supply and price of crude oil and refined petroleum products. Their ability or inability to agree on a common policy on rates of production and other matters has a significant impact on oil markets and the Corporation. The derivatives markets are also important in influencing the prices of crude oil, natural gas and refined products. The Corporation cannot predict the extent to which future market conditions may be affected by foreign oil producing countries, the derivatives markets or other external influences.

OTHER ITEMS

The Corporation's operations may be affected by federal, state, local, territorial and foreign laws and regulations relating to tax increases and retroactive tax claims, expropriation of property, cancellation of contract rights, and changes in import regulations, as well as other political developments. The Corporation has been affected by certain of these events in various countries in which it operates. The Corporation markets motor fuels through lessee-dealers and wholesalers in certain states where legislation prohibits producers or refiners of crude oil from directly engaging in retail marketing of motor fuels. Similar legislation has been periodically proposed in the U.S. Congress and in various other states. The Corporation, at this time, cannot predict the effect of any of the foregoing on its future operations.

Compliance with various environmental and pollution control regulations imposed by federal, state and local governments is not expected to have a materially adverse effect on the Corporation's earnings and competitive position within the industry. Capital expenditures for facilities, primarily to comply with federal, state and local environmental standards, were $4 million in 1998 and the Corporation anticipates comparable capital expenditures in 1999. In addition, the Corporation expended $9 million in 1998 for environmental remediation, with a comparable amount anticipated for 1999.

The number of persons employed by the Corporation averaged 9,777 in 1998 and 9,216 in 1997.

Additional operating and financial information relating to the business and properties of the Corporation appears in the text on pages 6 through 13 under the heading "Exploration and Production," on pages 14 through 16 under the heading "Refining, Marketing and Environmental Management," on pages 18 through 26 under the heading "Financial Review" and on pages 27 through 55 of the accompanying 1998 Annual Report to Stockholders, which information is incorporated herein by reference.*

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* Except as to information specifically incorporated herein by reference under Items 1, 2, 5, 6, 7, 7A and 8, no other information or data appearing in the 1998 Annual Report to Stockholders is deemed to be filed with the Securities and Exchange Commission (SEC) as part of this Annual Report on Form 10-K, or otherwise subject to the SEC's regulations or the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

ITEM 2. PROPERTIES

Reference is made to Item 1 and the operating and financial information relating to the business and properties of the Corporation, which is incorporated in Item 1 by reference.

Additional information relating to the Corporation's oil and gas operations follows:

1. OIL AND GAS RESERVES

The Corporation's net proved oil and gas reserves at the end of 1998, 1997 and 1996 are presented under Supplementary Oil and Gas Data in the accompanying 1998 Annual Report to Stockholders, which has been incorporated herein by reference.

During 1998, the Corporation provided oil and gas reserve estimates for 1997 to the Department of Energy. Such estimates are compatible with the information furnished to the SEC on Form 10-K, although not necessarily directly comparable due to the requirements of the individual requests. There were no differences in excess of 5%.

The Corporation has no contracts or agreements to sell fixed quantities of its crude oil production. In the United States, natural gas is sold through the Company's marketing division to local distribution companies, and commercial, industrial, and other purchasers, on a spot basis and under contracts for varying periods. The Corporation's United States production is expected to approximate 50% of its 1999 commitments under these contracts which total approximately 675,000 Mcf per day. Third party purchases will be used to supplement the Corporation's production in fulfilling its sales commitments and in making spot sales. In the United Kingdom, approximately 60% of annual natural gas production is sold under field specific take or pay contracts. Additionally, approximately 300,000 Mcf per day of natural gas is sold by the Corporation's United Kingdom marketing subsidiary to commercial and industrial companies, generally under one year contracts, and to residential customers. After take or pay sales, the Company could supply approximately one-third of United Kingdom marketing sales commitments from its own production. The remainder will be supplied by purchases of natural gas from third parties. The Corporation attempts to minimize price and supply risks associated with its United States and United Kingdom natural gas supply commitments by entering into purchase contracts with third parties having adequate sources of supply, on terms substantially similar to those under its commitments.

2. AVERAGE SELLING PRICES AND AVERAGE PRODUCTION COSTS

	1998	1997	1996
Average selling prices (Note A)			
Crude oil, including condensate and natural gas liquids (per barrel)			
United States	$12.02	$18.43	$16.49
Europe	13.15	19.20	20.23
Africa and Asia	12.35	18.48	20.95
Canada and Abu Dhabi	-	-	17.91
Average	12.83	19.01	19.41
Natural gas (per Mcf)			
United States	$ 2.08	$ 2.42	$ 2.13
Europe	2.28	2.46	2.17
Africa and Asia	1.10	1.05	-
Canada	-	-	1.35
Average	2.18	2.44	2.08

Note A: Includes inter-company transfers valued at approximate market prices and the effect of the Corporation's hedging activities.

	1998	1997	1996
Average production (lifting) costs per barrel of production (Note B)			
United States	$ 3.77	$ 4.49	$ 4.70
Europe	4.56	5.17	5.12
Africa and Asia	2.57	2.55	2.02
Canada and Abu Dhabi	-	-	3.21
Average	4.20	4.87	4.82

Note B: Production (lifting) costs consist of amounts incurred to operate and maintain the Corporation's producing oil and gas wells, related equipment and facilities (including lease costs of floating production and storage facilities) and production and severance taxes. The average production costs per barrel reflect the crude oil equivalent of natural gas production converted on the basis of relative energy content (6 Mcf equals one barrel).

The foregoing tabulation does not include substantial costs and charges applicable to finding and developing proved oil and gas reserves, nor does it reflect significant outlays for related general and administrative expenses, interest expense and income taxes.

3. GROSS AND NET DEVELOPED ACREAGE AND PRODUCTIVE WELLS AT DECEMBER 31, 1998

	DEVELOPED ACREAGE APPLICABLE TO PRODUCTIVE WELLS (IN THOUSANDS)		PRODUCTIVE WELLS (NOTE A)			
			OIL		GAS	
	GROSS	NET	GROSS	NET	GROSS	NET
United States	1,871	520	2,220	641	376	221
Europe	539	137	264	61	138	28
Africa and Asia	167	19	152	19	5	3
Total	2,577	676	2,636	721	519	252

Note A: Includes multiple completion wells (wells producing from different formations in the same bore hole) totaling 34 gross wells and 17 net wells.

4. GROSS AND NET UNDEVELOPED ACREAGE AT DECEMBER 31, 1998

	UNDEVELOPED ACREAGE* (IN THOUSANDS)	
	GROSS	NET
United States	1,297	748
Europe	11,481	3,893
Africa, Asia and other	31,142	13,034
Total	43,920	17,675

* Includes acreage held under production sharing contracts.

5. NUMBER OF NET EXPLORATORY AND DEVELOPMENT WELLS DRILLED

	NET EXPLORATORY WELLS			NET DEVELOPMENT WELLS		
	1998	1997	1996	1998	1997	1996
Productive wells						
United States........................	3	5	8	22	27	22
Europe...............................	2	5	6	9	8	12
Africa, Asia and other...............	4	2	-	8	6	1
Canada and Abu Dhabi.................	-	-	7	-	-	8
Total...........................	9	12	21	39	41	43
Dry holes						
United States........................	11	11	22	6	3	-
Europe...............................	4	8	8	-	1	2
Africa, Asia and other...............	4	1	2	-	-	-
Canada and Abu Dhabi.................	-	-	5	-	-	1
Total...........................	19	20	37	6	4	3
Total....................................	28	32	58	45	45	46

6. NUMBER OF WELLS IN PROCESS OF DRILLING AT DECEMBER 31, 1998

	GROSS WELLS	NET WELLS
United States...	8	4
Europe..	8	2
Africa, Asia and other....................................	7	1
Total...	23	7

7. NUMBER OF WATERFLOODS AND PRESSURE MAINTENANCE PROJECTS IN PROCESS OF INSTALLATION AT DECEMBER 31, 1998 -- None

ITEM 3. LEGAL PROCEEDINGS

On April 27, 1993, the Texas Natural Resource Conservation Commission ("TNRCC", then known as the Texas Water Commission) notified the Registrant of alleged violations of the Texas Water Code as a result of alleged discharges of hydrocarbon compounds into the groundwater in the vicinity of the Registrant's terminal in Corpus Christi, Texas. Penalties provided for these violations include administrative penalties not to exceed $10,000 per day. Although there are many potential sources for hydrocarbon discharge in this vicinity, the Registrant is continuing a groundwater assessment, corrective measures program and other appropriate responses to these groundwater conditions. On December 9, 1994, the Executive Director of the TNRCC forwarded a Notice of Executive Director's Preliminary Report and Petition for a TNRCC Order Assessing Administrative Penalties and Requiring Certain Actions of Registrant. This Notice recommended a $542,400 penalty be assessed and the Registrant be ordered to undertake remedial actions at the Corpus Christi terminal. The Registrant is engaging in settlement discussions with the TNRCC regarding this matter.

The Registrant is currently investigating allegations made to the Registrant's internal reporting hotline of noncompliance at the Corpus Christi terminal with federal and state environmental regulations. The Registrant's investigation focuses on (i) onsite disposal of wastes and whether or not such wastes should have been managed as a hazardous waste under the Resource Conservation and Recovery Act and (ii) nonreporting or misreporting of the results of wastewater discharge samples required to be obtained by the Corpus Christi wastewater discharge permit. Registrant is cooperating with the TNRCC and the United States Environmental Protection Agency (the "EPA") in the conduct of its investigation. It is not possible at this

time for Registrant to state whether any proceedings arising out of the investigations will be commenced against the Registrant, or what claims would be asserted or what relief would be sought.

On February 16, 1999, the Florida Department of Environmental Protection ("FLDEP") mailed the Registrant a proposed consent order relating to alleged violations of the Industrial Wastewater Discharge Permit limits for the Tampa, Florida terminal. The consent order proposes a fine of $1,060,000. The Registrant has previously undertaken a program of corrective measures and other appropriate responses to these alleged permit violations. The Registrant is engaging in discussions with the FLDEP to resolve this matter and expects that the amount, if any, ultimately paid by the Registrant will be substantially less than the proposed fine.

The Corporation periodically receives notices from EPA that the Corporation is a "potentially responsible party" under the Superfund legislation with respect to various waste disposal sites. Under this legislation, all potentially responsible parties are jointly and severally liable. For certain sites, EPA's claims or assertions of liability against the Corporation relating to these sites have not been fully developed. With respect to the remaining sites, EPA's claims have been settled, or a proposed settlement is under consideration, in all cases for amounts which are not material. The ultimate impact of these proceedings, and of any related proceedings by private parties, on the business or accounts of the Corporation cannot be predicted at this time due to the large number of other potentially responsible parties and the speculative nature of clean-up cost estimates, but is not expected to be material.

The Corporation is from time to time involved in other judicial and administrative proceedings, including proceedings relating to other environmental matters. Although the ultimate outcome of these proceedings cannot be ascertained at this time and some of them may be resolved adversely to the Corporation, no such proceeding is required to be disclosed under applicable rules of the Securities and Exchange Commission. In management's opinion, based upon currently known facts and circumstances, such proceedings in the aggregate will not have a material adverse effect on the financial condition of the Corporation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of 1998, no matter was submitted to a vote of security holders through the solicitation of proxies or otherwise.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table presents information as of February 3, 1999 regarding executive officers of the Registrant:

NAME	AGE	OFFICE HELD*	YEAR INDIVIDUAL BECAME AN EXECUTIVE OFFICER
John B. Hess............	44	Chairman of the Board, Chief Executive Officer and Director	1983
W. S. H. Laidlaw........	43	President, Chief Operating Officer and Director	1986
Leon Hess...............	84	Chairman of the Executive Committee and Director	1969
J. Barclay Collins II...	54	Executive Vice President, General Counsel and Director	1986
John Y. Schreyer........	59	Executive Vice President, Chief Financial Officer and Director	1990
Francis R. Gugen........	49	Managing Director, Amerada Hess Limited (Corporation's British subsidiary)	1999
Alan A. Bernstein.......	54	Senior Vice President	1987
F. Lamar Clark..........	65	Senior Vice President	1990
John A. Gartman.........	51	Senior Vice President	1997
Neal Gelfand............	54	Senior Vice President	1980
Gerald A. Jamin.........	57	Senior Vice President and Treasurer	1985
Daniel F. McCarthy......	54	Senior Vice President	1995
Lawrence H. Ornstein....	47	Senior Vice President	1995
F. Borden Walker........	45	Senior Vice President	1996

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* All officers referred to herein (other than Mr. Gugen who holds office until his successor is duly chosen and qualified) hold office in accordance with the By-Laws until the first meeting of the Directors following the annual meeting of stockholders of the Registrant, and until their successors shall have been duly chosen and qualified. Each of said officers was elected to the office set forth opposite his name on May 6, 1998, except that Mr. Gugen was appointed to his present office by the Board of Directors of Amerada Hess Limited on May 4, 1995 and was designated an executive officer of Registrant by the Board of Directors of Registrant in its regular meeting on February 3, 1999. The first meeting of Directors following the next annual meeting of stockholders of the Registrant is scheduled to be held May 5, 1999.

Except for Messrs. Walker and Gartman, each of the above officers has been employed by the Registrant or its subsidiaries in various managerial and executive capacities for more than five years. Prior to his employment with the Registrant in August 1996, Mr. Walker had been a general manager in the areas of gasoline marketing, convenience store development and advertising at Mobil Corporation. Mr. Gartman had been a vice president of Public Service Electric and Gas Company in the area of energy marketing prior to his employment with the Registrant in October 1997.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Information pertaining to the market for the Registrant's Common Stock, high and low sales prices of the Common Stock in 1998 and 1997, dividend payments and restrictions thereon and the number of holders of Common Stock is presented on page 26 (Financial Review), page 35 (Long-Term Debt) and on page 52 (Ten-Year Summary of Financial Data) of the accompanying 1998 Annual Report to Stockholders, which has been incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

A Ten-Year Summary of Financial Data is presented on pages 50 through 53 of the accompanying 1998 Annual Report to Stockholders, which has been incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this item is presented on pages 18 through 26 of the accompanying 1998 Annual Report to Stockholders, which has been incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is presented under "Derivative Financial Instruments" on page 23 and in Footnote 13 on pages 39 and 40 of the accompanying 1998 Annual Report to Stockholders, which has been incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements, including the Report of Ernst & Young LLP, Independent Auditors, the Supplementary Oil and Gas Data (unaudited) and the Quarterly Financial Data (unaudited) are presented on pages 26 through 49 of the accompanying 1998 Annual Report to Stockholders, which has been incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information relating to Directors is incorporated herein by reference to "Election of Directors" from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on May 5, 1999.

Information regarding executive officers is included in Part I hereof.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to executive compensation is incorporated herein by reference to "Election of Directors-Executive Compensation and Other Information," other than information under "Compensation Committee Report on Executive Compensation" and "Performance Graph" included therein, from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on May 5, 1999.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information pertaining to security ownership of certain beneficial owners and management is incorporated herein by reference to "Election of Directors-Ownership of Voting Securities by Certain Beneficial Owners" and "Election of Directors-Ownership of Equity Securities by Management" from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on May 5, 1999.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information relating to this item is incorporated herein by reference to "Election of Directors" from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on May 5, 1999.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. AND 2. FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

The financial statements filed as part of this Annual Report on Form 10-K are listed in the accompanying index to financial statements and schedules.

3. EXHIBITS

3(1)	-Restated Certificate of Incorporation of Registrant incorporated by reference to Exhibit 19 of Form 10-Q of Registrant for the three months ended September 30, 1988.
3(2)	-By-Laws of Registrant incorporated by reference to Exhibit 3(2) of Form 10-K of Registrant for the fiscal year ended December 31, 1985.
4(1)	-Note and Warrant Purchase Agreement, dated June 27, 1991 (including the form of the Common Stock Purchase Warrant expiring June 27, 2001, included as Exhibit B thereof) incorporated by reference to Exhibit 4 of Form 10-Q of Registrant for the three months ended June 30, 1991.
4(2)	-Amendment, dated as of May 15, 1992 to the Note and Warrant Purchase Agreement, dated June 27, 1991 (including the form of the common stock purchase warrant expiring June 27, 2001, included as Exhibit B thereof), incorporated by reference to Exhibit 19 of Form 10-Q of Registrant for the three months ended June 30, 1992.
4(3)	-Credit Agreement dated as of May 20, 1997 among Registrant, the Subsidiary Borrowers thereunder, The Chase Manhattan Bank as Administrative Agent and the Lenders party thereto, incorporated by reference to Exhibit 4 of Form 10-Q of Registrant for the three months ended June 30, 1997.
	-Other instruments defining the rights of holders of long-term debt of Registrant and its consolidated subsidiaries are not being filed since the total amount of securities authorized under each such instrument does not exceed 10 percent of the total assets of Registrant and its subsidiaries on a consolidated basis. Registrant agrees to furnish to the Commission a copy of any instruments defining the rights of holders of long-term debt of Registrant and its subsidiaries upon request.
10(1)	-Extension and Amendment Agreement between the Government of the Virgin Islands and Hess Oil Virgin Islands Corp. incorporated by reference to Exhibit 10(4) of Form 10-Q of Registrant for the three months ended June 30, 1981.
10(2)	-Restated Second Extension and Amendment Agreement dated July 27, 1990 between Hess Oil Virgin Islands Corp. and the Government of the Virgin Islands incorporated by reference to Exhibit 19 of Form 10-Q of Registrant for the three months ended September 30, 1990.
10(3)	-Technical Clarifying Amendment dated as of November 17, 1993 to Restated Second Extension and Amendment Agreement between the Government of the Virgin Islands and Hess Oil Virgin Islands Corp. incorporated by reference to Exhibit 10(3) of Form 10-K of Registrant for the fiscal year ended December 31, 1993.
10(4)	-Third Extension and Amendment Agreement dated April 15, 1998 and effective October 30, 1998 among Hess Oil Virgin Islands Corp., PDVSA V.I., Inc., HOVENSA L.L.C. and the Government of the Virgin Islands.

3. EXHIBITS (continued)

10(5)*	-Incentive Compensation Award Plan for Key Employees of Amerada Hess Corporation and its subsidiaries incorporated by reference to Exhibit 10(2) of Form 10-K of Registrant for the fiscal year ended December 31, 1980.
10(6)*	-Financial Counseling Program description incorporated by reference to Exhibit 10(3) of Form 10-K of Registrant for the fiscal year ended December 31, 1980.
10(7)*	-Executive Long-Term Incentive Compensation and Stock Ownership Plan of Registrant dated June 3, 1981 incorporated by reference to Exhibit 10(5) of Form 10-Q of Registrant for the three months ended June 30, 1981.
10(8)*	-Amendment dated as of December 5, 1990 to the Executive Long-Term Incentive Compensation and Stock Ownership Plan of Registrant incorporated by reference to Exhibit 10(9) of Form 10-K of Registrant for the fiscal year ended December 31, 1990.
10(9)*	-Amerada Hess Corporation Pension Restoration Plan dated January 19, 1990 incorporated by reference to Exhibit 10(9) of Form 10-K of Registrant for the fiscal year ended December 31, 1989.
10(10)*	-Letter Agreement dated August 8, 1990 between Registrant and Mr. John Y. Schreyer relating to Mr. Schreyer's participation in the Amerada Hess Corporation Pension Restoration Plan incorporated by reference to Exhibit 10(11) of Form 10-K of Registrant for the fiscal year ended December 31, 1991.
10(11)*	-1995 Long-Term Incentive Plan, as amended, incorporated by reference to Appendix A of Registrant's definitive proxy statement dated March 28, 1996 for the Annual Meeting of Stockholders held on May 1, 1996.
10(12)*	-Stock Award Program for non-employee directors dated August 6, 1997 incorporated by reference to Exhibit 10(11) of Form 10-K of Registrant for the fiscal year ended December 31, 1997.
10(13)	-Asset Purchase and Contribution Agreement dated as of October 26, 1998, among PDVSA V.I., Inc., Hess Oil Virgin Islands Corp. and HOVENSA L.L.C. (including Glossary of definitions) incorporated by reference to Exhibit 2.1 of Form 8-K of Registrant dated October 30, 1998.
10(14)	-Amended and Restated Limited Liability Company Agreement of HOVENSA L.L.C. dated as of October 30, 1998 incorporated by reference to Exhibit 10.1 of Form 8-K of Registrant dated October 30, 1998.
13	-1998 Annual Report to Stockholders of Registrant.
21	-Subsidiaries of Registrant.
23	-Consent of Ernst & Young LLP, Independent Auditors, dated March 19, 1999, to the incorporation by reference in Registrant's Registration Statements on Form S-8 (Nos. 333-43569, 333-43571 and 33-65115) of its report relating to Registrant's financial statements, which consent appears on page F-2 herein.
27	-Financial Data Schedule (for electronic filing only).

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* These exhibits relate to executive compensation plans and arrangements.

(b) REPORTS ON FORM 8-K

A Current Report on Form 8-K dated October 30, 1998 was filed in the last quarter of Registrant's fiscal year ended December 31, 1998 relating to the disposition of a 50% interest in its refinery in St. Croix, U.S. Virgin Islands to PDVSA V.I., Inc., and the formation of HOVENSA L.L.C., a joint venture which owns and operates the refinery.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(d) 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, ON THE 19TH DAY OF MARCH 1999.

AMERADA HESS CORPORATION
(REGISTRANT)

By /s/ JOHN Y. SCHREYER
....
(JOHN Y. SCHREYER)
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
/s/ JOHN B. HESS (JOHN B. HESS)	Director, Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 19, 1999
/s/ W.S.H. LAIDLAW (W.S.H. LAIDLAW)	Director, President and Chief Operating Officer	March 19, 1999
(NICHOLAS F. BRADY)	Director	March 19, 1999
/s/ J. BARCLAY COLLINS II (J. BARCLAY COLLINS II)	Director	March 19, 1999
/s/ PETER S. HADLEY (PETER S. HADLEY)	Director	March 19, 1999
/s/ LEON HESS (LEON HESS)	Director	March 19, 1999
/s/ EDITH E. HOLIDAY (EDITH E. HOLIDAY)	Director	March 19, 1999
/s/ WILLIAM R. JOHNSON (WILLIAM R. JOHNSON)	Director	March 19, 1999
/s/ THOMAS H. KEAN (THOMAS H. KEAN)	Director	March 19, 1999
/s/ FRANK A. OLSON (FRANK A. OLSON)	Director	March 19, 1999
/s/ ROGER B. ORESMAN (ROGER B. ORESMAN)	Director	March 19, 1999

SIGNATURE	TITLE	DATE
/s/ JOHN Y. SCHREYER (JOHN Y. SCHREYER)	Director, Executive Vice President and Chief Financial Officer (Principal Accounting and Financial Officer)	March 19, 1999
(WILLIAM I. SPENCER)	Director	March 19, 1999
/s/ ROBERT N. WILSON (ROBERT N. WILSON)	Director	March 19, 1999
/s/ ROBERT F. WRIGHT (ROBERT F. WRIGHT)	Director	March 19, 1999

AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

	PAGE NUMBER
Statement of Consolidated Income for each of the three years in the period ended December 31, 1998	*
Statement of Consolidated Retained Earnings for each of the three years in the period ended December 31, 1998	*
Consolidated Balance Sheet at December 31, 1998 and 1997	*
Statement of Consolidated Cash Flows for each of the three years in the period ended December 31, 1998	*
Statement of Consolidated Changes in Common Stock and Capital in Excess of Par Value for each of the three years in the period ended December 31, 1998	*
Statement of Consolidated Comprehensive Income for each of the three years in the period ended December 31, 1998	*
Notes to Consolidated Financial Statements	*
Report of Ernst & Young LLP, Independent Auditors	*
Quarterly Financial Data	*
Supplementary Oil and Gas Data	*
Consent of Independent Auditors	F-2
Schedules**	
II -- Valuation and Qualifying Accounts	F-3

* The financial statements and notes thereto together with the Report of Ernst & Young LLP, Independent Auditors, on pages 27 through 44, the Quarterly Financial Data (unaudited) on page 26, and the Supplementary Oil and Gas Data (unaudited) on pages 45 through 49 of the accompanying 1998 Annual Report to Stockholders are incorporated herein by reference.

** Schedules other than Schedule II have been omitted because of the absence of the conditions under which they are required or because the required information is presented in the financial statements or the notes thereto.

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Amerada Hess Corporation of our report dated February 22, 1999, included in the 1998 Annual Report to Stockholders of Amerada Hess Corporation.

Our audits also included the financial statement schedule of Amerada Hess Corporation listed in Item 14(a). This schedule is the responsibility of the Corporation's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statements (Form S-8, Nos. 333-43569, 333-43571 and 33-65115) pertaining to the Amerada Hess Corporation Employees' Savings and Stock Bonus Plan, Amerada Hess Corporation Savings and Stock Bonus Plan for Retail Operations Employees and the 1995 Long-Term Incentive Plan, of our report dated February 22, 1999, with respect to the consolidated financial statements incorporated herein by reference.

/s/ ERNST & YOUNG LLP
ERNST & YOUNG LLP

New York, N.Y.
March 19, 1999

SCHEDULE II

AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

(IN THOUSANDS)

		ADDITIONS			
DESCRIPTION	BALANCE JANUARY 1	CHARGED (CREDITED) TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS FROM RESERVES	BALANCE DECEMBER 31
1998					
Reserves deducted in the balance sheet from the assets to which they apply					
Losses on receivables............	$ 2,840	$ 92	$3,858*	$ 379	$ 6,411
Deferred income tax valuation....	$330,119	$ 28,994	$ --	$ 218,000**	$141,113
1997					
Reserves deducted in the balance sheet from the assets to which they apply					
Losses on receivables............	$ 2,840	$ 2,498	$ 154	$ 2,652	$ 2,840
Deferred income tax valuation....	$271,213	$ 58,906	$ --	$ --	$330,119
1996					
Reserves deducted in the balance sheet from the assets to which they apply					
Losses on receivables............	$ 2,786	$ 860	$ 87	$ 893	$ 2,840
Deferred income tax valuation....	$325,739	$(54,526)	$ --	$ --	$271,213

* Reflects increase resulting from acquisition of gas marketing customer accounts.

** Reflects effect of reduction in deferred tax assets on formation of refining joint venture.

EXHIBIT INDEX

EXHIBIT NUMBER		DESCRIPTION
3(1)	--	Restated Certificate of Incorporation of Registrant incorporated by reference to Exhibit 19 of Form 10-Q of Registrant for the three months ended September 30, 1988.
3(2)	--	By-Laws of Registrant incorporated by reference to Exhibit 3(2) of Form 10-K of Registrant for the fiscal year ended December 31, 1985.
4(1)	--	Note and Warrant Purchase Agreement, dated June 27, 1991 (including the form of the Common Stock Purchase Warrant expiring June 27, 2001, included as Exhibit B thereof) incorporated by reference to Exhibit 4 of Form 10-Q of Registrant for the three months ended June 30, 1991.
4(2)	--	Amendment, dated as of May 15, 1992 to the Note and Warrant Purchase Agreement, dated June 27, 1991 (including the form of the common stock purchase warrant expiring June 27, 2001, included as Exhibit B thereof), incorporated by reference to Exhibit 19 of Form 10-Q of Registrant for the three months ended June 30, 1992.
4(3)*	--	Credit Agreement dated as of May 20, 1997 among Registrant, the Subsidiary Borrowers thereunder, The Chase Manhattan Bank as Administrative Agent and the Lenders party thereto, incorporated by reference to Exhibit 4 of Form 10-Q of Registrant for the three months ended June 30, 1997.
	--	Other instruments defining the rights of holders of long-term debt of Registrant and its consolidated subsidiaries are not being filed since the total amount of securities authorized under each such instrument does not exceed 10 percent of the total assets of Registrant and its subsidiaries on a consolidated basis. Registrant agrees to furnish to the Commission a copy of any instruments defining the rights of holders of long-term debt of Registrant and its subsidiaries upon request.
10(1)	--	Extension and Amendment Agreement between the Government of the Virgin Islands and Hess Oil Virgin Islands Corp. incorporated by reference to Exhibit 10(4) of Form 10-Q of Registrant for the three months ended June 30, 1981.
10(2)	--	Restated Second Extension and Amendment Agreement dated July 27, 1990 between Hess Oil Virgin Islands Corp. and the Government of the Virgin Islands incorporated by reference to Exhibit 19 of Form 10-Q of Registrant for the three months ended September 30, 1990.
10(3)	--	Technical Clarifying Amendment dated as of November 17, 1993 to Restated Second Extension and Amendment Agreement between the Government of the Virgin Islands and Hess Oil Virgin Islands Corp. incorporated by reference to Exhibit 10(3) of Form 10-K of Registrant for the fiscal year ended December 31, 1993.
10(4)	--	Third Extension and Amendment Agreement dated April 15, 1998 and effective October 30, 1998 among Hess Oil Virgin Islands Corp., PDVSA V.I., Inc., HOVENSA L.L.C. and the Government of the Virgin Islands.
10(5)*	--	Incentive Compensation Award Plan for Key Employees of Amerada Hess Corporation and its subsidiaries incorporated by reference to Exhibit 10(2) of Form 10-K of Registrant for the fiscal year ended December 31, 1980.
10(6)*	--	Financial Counseling Program description incorporated by reference to Exhibit 10(3) of Form 10-K of Registrant for the fiscal year ended December 31, 1980.

EXHIBIT NUMBER		DESCRIPTION
10(7)*	--	Executive Long-Term Incentive Compensation and Stock Ownership Plan of Registrant dated June 3, 1981 incorporated by reference to Exhibit 10(5) of Form 10-Q of Registrant for the three months ended June 30, 1981.
10(8)*	--	Amendment dated as of December 5, 1990 to the Executive Long-Term Incentive Compensation and Stock Ownership Plan of Registrant incorporated by reference to Exhibit 10(9) of Form 10-K of Registrant for the fiscal year ended December 31, 1990.
10(9)*	--	Amerada Hess Corporation Pension Restoration Plan dated January 19, 1990 incorporated by reference to Exhibit 10(9) of Form 10-K of Registrant for the fiscal year ended December 31, 1989.
10(10)*	--	Letter Agreement dated August 8, 1990 between Registrant and Mr. John Y. Schreyer relating to Mr. Schreyer's participation in the Amerada Hess Corporation Pension Restoration Plan incorporated by reference to Exhibit 10(11) of Form 10-K of Registrant for the fiscal year ended December 31, 1991.
10(11)*	--	1995 Long-Term Incentive Plan, as amended, incorporated by reference to Appendix A of Registrant's definitive proxy statement dated March 28, 1996 for the Annual Meeting of Stockholders held on May 1, 1996.
10(12)*	--	Stock Award Program for non-employee directors dated August 6, 1997 incorporated by reference to Exhibit 10(11) of Form 10-K of Registrant for the fiscal year ended December 31, 1997.
10(13)	--	Asset Purchase and Contribution Agreement dated as of October 26, 1998, among PDVSA V.I., Inc., Hess Oil Virgin Islands Corp. and HOVENSA L.L.C. (including Glossary of definitions) incorporated by reference to Exhibit 2.1 of Form 8-K of Registrant dated October 30, 1998.
10(14)	--	Amended and Restated Limited Liability Company Agreement of HOVENSA L.L.C. dated as of October 30, 1998 incorporated by reference to Exhibit 10.1 of Form 8-K of Registrant dated October 30, 1998.
13	--	1998 Annual Report to Stockholders of Registrant.
21	--	Subsidiaries of Registrant.
23	--	Consent of Ernst & Young LLP, Independent Auditors, dated March 19, 1999, to the incorporation by reference in Registrant's Registration Statements on Form S-8 (Nos. 333-43569, 333-43571 and 33-65115) of its report relating to Registrant's financial statements, which consent appears on page F-2 herein.
27	--	Financial Data Schedule (for electronic filing only).

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* These exhibits relate to executive compensation plans and arrangements.

Exhibit 10(4)

Third Extension and Amendment

Agreement

Act NO. 6231

Passed by the Twenty-Second Legislature of
the Virgin Islands May 18, 1998

Approved by Governor Schneider
May 29, 1998

- --

ACT NO.6231
BILL NO 22-0259

TWENTY-SECOND LEGISLATURE OF THE VIRGIN ISLANDS

OF THE UNITED STATES

Regular Session

1998

To ratify the "Third Extension and Amendment Agreement" between the Government of the Virgin Islands, Hess Oil Virgin Islands Corporation and PDVSA V.I., Inc. and for other related purposes

--0--

BE IT ENACTED by the Legislature of the Virgin Islands:

SECTION 1. The Agreement, dated April 15, 1998, entitled "The Third Extension and Amendment Agreement" between the Government of the Virgin Islands, Hess Oil Virgin Islands Corporation, and PDVSA V.I., Inc., having been executed by the Governor of the Virgin Islands, the Chairman of the Board of Hess Oil Virgin Islands Corporation, and the Chairman of the Board of PDVSA V.I., Inc., respectively, is hereby ratified, and a copy thereof is appended hereto as Appendix I and made a part hereof, and the sum of $1.2 million of the $8 million described in Section 15 of Appendix I is hereby appropriated and shall be utilized for territorial summer youth employment in the fiscal year ending September 30, 1998 as follows: the Legislature of the Virgin Islands, $400,000.00, and the Department of Labor, $800,000.00.

SECTION 2. The sum of $1 million is hereby appropriated to the Department of Education from the $8 million received by the Government of the Virgin Islands, pursuant to the Third Extension and Amendment Agreement between the Government of the Virgin Islands, Hess Oil Virgin Islands Corporation and PDVSA V.I., Inc. to provide equal vocational and technical education programs at all public high schools in the Territory, including Central High School on St. Croix, unless there is a particular public high school in a school district that is specifically designated to provide vocational and technical education for students in that district.

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Thus passed by the Legislature of the Virgin Islands on May 18, 1998.

Witness our Hands and the Seal of the Legislature of the Virgin Islands this 22nd day of May, A.D., 1998.

/s/ Lorranine L. Berry

LORRANINE L. BERRY
President

/s/ Roosevelt St. C. David

ROOSEVELT ST. C. DAVID
Legislative Secretary

The above bill is hereby approved.

Witness my hand and the Seal of the Government of the United States Virgin Islands at Charlotte Amalie, St. Thomas, this 29th day of May, A.D., 1998.

/s/ Roy L. Schneider

Roy L. Schneider, M.D.
Governor

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THIRD EXTENSION AND
AMENDMENT AGREEMENT
APRIL 15, 1998

THIS THIRD EXTENSION AND AMENDMENT AGREEMENT entered into by the GOVERNMENT OF THE VIRGIN ISLANDS, herein called the "Government", and HESS OIL VIRGIN ISLANDS CORP., a corporation existing under the laws of the Virgin Islands, herein called "Hess", and PDVSA V.I., INC., a corporation existing under the laws of the Virgin Islands, herein called "PDVSA VI, Inc.", on behalf of themselves and a company to be formed as a limited liability company (to be taxed as a partnership) under the laws of the Virgin Islands, herein called the "Joint Venture":

WITNESSETH:

WHEREAS, the Government and Hess are parties to an Agreement relating to the construction and operation of the Oil Refinery and Related Facilities in St. Croix, U.S. Virgin Islands, approved by the Legislature of the Virgin Islands on September 1, 1965 and amended, supplemented and clarified at various times by mutual agreement of the parties (the "1965 Agreement"); and

WHEREAS, pursuant to the 1965 Agreement, to induce Hess to construct and operate the Oil Refinery and Related Facilities in St. Croix and in order to promote the public interest by economic development of the Virgin Islands, Hess was, among other things, exempted from payment to the Government of certain taxes, charges, fees and duties; and

WHEREAS, the 1965 Agreement specifically extended these exemptions not only to Hess but also to such of its Affiliates as are engaged in constructing, owning and/or operating the Oil Refinery and Related Facilities, as hereinafter discussed; and

WHEREAS, the 1965 Agreement was amended and extended by the Extension and Amendment Agreement approved by the Legislature of the Virgin Islands on May 7, 1981 (the "First Extension

Agreement"), which provided, among other things, for the extension of the 1965 Agreement and for the payment by Hess of full corporate income taxes, real property taxes on the Oil Refinery and Related Facilities fixed at $10,000,000 per year with increases as hereinafter described, export fees of 2 cents per barrel on refinery products, and excise taxes on building materials imported for use in refinery maintenance, and further provided for Hess to sell fuel to the Virgin Islands Water and Power Authority at prices below market prices; and

WHEREAS, the 1965 Agreement, as amended and extended by the First Extension Agreement, was further amended and extended by the Restated Second Extension and Amendment Agreement dated July 27, 1990 and approved by the Governor and the Legislature of the Virgin Islands the "Second Extension Agreement") which, among other things, provided for the extension of the term of the 1965 Agreement, as amended and extended by the First Extension Agreement, and addressed matters relating to the construction of a fluid catalytic cracking unit and the building of a vocational school in the Virgin Islands as contemplated in the First Extension Agreement; and

WHEREAS, the 1965 Agreement, as amended and extended by the First Extension Agreement and the Second Extension Agreement, was further amended by a Technical Clarifying Amendment dated November 17, 1993 and approved by the Governor and the Legislature of the Virgin Islands, which clarified that all materials, including crude oil, feedstocks, blendstocks and petroleum products brought into the Virgin Islands by third parties to be consumed, processed, manufactured, blended or stored at the Oil Refinery and Related Facilities are deemed to be brought into the Virgin Islands by Hess regardless of whether or when title to such material passes to Hess and that such third parties are exempt from taxes, charges, fees and duties to the same extent as Hess (the "Technical Clarifying Amendment", together with the 1965 Agreement, as amended and extended by the First Extension Agreement and the Second Extension Agreement, hereinafter the "Agreement"); and

WHEREAS, prior and subsequent to the Second Extension Agreement and Technical Clarifying Amendment, Hess has continued to incur substantial losses from operations of the Oil Refinery and Related Facilities due to adverse market conditions prevailing in the refining industry generally and also due to

certain operational and economic factors adversely affecting the Oil Refinery and Related Facilities particularly that have resulted in the creation of a substantial tax loss carryforward; and

WHEREAS, the Government concurs with Hess that as a consequence of the continuing substantial losses at the Oil Refinery and Related Facilities, it is critical to the Oil Refinery and Related Facilities' survival and to its continued operation and employment of personnel for Hess to conclude an agreement with a strong oil producing country partner willing and able to commit to substantial additional investments in the Oil Refinery and Related Facilities and to make other arrangements necessary to strengthen the economic and competitive position of the Oil Refinery and Related Facilities and enhance its future profitability; and

WHEREAS, to that end, Hess, its parent company, Amerada Hess Corporation ("AHC"), and Petroleos de Venezuela, S.A. ("PDVSA"), the national oil company of Venezuela, acting through its subsidiary, PDVSA Petroleo y Gas, S.A. ("PDV P&G"), which is its major operating subsidiary holding all PDVSA's Venezuelan exploration and production, refining and marketing assets, have entered into an agreement in principle pursuant to which PDVSA VI, Inc., a wholly owned subsidiary of PDVSA, will acquire a 50% interest in the Oil Refinery and Related Facilities through the Joint Venture to be formed to own and operate the Oil Refinery and Related Facilities, and to be owned 50% by Hess and 50% by PDVSA VI, Inc.; and

WHEREAS, this proposed Third Extension and Amendment Agreement is a necessary prerequisite to the formation of the Joint Venture and construction of the Coker Project (as hereinafter defined) and the Government recognizes that PDVSA, VI, Inc. must become a party to this Third Extension and Amendment Agreement; and

WHEREAS, it was the original specific intent of the Government and Hess, expressed in the 1965 Agreement, that all the obligations and benefits of the Agreement would be available to any entity owned 50% by Hess and engaged in ownership and/or operation of the Oil Refinery and Related Facilities, such as the Joint Venture, and to evidence such intent the Government and Hess defined the term "Affiliate" in the 1965 Agreement to

include any firm or corporation of which at least fifty percent (50%) of voting rights or equity interest is owned directly or indirectly by Hess or AHC; and

WHEREAS, under the First Extension Agreement Hess is obligated to supply annual bids for sales of low sulfur residual and distillate fuel oils to the Virgin Islands Water and Power Authority ("VIWAPA") on the terms set forth therein, an obligation which provides low sulfur fuel oils to VIWAPA at below market prices and affords substantial savings and an assurance of supply to VIWAPA; and

WHEREAS, without limiting the generality of the obligations and rights which the Joint Venture will have under the Agreement, the Government has requested, in view of the importance of this benefit to the Virgin Islands, that the Joint Venture expressly confirm that it will continue to comply with this obligation regarding low sulfur fuel oil sales to VIWAPA and expressly agree that it will continue to extend this benefit to VIWAPA so long as VIWAPA is owned 50% or more by the Government; and

WHEREAS, in connection with confirming such matters, it is appropriate to conform the Agreement to the current agreement between Hess and VIWAPA regarding the appropriate published reference for determining the price of low sulfur residual and distillate fuel oils, which agreement was required due to the cessation of publication of the original reference and is evidenced by a letter agreement between Hess and VIWAPA dated October 21, 1988; and

WHEREAS, the Government has also requested the Joint Venture to confirm that it will continue Hess' practice of selling to the Government of the Virgin Islands, Department of Public Works, St. Croix Division and Department of Property and Procurement, St. Croix Division their current requirements for gasoline and diesel fuel f.o.b. the loading rack located at the Oil Refinery and Related Facilities at the Joint Venture's posted rack price; and

WHEREAS, it is a condition of PDVSA VI, Inc.'s willingness and obligation to conclude the transaction that the Joint Venture be permitted to utilize, for the benefit of its members, the benefit of the net operating loss carryforward of Hess as in effect immediately after giving effect to the closing of all

transactions in connection with the formation of the Joint Venture; and

WHEREAS, such utilization of the Hess net operating loss carryforward by the Joint Venture will afford the Joint Venture no greater Virgin Islands income tax benefit or other Virgin Islands tax benefit than that which is available to Hess in the absence of the Joint Venture; and

WHEREAS, Hess and PDV P&G have agreed in principle that PDV P&G or its subsidiary or another affiliate of PDVSA (the "PDV Crude Supplier") will supply crude oil, feedstocks, blendstocks and petroleum products to the Joint Venture and, in connection therewith, the PDV Crude Supplier will store crude oil, feedstocks, blendstocks, and petroleum products at the Oil Refinery and Related Facilities and will sell and transfer title to such crude oil, feedstocks, blendstocks, and petroleum products to the Joint Venture immediately prior to the time such crude oil, feedstocks, blendstocks and petroleum products are used for processing or blending, a principal effect of which will be to reduce the Joint Venture's inventory carrying costs for crude oil, blendstocks, feedstocks and petroleum products, which reduction in carrying costs will significantly enhance the Joint Venture's profitability; and

WHEREAS, it was the intent of the Government and Hess, as expressed in the Technical Clarifying Amendment, that for purposes of the Agreement all materials, such as crude oil, feedstocks, blendstocks, and petroleum products, brought into the Virgin Islands by a third party such as the PDV Crude Supplier to be consumed, processed, manufactured, blended or stored at the Oil Refinery and Related Facilities shall be deemed to have been brought into the Virgin Islands by Hess or one of it Affiliates, regardless of which party is the importer of record or whether or when title is transferred to Hess or such Affiliate, and recognizing that such importation, storage and sale by the PDV Crude Supplier is an integral part of the business plan for the Joint Venture critically important to improving the financial results of the Oil Refinery and Related Facilities, and recognizing further that it is a condition of PDVSA VI, Inc.'s willingness and obligation to conclude the transaction to confirm the foregoing intent, the Government acknowledges it is appropriate pursuant to the terms of the Technical Clarifying Amendment and consistent with prevailing Virgin Islands

administrative precedent that the PDV Crude Supplier shall not be subject to Virgin Islands income taxes by reason of the importation, storage and sale of such materials to be consumed, processed, manufactured, blended or stored at the Oil Refinery and Related Facilities, and under the terms of the Technical Clarifying Amendment, shall not have any liability for any Virgin Islands taxes, excises, duties, gross receipts taxes, export fees, imposts or exactions or any wharf age, tonnage, or ship dues by reason of such activity; and

WHEREAS, Hess and PDV P&G have agreed in principle that the Joint Venture will construct a coker with an approximate capacity of 45,000 barrels per day and related facilities and make such improvements to the Oil Refinery and Related Facilities as are necessary to allow the refinery to process heavy Venezuelan crude oil in a deep conversion mode (the coker, related facilities and improvements, collectively, the "Coker Project"); and

WHEREAS, pursuant to the First Extension Agreement as modified and confirmed by the Second Extension Agreement, Hess agreed to construct a fluid catalytic cracking facility and obtained an option to construct, at its sole discretion, a second fluid catalytic cracking unit, and also agreed that real property taxes on the refinery would increase to $12,000,000 per year on commencement of commercial production from the first fluid catalytic cracking unit and to $14,000,000 per year on commencement of commercial production from the second fluid catalytic cracking unit, if constructed; and

WHEREAS, current economics of the refining business and modern coker technology make a coker more profitable than a second catalytic cracking facility and accordingly the Government and Hess agree that construction of a second catalytic cracking facility would not be economic for the Oil Refinery and Related Facilities under current business conditions and would not be undertaken; and

WHEREAS, Hess and PDVSA VI, Inc. have therefore requested that the Coker Project replace the construction of the second catalytic cracking facility for all purposes in the Agreement, including related provisions as to the Government's facilitation of the granting of necessary permits and approvals and to increased property taxes from the current $12,000,000 per year to $14,000,000 per year after commencement of commercial production

from the unit, and the Government recognizes such request is appropriate in that such project will be of greater economic significance to the Virgin Islands than that envisioned for the second catalytic cracking facility and recognizes further that the second catalytic cracking facility would not be economically feasible; and

WHEREAS, the Government recognizes that it is a condition to PDV VI's willingness and obligation to conclude the transaction, that the term of the Agreement be extended to a date 20 years after commencement of commercial production from the Coker Project, a term coincident with the 20 year term of a crude oil supply contract to be entered into between the Joint Venture and the PDV Crude Supplier for the supply of the heavy Venezuelan crude oil to be processed in the Coker, which 20 year crude oil supply contract supports the construction and is critical to the undertaking of the Coker Project; and

WHEREAS, the Government recognizes that the Joint Venture will afford substantial and continuing benefits to the economy of the Virgin Islands by strengthening the economic and competitive position of the refinery and enhancing its profitability and by substantially preserving jobs, and that the significant investments to be made for the Coker Project, which is expected to take two to three years to build, will promote the public interest in the economic development of the Virgin Islands, create a substantial number of additional construction jobs and associated service-sector jobs and generate substantial additional payrolls which will be spent in the Virgin Islands economy and additional tax revenues for the Government of the Virgin Islands; and

WHEREAS, it is the expressed intent of the Joint Venture that the current managerial and operating employees of the Oil Refinery and Related Facilities will continue to manage and operate the Oil Refinery and Related Facilities as employees of the Joint Venture; and

WHEREAS, the Government has requested the Joint Venture to confirm, and to cause its contractors to confirm, that each of them will continue the policy and practice of Hess to encourage and foster, consistent with applicable law, the employment and training of qualified Virgin Islands residents at the Oil

Refinery and Related Facilities and particularly in connection with the construction of the Coker Project; and

WHEREAS, the Government has requested the Joint Venture to confirm that it will continue and place increased emphasis on, consistent with applicable law, the policy and practice of Hess to promote qualified Virgin Islands residents to higher positions as they become available; and

WHEREAS, the Government, acting through the Virgin Islands Department of Education and the Virgin Islands Department of Labor, wishes to encourage and promote the development and improvement of vocational and technical skills among the St. Croix and Virgin Islands workforce and to increase the level of reading comprehension skills among the St. Croix and Virgin Islands workforce in order to meet testing requirements for certain jobs and the Joint Venture has agreed to assist in this regard; and

WHEREAS, the Joint Venture anticipates that in connection with the construction of the Coker Project there may be a shortage of Virgin Islands residents having the requisite skills to qualify for jobs on the construction of the Coker Project as welders, electricians and instrument fitters and will establish training programs to upgrade skills so that Virgin Islands residents may qualify for such jobs, and also desires to establish an education program for the reading comprehension skills required to pass the safety comprehension test for employment in the construction of the Coker Project; and

WHEREAS, the St. Croix Vocational Technical Center currently does not have the specialized classroom equipment required to conduct training classes for Virgin Islands residents designed to upgrade skills in the craft classifications for welders, electricians and instrument fitters and does not have the classroom equipment and staff required to conduct an education program in reading comprehension skills, and the Joint Venture will provide and install in classrooms at the St. Croix Vocational Technical Center the equipment required to conduct such classes, and to donate such equipment and the installation thereof free of cost to the Government for continued use at the St. Croix Vocational Technical Center and availability for the training and education of future generations of Virgin Islands residents in such skills and qualifications; and

WHEREAS, the Joint Venture shall, in cooperation with and under the auspices of the Virgin Islands Department of Education and the Virgin Islands Department of Labor, establish at the St. Croix Vocational Training Center training programs using classrooms so equipped by the Joint Venture, to upgrade skills of welders, electricians and instrument fitters and a reading comprehension program for the safety comprehension test, to recruit and hire the four teachers required to conduct such classes and to pay salaries of such four teachers for the period from the Effective Date to the date employment peaks on the construction of the Coker Project; and

WHEREAS, the Government further recognizes that PDVSA VI, Inc. is unwilling to proceed with the Joint Venture or the Coker Project without the extension and amendment of the Agreement on terms set forth herein; and

WHEREAS, the Government, with the assistance and advice of competent counsel, consultant Arthur D. Little, an independent financial consulting firm engaged by the Government to complete an economic analysis, and whose report has been received and transmitted to the Virgin Islands Legislature, and other advisors, and after having the opportunity to discuss with Hess the current conditions affecting the St. Croix refinery, the benefits of the proposed Joint Venture and the requested modifications to the Agreement and the reasons therefor, has conducted negotiations with the objective of facilitating the construction of the Coker Project and sustaining the continued operation of the Oil Refinery and Related Facilities in St. Croix on terms mutually beneficial to and in the best interests of the Government and People of the Virgin Islands and the Joint Venture;

NOW THEREFORE, in order to accomplish the foregoing, the Government, Hess, PDVSA VI, Inc. and the Joint Venture mutually commit and agree to extend and amend the Agreement as follows effective as provided in Section 16 below:

1. The Agreement and the effective period thereof, which is currently scheduled to expire on June 1, 2010, is hereby extended to a date twenty years after commencement of the manufacture of commercial quantities of marketable products

from the Coker Project, as certified in writing by the Joint Venture.

2. The term "Hess" as used in the Agreement shall be deemed to mean and refer to the Joint Venture, and the term "Affiliate" shall be deemed to mean and refer to Hess, AHC, PDVSA, PDVSA VI, Inc. and any other firm or corporation of which at least fifty percent (50%) of the voting rights or equity interest is owned, directly or indirectly, by any or all of them. In order further to confirm the amendments effected by the foregoing, the parties hereto understand and agree that from and after the Effective Date, the Joint Venture shall bear the same obligations and shall enjoy the same rights under the Agreement, as amended herein, as Hess prior to the Effective Date. Promptly after the formation of the Joint Venture, PDVSA VI, Inc. and Hess shall cause the Joint Venture to execute this Third Extension and Amendment Agreement to add the Joint Venture as a party hereto, whereupon the Joint Venture shall become and be a party to this Third Extension and Amendment Agreement as fully and to the same extent as if it were originally a party hereto and shall have all the rights and obligations of the Joint Venture hereunder, without the necessity of any further act or deed.

3. Without limiting the generality of the foregoing, in order to confirm for the benefit of the Virgin Islands an obligation which provides VIWAPA low sulfur fuel oils at prices below market prices and affords substantial savings and an assurance of supply, it is expressly agreed that on and after the Effective Date the Joint Venture shall fulfill its obligation under the First Extension Agreement to submit bids on an annual basis for sales of low sulfur residual fuel oils and low sulfur distillate fuel oils f.o.b. the Oil Refinery and Related Facilities to VIWAPA or its successors for use as fuel in its St. Thomas and St. Croix generating stations. It is expressly agreed that the Joint Venture will continue to provide such benefits to VIWAPA on and after the Effective Date during the term of this Agreement so long as VIWAPA shall be owned 50% or more by the Government. The Joint Venture's f.o.b. maximum price per barrel for low sulfur residual and distillate fuel oils pursuant to such bids shall not exceed the lower of:

(a) The Joint Venture's average landed monthly low sulfur crude oil costs per barrel of low sulfur crude oil charged to the processing units of the Oil Refinery and Related Facilities, without adding thereto any refining costs, for the month of any sales pursuant thereto, or

(b) For low sulfur No. 2 fuel oil, the average New York Reseller Contract Barges Prices and for low sulfur residual fuel oils the average Estimated New York Contract Cargo Prices, for the same grades of low sulfur residual or distillate fuel oils, as the case may be, as last published in the Oil Buyers' Guide on date of loading, less Two Dollars ($2.00) per barrel (42 gallons per barrel).

The Oil Buyers' Guide is a weekly publication, which the Joint Venture will maintain at its office. Should the Oil Buyers' Guide cease publication, the parties will agree on a successor publication. For the period of any such sales after the Effective Date, the Joint Venture shall furnish appropriate certification on a monthly basis as to the Joint Venture's average landed low sulfur crude oil costs per barrel of low sulfur crude oil charged to the processing units of the Oil Refinery and Related Facilities. After the Effective Date, the Joint Venture shall operate oil barges and bid on an annual basis for the transportation of low sulfur residual and low sulfur distillate fuel oils from the Oil Refinery and Related Facilities to the St. Thomas and St. Croix generating stations of VIWAPA. The foregoing shall modify and replace Section 9 of the First Extension Agreement in its entirety.

4. The Joint Venture shall continue Hess's practice to supply the Virgin Islands Department of Public Works, St. Croix Division's and the Virgin Islands Department of Property and Procurement, St. Croix Division's requirements for gasoline and diesel fuel by selling gasoline and diesel fuel to the Government for the account of the Virgin Islands, Department of Public Works, St. Croix Division and the Virgin Islands Department of Property and Procurement, St. Croix Division in tank trailer quantities f.o.b. the loading rack located at the Oil Refinery and Related Facilities at the Joint Venture's posted rack price on the date of such sale and

such sales shall be exempt from the payment of gross receipts tax on sales in the Virgin Islands.

5. For income tax purposes, each Joint Venture member's distributive share of the Joint Venture's taxable income, up to but not exceeding an aggregate amount, for all tax years, that is equal to HOVIC's Available NOL (as hereinafter defined), shall not be subject to tax and, solely for purposes of determining each such member's adjusted tax basis in its interest in the Joint Venture, shall be treated as income exempt from income tax. "HOVIC's Available NOL" shall mean the amount of the net operating loss ("NOL") carryforwards available to HOVIC on the first full day of operation of the Joint Venture, determined as if such day was the last day of HOVIC's taxable year, reduced to the extent that, in future years, such NOL carryforwards expire unused. HOVIC's Available NOL shall be used exclusively as described above, shall be reduced to the extent that it is so used and shall not be subject to other limitations. Each member shall determine its alternative minimum taxable income with regard to its utilization of HOVIC's Available NOL.

6. In order to clarify and confirm the intent of the Technical Clarifying Amendment, the PDV Crude Supplier shall not be subject to U.S. Virgin Islands income taxation by reason of the bringing of materials, including crude oil, feedstocks, blendstocks, or refined petroleum products into the Virgin Islands to be consumed, processed, manufactured, blended or stored at the Oil Refinery and Related Facilities, nor by reason of the storage in the U.S. Virgin Islands of such materials or the sale thereof to the Joint Venture. The PDV Crude Supplier shall not be subject to any other Virgin Islands taxes, excises, gross receipts taxes, franchise taxes and similar fees, export fees, duties, imposts or exactions or any wharfage, tonnage or ships dues by reason of such activity. The provisions of this Section 6 shall be for the benefit of, and be enforceable by, the PDV Crude Supplier.

7. Section 8(B) of the First Extension Agreement shall remain in full force and effect except that the words "coker with an approximate capacity of 45,000 barrels per day and related facilities and such improvements as are necessary to

allow the Oil Refinery and Related Facilities to process heavy crude oil in a deep conversion mode" shall be substituted for the words "second Fluid Catalytic Cracking Facility with supporting facilities or a Hydro Cracking facility with supporting facilities and/or petrochemical facilities." Section 5(B) of the First Extension Agreement shall remain in full force and effect except that the words "coker, related facilities and improvements" shall be substituted for the words "catalytic or hydro cracking and supporting facilities and/or petrochemical facilities." In order further to confirm the amendments effected by the foregoing, it is agreed that upon commencement of the manufacture of commercial quantities of marketable products from the Coker Project, the date of which shall be certified in writing to the Government by the Joint Venture, the Joint Venture shall pay to the Government on a prorated monthly basis real property taxes on the Oil Refinery and Related Facilities owned by the Joint Venture and its Affiliates including all improvements now or hereafter located thereon in the fixed amount of $14,000,000.00 per calendar year. The Coker Project shall, when constructed, and during the period of construction and expansion contemplated thereby, be included in the term "Oil Refinery and Related Facilities."

8. Recognizing that the Joint Venture will employ competent professional architects and engineers to design and supervise the construction and operation of the Coker Project, and that such design, engineering, construction and operation shall be in accordance with the highest standards for construction, operation and safety, the Government will, consistent with applicable law, issue on an expedited basis all permits, licenses and certificates, and modifications thereof, and take such other action, required under local laws, rules and regulations, relating to construction, operation, safety and the protection of the environment, to enable construction and operation of the Coker Project. The Government will also support applications by the Joint Venture for approval of all permits, licenses and certificates required from any agency or department of the Federal Government.

9. The Joint Venture shall employ on the Effective Date employees of HOVIC for the conduct of the business of the

Oil Refinery and Related Facilities on terms substantially similar to, and no less favorable than, current employment arrangements, including employee benefits.

10. The Joint Venture shall, consistent with applicable law, continue Hess's policy of employing and training qualified Virgin Islands residents, regardless of age, race, creed, color, sex, national origin or ancestry, for technical, supervisory, managerial and professional positions relating to the Oil Refinery and Related Facilities and, in particular, will place increased emphasis on promoting to higher positions, as such positions become available, Virgin Islands residents who are qualified for such positions.

11. In connection with the Coker Project, it shall be the policy of the Joint Venture to encourage and foster to the fullest extent practicable and consistent with applicable law, the employment of qualified Virgin Islands residents regardless of age, race, creed, color, sex, national origin or ancestry, and the Joint Venture shall require all independent contractors used in the Coker Project to adhere to this policy in its hiring practices and to comply with all applicable labor and employment laws of the Virgin Islands.

12. The Joint Venture shall provide and install in existing classroom space at the St. Croix Vocational Technical Center, the specialized, state-of-the-art equipment required to equip classrooms for the conduct of training programs to upgrade the skills of Virgin Islands residents for employment in each of the following job skill classifications: welders, electricians and instrument fitters, one classroom for each such skill training program, and shall also provide and install in existing classroom space at the St. Croix Vocational Technical Center the equipment required to equip one classroom for the conduct of a reading comprehension education program for the preparation of the safety comprehension test required for employment in certain jobs, being a total of four classrooms to be equipped as aforesaid for such skill upgrading and reading comprehension programs. Such equipment and the cost of installation thereof shall be donated by the Joint Venture to the Government for the St. Croix Vocational Technical Center.

13. It is further agreed in connection with the Coker Project and in cooperation with the Virgin Islands Department of Labor and the Virgin Islands Department of Education, that the Joint Venture will establish training programs to upgrade the skills of Virgin Islands residents for employment in construction on the Coker Project, whether by the Joint Venture or independent contractors, in the following positions where a shortage of Virgin Islands residents having the requisite skills is anticipated: welders, electricians and instrument fitters, and to establish an appropriate reading comprehension education program for the safety comprehension test in connection with the hiring of employees in construction on the Coker Project, whether by Joint Venture or independent contractors. Such training and education programs will be conducted in the classrooms at the St. Croix Vocational School equipped for such programs as provided in Section 12. The Joint Venture shall recruit and hire and pay reasonable and comparable salaries for teachers for such programs, being one teacher for each of the three skill training classes for welders, electricians and instrument fitters and one teacher for the reading comprehension education class, for the period from the Effective Date to the date employment peaks on the construction of the Coker Project, as certified in writing by the Joint Venture. As used in Sections 10 through 12 and this Section 13, the term "Virgin Islands resident" shall mean any person who, at the time he or she is considered for employment, is, and for a continuous period of one year prior thereto has been, domiciled in the U.S. Virgin Islands.

14. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Agreement. Except as set forth above, all terms and conditions of the Agreement shall continue in full force and effect.

15. The Joint Venture shall, within ten (10) days of the Effective Date of this Third Extension and Amendment Agreement, contribute $8,000,000.00 to the Government of the Virgin Islands to be used for grants to vocational education programs and Youth Summer Programs and to assist in environmental studies and research at the University of the Virgin Islands. Except for the payment stated herein, no

stamp, transfer or other tax, fee, or payment shall be required to be made to the Government of the Virgin Islands or any instrumentality thereof by the Joint Venture, Hess, PDVSA VI, Inc., AHC, PDVSA or any affiliate of any of them in connection with the consummation of all transactions relating to the formation of the Joint Venture.

16. This Third Extension and Amendment Agreement shall have operative effect commencing on the first date (the "Effective Date") upon which both of the following shall have occurred: (i) the ratification of this Third Extension and Amendment Agreement by the Legislature of the Virgin Islands and (ii) the date of consummation of all transactions in connection with the formation of the Joint Venture, which date shall be certified in writing to the Government by each of Hess and PDVSA VI, Inc.

WITNESS our signatures below the 15th day of April 1998.

GOVERNMENT OF THE
VIRGIN ISLANDS

By: /s/ Roy L. Schneider

Roy L. Schneider, M.D.
Governor

Attest:

/s/ [ILLEGIBLE]
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TERRITORY OF THE VIRGIN ISLANDS)
JUDICIAL DISTRICT OF ST. THOMAS & ST. JOHN) ss.:

The foregoing instrument was acknowledged before me this 15th day of April l998, by ROY L. SCHNEIDER, Governor of the Virgin Islands.

/s/ [ILLEGIBLE]

Notary Public

HESS OIL VIRGIN ISLANDS CORP.

By: /s/ Leon Hess

Leon Hess
Chairman of the Board and
President

Attest:

/s/ Carl T. Tursi
- -------------------------------------
Carl T. Tursi
Assistant Secretary

STATE OF NEW YORK)
ss:
COUNTY OF NEW YORK)

The foregoing instrument was acknowledged before me this 15th day of April 1998, by LEON HESS, as Chairman of the Board and resident of HESS OIL VIRGIN ISLANDS CORP. on behalf of the Corporation.

/s/ J. Barclay Collins II

Notary Public

J. BARCLAY COLLINS II
Notary Public, State of New York
No. 31-4825156
Qualified in New York County
Commission Expires February 15, 1999

PDVSA VI, Inc.

By: /s/ Luis Urdaneta

Luis Urdaneta
President

Attest:

/s/ [ILLEGIBLE]
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TERRITORY OF THE VIRGIN ISLANDS)
JUDICIAL DISTRICT OF ST. THOMAS & ST. JOHN) ss.:

The foregoing instrument was acknowledged before me this 12th day of May 1998, by Luis Urdaneta as President of PDVSA VI, Inc. on behalf of the corporation.

/s/ [ILLEGIBLE]

Notary Public

Exhibit 13

AMERADA HESS

1998 ANNUAL REPORT

EXPLORATION AND PRODUCTION

UNITED STATES

Amerada Hess brought the Baldpate Field on Garden Banks Blocks 259/260 in the Gulf of Mexico on stream in the third quarter of 1998 using a technologically innovative compliant tower. In the first half of 1999, Amerada Hess will commence production from the Penn State discovery on Garden Banks Block 216 through a sub-sea system tied back to the Baldpate production facilities. Combined production from the Baldpate and Penn State Fields is expected to exceed gross levels of 50,000 barrels of oil per day and 150,000 Mcf of natural gas per day by the middle of this year. Amerada Hess is the operator of Baldpate and Penn State with a 50% interest.

Northwest of the Baldpate Field, Amerada Hess discovered the Conger Field (AHC 37.50%) on Garden Banks Block 215 in 1997. The Corporation plans to develop the Conger Field with a sub-sea system tied back to the B platform on the nearby Enchilada Field. Additional drilling is scheduled in 1999 as part of the Conger development plan, as is design and procurement of required high-pressure, sub-sea system components and materials. The Conger Field is expected to commence production late in 2000.

In the Enchilada Field, production from the A platform began in 1997. The A platform produces from Garden Banks Blocks 83, 84, 127 and 128, in each of which Amerada Hess has a 25% interest. In the third quarter of 1998, production began from the B platform on Garden Banks Block 172 (AHC 60%). Net production for Amerada Hess from the Enchilada Field is expected to peak at 60,000 Mcf of natural gas per day and 3,000 barrels of oil per day in 2000.

Amerada Hess drilled a discovery well in 1,750 feet of water on its Northwestern prospect on Garden Banks Block 200 (AHC 50%) in 1998. The well encountered 163 feet of net pay. The Company is formulating plans for delineation drilling and evaluating development options for the prospect.

During 1998, Amerada Hess acquired 37 blocks in the Gulf of Mexico at a net cost of $36 million. Thirty-five of the blocks are in water depths in excess of 600 feet.

Onshore activities were reduced in 1998 and concentrated on maximizing value in North Dakota and the Gulf Coasts of Texas and Louisiana. Three successful development wells were drilled in the Egypt Field (AHC

GARDEN BANKS BLOCK 215

GULF OF MEXICO

[Graphic Omitted]

SCHIEHALLION
- -----------------
NORTH SEA
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[Graphic Omitted]

75%) in Wharton County, Texas, bringing daily gross production to 30,000 Mcf of natural gas per day and 800 barrels of oil per day.

In the Maurice Field in South Louisiana, two wells were drilled by the Company, bringing gross daily production to 20,000 Mcf of natural gas per day and 400 barrels of oil per day. The Company has a 58% interest in the Maurice Field.

UNITED KINGDOM

Production began from three new developments in the United Kingdom North Sea in 1998 and development of five new fields is expected to be completed in 1999.

The Schiehallion Field came on stream in the third quarter of 1998. Amerada Hess Limited, the Company's British subsidiary, has a 15.67% interest in the Schiehallion Field and its share of production is expected to reach 17,000 barrels of oil per day in 1999.

In the fourth quarter of 1998, production began from the Amerada Hess Limited operated Flora Field. The Flora Field was developed by subsea tieback to the Fife Field. Amerada Hess Limited has an 85% interest in both the Flora and Fife Fields and its share of production from the Flora Field is expected to peak at 12,000 barrels of oil per day this year.

The Bittern Field, located on Blocks 29/1a and 29/1b, will come on stream late in 1999. Amerada Hess Limited manages the joint team that is developing and will operate the production facilities. Amerada Hess Limited has a 29.12% interest in the Bittern Field. Its share of production is expected to reach 17,000 barrels per day near the end of 1999.

The Renee and Rubie Fields were brought on stream in February 1999. The fields are producing through the Amerada Hess Limited operated Ivanhoe/Rob Roy facilities on Block 15/21. Amerada Hess Limited's share of production from the Renee and Rubie Fields is expected to reach 4,000 barrels of oil per day in 1999.

The Buckland Field (AHL 14.07%) is scheduled to commence production in the fourth quarter of 1999. Peak production for Amerada Hess Limited will be 4,000 barrels of oil per day and 5,000 Mcf of natural gas per day in 2000.

Phase two of the development of the Nevis Field (AHL 37.35%) was completed in 1998. Phase three will come on stream through the Beryl production facilities in the third quarter of 1999. Amerada Hess Limited's share of production from Nevis will peak at 12,000

barrels of oil per day and 13,000 Mcf of natural gas per day in 2000.

Amerada Hess Limited has a 27.68% interest in a number of natural gas fields in the Easington Catchment Area, in the southern North Sea. Production from these fields is expected to begin in 1999. Amerada Hess Limited expects to receive peak production of 60,000 Mcf of natural gas per day from these fields.

An appraisal well is being drilled on the Blake Field located on Block 13/24b (AHL 30%) to further appraise previous discoveries. A decision to develop the Blake Field has been delayed pending appraisal. Similarly, a development decision on the discovery known as Goldeneye on Blocks 20/4b (AHL 40%) and 14/29a has been delayed. Late in 1998, the Company concluded that the Mariner Field (AHL 26.67%) was not likely to be developed in the current oil price environment. The Mariner Field contains a large but complex heavy oil reservoir. The Company wrote-off its capitalized costs in the Mariner Field in the fourth quarter of 1998.

Development plans are being formulated for two fields that are economic at current prices. The Cook Field (AHL 28.46%) on Block 21/20a is likely to be developed by tieback to the Anasuria floating production, storage and offloading vessel. Peak production for Amerada Hess Limited is expected to reach 4,000 barrels of oil per day in 2001.

Consideration is being given to developing the Bell Field (AHL 23.08%) by dual tiebacks to the Bessemer Field and the Callisto Field. Production from the Bell Field is expected to peak at 15,000 Mcf of natural gas per day for Amerada Hess Limited in 2000.

NORWAY

A large enhanced-recovery, waterflood project for the Valhall Field remains under evaluation in light of the current low oil prices. Amerada Hess Norge A/S, the Company's Norwegian subsidiary, has a 28.09% interest in the Valhall Field. Net production for Amerada Hess Norge from the Valhall Field averaged 22,556 barrels of oil per day and 24,912 Mcf of natural gas per day in 1998.

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DENMARK

Amerada Hess A/S, the Company's Danish subsidiary, is in the final stages of developing the South Arne Field which it operates with a 57.48% interest. The South Arne Field is scheduled to commence production in the third quarter of this year and is expected to provide net production peaking at 30,000 barrels of oil per day and 40,000 Mcf of natural gas per day in 2000. Successful development drilling and the installation of waterflood facilities resulted in a significant, positive reserve revision for the South Arne Field in 1998.

GABON

The Company acquired the minority interest in Amerada Hess Production Gabon, its Gabonese subsidiary, in 1998. That subsidiary had a 10% interest in the Rabi Kounga Field, the largest producing field in Gabon.

Amerada Hess Production Gabon has a 40% interest in the development of the Atora Field. Production is expected to begin in 2000 and to reach a net level of 6,000 barrels of oil per day for Amerada Hess Production Gabon late in 2000.

AZERBAIJAN

Amerada Hess acquired a 1.68% interest in the AIOC Consortium in the Caspian Sea in 1998. Net production for Amerada Hess currently is averaging about 1,500 barrels of oil per day and is expected to peak at 12,000 barrels of oil per day in 2007.

In January 1999, Amerada Hess and a partner acquired a 20% interest in the Kursanga and Karabagly Fields onshore Azerbaijan, subject to final ratification by the Azerbaijan Parliament. A plan to redevelop the fields is being completed and is expected to be submitted for approval later this year.

THAILAND

Amerada Hess has a 15% interest in the Pailin gas field being developed offshore Thailand. The field will come on stream late this year. Production for Amerada Hess is expected to average 25,000 Mcf of natural gas per day in 2000 rising to a peak of 50,000 Mcf per day in 2002.

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INDONESIA

Amerada Hess has a 30% interest in the Jabung PSC which contains the North Geragai Field and the Makmur Field. Net production from those fields is averaging an aggregate of 3,000 barrels of oil per day.

Elsewhere on the Jabung PSC, crude oil and natural gas discoveries were made on the North Betara and Gemah prospects in 1998, with additional drilling planned on Gemah in 1999. Following these discoveries and successful appraisal drilling on Northeast Betara, gas reserves of about 300 Bcf net to Amerada Hess have been found. Discussions are in progress for the sale of this gas. Development plans are being finalized for the Betara complex and additional drilling is planned for the Gemah prospect.

Amerada Hess is the operator and has a 50% interest in the Lematang Production Sharing Contract in Southern Sumatra, on which a discovery well in 1997 tested at 30,000 Mcf of natural gas per day. A second well is planned on this discovery, and development plans are being formulated for gross production of up to 50,000 Mcf of natural gas per day.

An exploration well drilled on the Pangkah PSC (AHC 36%) tested at 20,000 Mcf of natural gas per day and 987 barrels of oil per day. The discovery is in shallow water on the East Coast of Java. Development options are being studied.

Amerada Hess has reached agreement to acquire a 25% interest in the Jambi Merang contract onshore South Sumatra. This block contains part of the Gelam Field, a producing natural gas field, and also contains a gas discovery that is currently being appraised.

MALAYSIA

Amerada Hess obtained a 70% interest in Block PM304 offshore Malaysia and an 80% interest in Block SK306 offshore Sarawak in Malaysia. Both blocks contain undeveloped discoveries, and the Company plans to acquire and process 3D seismic on these blocks in 1999 prior to drilling in 2000.

BRAZIL

Amerada Hess acquired 32% interests in Blocks BC-8 in the Southern Campos Basin and BS-2 in the Northern Santos Basin offshore Brazil early in 1999. These blocks aggregate 7,500 square kilometers. This marks the first time that a non-Brazilian company has been granted exploration acreage in the Campos Basin. Amerada Hess will conduct a 3D seismic survey on these blocks in 1999.

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SOUTH ARNE

DENMARK

[Graphic Omitted]

HESS EXPRESS
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TAMPA, FLORIDA
- --------------------

[Graphic Omitted]

REFINING, MARKETING AND ENVIRONMENTAL MANAGEMENT

REFINING

Refinery runs at the HOVENSA refinery in St. Croix, United States Virgin Islands, which is 50% owned by Amerada Hess and 50% owned by Petroleos de Venezuela, S.A., averaged 421,000 barrels per day in 1998 versus 411,000 barrels per day in 1997. The fluid catalytic cracking unit operated at a rate in excess of 130,000 barrels per day in 1998 and reached a rate as high as 135,000 barrels per day during the year.

Plans are proceeding for the construction of a delayed coking unit at the HOVENSA refinery. Current plans call for the unit to have capacity of 58,000 barrels per day. Permits are being acquired and it is estimated that construction will take between two and three years. The coking unit will enable the refinery to process lower cost, heavy crude oil that will improve financial returns and make the refinery one of the most sophisticated in the world.

Operating rates at the Company's Port Reading fluid catalytic cracking unit averaged 60,000 barrels per day in 1998. The unit makes gasoline and distillates from feedstocks of vacuum gas oil and residual fuel oil.

MARKETING

The Company continues to build new, high volume HESS gasoline and HESS EXPRESS convenience retail sites, upgrade existing gasoline stations and convenience stores, make acquisitions in key geographic areas and increase the number of independent HESS branded retailers. During 1998, 18 new HESS EXPRESS stores were opened in key markets and construction began on nine others. Thirteen retail sites were acquired in upstate New York markets. A total of 116 stations were upgraded. The largest of the new stations contain 5,000 square foot HESS EXPRESS convenience stores and offer up to four fast food outlets.

Early in 1999, the Company reached agreement to purchase 10 retail sites, which include convenience stores, in Florida. Agreement also was reached to purchase 50 retail sites in central Pennsylvania from the Allentown area to as far west as Harrisburg.

As part of the repositioning of assets, the Company is pursuing the sale of approximately 40 retail marketing outlets in Georgia and in the Greenville, South Carolina area.

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The Company has entered into additional thruput agreements with other oil companies under which products will be stored at HESS terminals along the East Coast of the United States. In addition, the consummation of the joint venture for the Virgin Islands refinery is resulting in transportation and storage synergies with Petroleos de Venezuela.

In 1998, Amerada Hess pursued opportunities on the East Coast being created by the deregulation of the natural gas and electricity markets. The Company's historical fuel oil sales activities were expanded to market natural gas and electricity. At year-end 1998, over 9,000 commercial and industrial customers were under contract with Amerada Hess. Initial sales of electricity commenced in New York and Pennsylvania as part of pilot projects. The Company's vision is to be a leading provider of a range of energy products and related services in its key East Coast markets.

ENVIRONMENTAL MANAGEMENT

Excellent environmental performance is an integral part of the Company's goal of achieving superior financial and operating results while continuing to maintain the highest ethical standards.

In 1998, Amerada Hess published its first Environmental, Health and Safety Report.

In 1998, the Company also approved and began to implement an integrated environmental management system (EMS) for all business activities. The objective is to ensure that the Company's activities are conducted in a consistent, environmentally responsible manner. An Environmental Council consisting of senior line management was also formed.

As part of these efforts, the Company focused attention on its St. Lucia terminal. In January 1999, the St. Lucia terminal was awarded ISO 14001 certification, the international standard for environmental management.

In addition, the Company maintained ISO 14001 certification for its United Kingdom operations, which was originally received in 1997.

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FINANCIAL REVIEW
AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

Management's Discussion and Analysis of
Results of Operations and Financial Condition

CONSOLIDATED RESULTS OF OPERATIONS

The results of operations for 1998, excluding special items, amounted to a loss of $196 million compared with income of $14 million in 1997 and $236 million in 1996.

The after-tax results by major operating activity for 1998, 1997 and 1996 are summarized below (in millions):

	1998	1997	1996
Exploration and production	$ (18)	$ 258	$ 210
Refining, marketing and shipping	(18)	(110)	181
Corporate	(37)	(16)	(19)
Interest	(123)	(118)	(136)
Income (loss) excluding special items	(196)	14	236
Special items	(263)	(6)	424
Net income (loss)	$(459)	$ 8	$ 660
Net income (loss) per share (diluted)	$(5.12)	$ .08	$7.09

COMPARISON OF RESULTS

Exploration and Production: Excluding special items, exploration and production earnings decreased by $276 million in 1998, primarily due to substantially lower worldwide crude oil selling prices and lower United Kingdom crude oil sales volumes. Natural gas selling prices in the United States and United Kingdom were also lower. Partially offsetting these factors were lower exploration expenses, principally in the Gulf of Mexico and North Sea.

Exploration and production earnings increased by $48 million in 1997 compared with 1996. The increase primarily reflected higher average crude oil and natural gas selling prices in the United States and higher natural gas selling prices and a lower effective income tax rate in the United Kingdom.

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

	1998	1997	1996
Crude oil and natural gas liquids (per barrel)			
United States	$ 12.02	$ 18.43	$ 16.49
Foreign	13.05	19.16	20.18
Natural gas (per Mcf)			
United States	2.08	2.42	2.13
Foreign	2.26	2.46	2.03

The Corporation's net daily worldwide production was as follows:

	1998	1997	1996
Crude oil and natural gas liquids (barrels per day)			
United States	44,920	43,950	50,125
Foreign	161,069	174,622	186,672
Total	205,989	218,572	236,797
Natural gas (Mcf per day)			
United States	293,849	311,915	337,653
Foreign	282,628	257,339	347,013
Total	576,477	569,254	684,666

The decrease in foreign crude oil production in 1998 largely reflects maintenance related interruptions at three United Kingdom fields. United States natural gas production was lower in 1998, principally reflecting first quarter asset sales and natural decline. Foreign natural gas production increased in 1998 due to higher demand in the United Kingdom. Lower United States and foreign production in 1997 was primarily due to asset sales in 1996. Limited production began from several new fields in the second half of 1998 and the Corporation has several developments which are expected to commence production in 1999. These projects will add approximately 20% to 1999 production volumes.

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Depreciation, depletion and amortization charges were lower in 1998, principally reflecting lower foreign crude oil production. In addition, the Corporation had positive oil and gas reserve revisions at the end of 1997, which reduced depreciation and amortization charges in 1998. Exploration expenses were lower in 1998 due to reduced drilling in the United States and United Kingdom in response to lower oil prices. Selling, general and administrative expenses related to exploration and production operations were higher in 1998, primarily due to the expansion of natural gas marketing in the United Kingdom and increased foreign exploration and production activity outside of the North Sea.

The effective income tax rate on exploration and production earnings was higher in 1998 than in 1997. The increase was primarily due to exploration expenses in certain foreign areas outside of the United States and North Sea, for which income tax benefits have not been currently provided. Although international exploration expenses were comparable in both years, the impact was greater in 1998 due to lower pre-tax exploration and production earnings. Both years included the benefit of tax adjustments for reductions in the United Kingdom statutory income tax rate. The effective income tax rate on exploration and production earnings in 1997 was lower than in 1996, principally reflecting lower Petroleum Revenue Taxes in the United Kingdom.

Earnings from exploration and production activities have been severely affected by low crude oil prices. The Corporation cannot predict how long low crude oil prices will continue. The Corporation had net additions to oil and gas reserves at the end of 1998, however, constrained exploration and production spending may negatively affect reserve additions in the future.

Refining, Marketing and Shipping: Excluding special items, the results of refining, marketing and shipping operations amounted to losses of $18 million in 1998 and $110 million in 1997 compared with income of $181 million in 1996. Refining margins were weak in both 1998 and 1997, and in addition, there was an inventory write-down at the end of 1997. The results in both years were negatively affected by relatively mild winter weather, which impacted heating oil and residual fuel oil margins. Gasoline margins were adversely affected by extremely competitive market conditions.

The Corporation is expanding its retail operations by purchasing and constructing gasoline stations. The Corporation is also expanding its energy marketing activities. The cost of operating the expanded retail and energy marketing businesses increased selling, general and administrative expenses in 1998.

As described in Note 2 to the financial statements, on October 30, 1998, the Corporation completed a refinery joint venture, HOVENSA L.L.C. (HOVENSA), with a subsidiary of Petroleos de Venezuela, S.A. (PDVSA). The Corporation accounts for its 50% investment in the joint venture using the equity method and recorded a loss of $16 million for the two months since inception. The loss was due to a write-down of inventory values at year-end. Income taxes or benefits are not recorded on HOVENSA results due to available loss carryforwards. Refining and marketing results include interest income of $8 million on the PDVSA note received in connection with the formation of the joint venture.

Total refined product sales volumes amounted to 176 million barrels in 1998, 186 million barrels in 1997 and 181 million barrels in 1996. As a result of the formation of, and equity accounting for, HOVENSA, sales made to third parties are no longer included in the Corporation's reported revenues. Through the first ten months of 1998, these sales accounted for 32 million barrels and $600 million in revenues.

In 1997, refined product selling prices were lower than in 1996. The lower selling prices in relation to the Corporation's inventory costs resulted in lower margins on the sales of refined products and a reduction in inventory values at year-end.

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Refined product margins continued to be severely depressed in early 1999, reflecting oversupply of petroleum products due to competitive market conditions and supply and demand factors, including the effects of weather. Refining and marketing results will continue to be adversely affected as long as such conditions prevail.

HOVENSA accounts for inventories on the last-in, first-out (LIFO) method. Effective January 1, 1999, the Corporation also adopted LIFO for its refining and marketing inventories.

The Corporation is considering the sale of several non-strategic U.S. storage terminals and retail sites. The terminals are located on the Gulf Coast and along the Colonial Pipeline in the southeast United States and represent approximately one-third of the Corporation's United States storage network. The Corporation expects to sell approximately 40 retail gasoline outlets located in Georgia and South Carolina.

Corporate: Net corporate expenses amounted to $37 million in 1998, $16 million in 1997 and $19 million in 1996. Administrative expenses were comparable in each period. The variances in net expenses are primarily due to Corporate income tax adjustments, including the impact of foreign source earnings on United States income taxes and recognition of capital loss carryforwards in 1997.

Interest: After-tax interest expense increased by 4% in 1998 compared with a decrease of 13% in 1997. The increase in 1998 reflects higher outstanding borrowings, offset by lower interest rates and increased interest capitalization. Assuming interest rates comparable to 1998, interest expense in 1999 is anticipated to be somewhat higher than in 1998, reflecting a higher average debt balance.

Consolidated Operating Revenues: Sales and other operating revenues decreased by approximately 20% in 1998, principally due to lower crude oil and refined product selling prices and, to a lesser extent, lower sales volumes. Sales and other operating revenues declined slightly in 1997 compared with 1996.

SPECIAL ITEMS

After-tax special items in 1998, 1997 and 1996 are summarized below (in millions):

	TOTAL	EXPLORATION AND PRODUCTION	REFINING, MARKETING AND SHIPPING
1998			
Gain (loss) on asset sales	$ (50)	$ 56	$(106)
Impairment of assets and operating leases	(198)	(154)	(44)
Severance	(15)	(15)	--
Total	$(263)	$(113)	$(150)
1997			
Asset impairment	$ (55)	$ (55)	$ --
Foreign tax refund	38	38	--
Gain on asset sale	11	11	--
Total	$ (6)	$ (6)	$ --
1996			
Gain on asset sales	$ 421	$ 421	$ --
Litigation settlement	25	25	--
Asset write-downs	(22)	(22)	--
Total	$ 424	$ 424	$ --

The 1998 special items include a loss of $106 million on the sale of 50% of the St. Croix refinery and formation of the HOVENSA joint venture. The Corporation also had gains of $56 million on the sale of oil and gas assets in the United States and Norway. Asset impairment in 1998 includes $44 million for the Corporation's crude oil storage terminal in St. Lucia. The terminal's value was affected by reduced storage requirements as a result of the crude oil supply provisions of the HOVENSA joint venture. In addition, the Corporation recorded $42 million for the reduction in carrying value of certain exploration and production assets, including $29 million for its share of asset impairment of Premier Oil plc, an equity affiliate. It is estimated that these charges will reduce future expenses by approximately $19 million in 1999 and $9 million in 2000.

The Corporation also recorded a charge of $77 million for the decline in value of fixed-price drilling service contracts and $35 million for the impairment of a North Sea oil discovery. The Corporation's accrual for fixed-price drilling service contracts includes amounts that will be paid, and otherwise would have been expensed, in 1999 and 2000 of approximately $30 million and $47 million (after income tax effect). Severance of $15 million was also recorded in 1998 and is expected to result in an annual benefit of a comparable amount. Approximately $2 million of severance has been paid in 1998 and substantially all of the remainder will be paid in 1999.

The 1997 special items include an after-tax charge of $55 million for the reduction in carrying values and provision for future costs of two United Kingdom North Sea oil fields. Approximately 70% of the remaining crude oil from these fields was produced during 1998 and the balance will be produced in 1999. Other 1997 special items included income of $38 million from a refund of United Kingdom Petroleum Revenue Taxes and a gain of $11 million on the sale of a United States natural gas field.

The net gain on asset sales in 1996 of $421 million reflected the sale of the Corporation's Canadian operations, certain United States and United Kingdom producing properties and Abu Dhabi assets. The other 1996 special items included income from the settlement of litigation on the right to drill certain South Atlantic leases and a charge principally to reduce the carrying values of certain United States undeveloped leases.

See Note 3 to the financial statements for additional information on the special items affecting the Corporation's earnings.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities, including changes in operating assets and liabilities, amounted to $519 million in 1998, $1,250 million in 1997 and $808 million in 1996. The variance between 1998 and 1997 was largely due to operating results and working capital changes, principally reduced inventory balances in 1997 and increased prepaid expenses in 1998.

The Corporation received proceeds of approximately $370 million on finalization of the refining joint venture, including $307 million for inventory and other working capital sold to HOVENSA and $62.5 million from PDVSA representing the cash portion of the purchase price. These amounts are reflected in proceeds from asset sales in the statement of cash flows. The Corporation also recorded a note for $562.5 million bearing interest at 8.46% per annum. In addition, the sale of three oil and gas properties in the United States and Norway generated proceeds of $98 million in 1998. In the first quarter of 1999, the Corporation also sold onshore United States natural gas properties for $54 million.

In connection with its asset rationalization program, the Corporation periodically reviews and considers for sale those assets that are underperforming or non-strategic. When determining its capital budget, the Corporation takes into account the estimated proceeds from these anticipated asset sales, as well as estimates of cash to be provided by operations. In 1998, these amounts totaled $987 million, consisting of $519 million in cash provided by operating activities and $468 million in proceeds from major asset sales.

Total debt was $2,652 million at December 31, 1998 compared with $2,127 million at December 31, 1997. The debt to capitalization ratio increased to 50.1% from 39.8% at year-end 1997. At December 31, 1998, floating rate debt amounted to 32% of total debt, including the effect of interest rate conversion (swap) agreements. At December 31, 1998, the Corporation had $805 million of additional borrowing capacity available under its long-term revolving credit agreement, $300 million under a committed revolving credit line maturing in August 1999 and additional unused lines of credit under uncommitted arrangements with banks of $362 million. The existing borrowing arrangements, including restrictive covenants, are more fully described in Note 7 to the financial statements.

During 1998, the Corporation completed private placements of $225 million of fixed rate debt with three insurance companies having a weighted average maturity of 7.4 years. The Corporation also completed the sale and leaseback of its interests in the production platforms and related facilities of two Gulf of Mexico producing properties. These transactions have been accounted for as financings.

In 1998 and 1997, the Corporation sold subsequent year crude oil production for $249 million and $174 million, respectively, which is recorded as deferred revenue and resulted in reduced debt at the end of each year.

During 1998, the Corporation purchased 1,071,500 shares of common stock for $56 million under its $250 million stock repurchase program which is scheduled to expire on March 31, 1999. Through December 31, 1998, $190 million has been spent on repurchased shares under this program.

The Corporation conducts foreign exploration and production activities in the United Kingdom, Norway, Denmark, Gabon, Indonesia, Azerbaijan and in other countries. Therefore, the Corporation is subject to the risks associated with foreign operations. These risks include the effects of changes in values of currencies on the financial statements. However, the effect of foreign currency translation on the Corporation's earnings and stockholders' equity has not been material and has not affected its liquidity or ability to raise capital. Although the financial problems in Asia and other parts of the world have contributed to the worldwide decline in crude oil prices, the Asian financial problems have not had a material adverse effect on the carrying values of the Corporation's foreign investments.

CAPITAL EXPENDITURES

The following table summarizes the Corporation's capital expenditures in 1998, 1997 and 1996 (in millions):

	1998	1997	1996
Exploration and production			
Exploration	$ 242	$ 286	$ 236
Development	915	679	512
Acquisitions	150	193	40
	1,307	1,158	788
Refining, marketing and shipping	132	188	73
Total	$1,439	$1,346	$ 861

Development expenditures include approximately $690 million and $460 million in 1998 and 1997, respectively, for major new oil and gas developments. Acquisitions in 1998 reflect $100 million for exploration and production interests in Azerbaijan and $50 million for an increased interest in a consolidated subsidiary with proved crude oil reserves and exploration licenses in Gabon. Acquisitions in 1997 principally represent purchases of developed and undeveloped oil and gas properties in the United Kingdom. Refining and marketing expenditures in 1997 include the purchase of a chain of retail marketing properties in Florida.

Oil and gas development expenditures are expected to be lower in 1999 as new fields come onstream and the Corporation has significantly reduced planned exploration expenditures due to lower crude oil prices. As a result, the Corporation expects its total capital expenditures, excluding acquisitions, if any, to approximate $900 million in 1999. These expenditures will be financed by internally generated funds and external borrowings.

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation is exposed to market risks related to volatility in the selling prices of crude oil, natural gas and refined products, as well as to changes in interest rates and foreign currency values. Derivative instruments are used to reduce the risks of these price and rate fluctuations and the Corporation has guidelines for, and controls over, the use of such instruments.

Futures, forwards, options and swaps are used 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 products and the related gains or losses are an integral part of the Corporation's selling prices. At December 31, the Corporation had open hedge positions equal to 3% of its estimated 1999 United States natural gas production. In addition, the Corporation had hedges covering 9% of its refining and marketing inventories. As market conditions change, the Corporation will adjust its hedge positions.

The Corporation owns an interest in a partnership that trades energy commodities and energy derivatives. The accounts of the partnership are consolidated with those of the Corporation. The Corporation also engages in trading for its own account.

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. This method determines the potential one-day change in fair value with 95% confidence. The analysis is based on historical volatility, historical simulation and other assumptions. The Corporation estimates that at December 31, 1998, the value at risk related to hedging activities, excluding the physical inventory hedged, was $1 million ($5 million at December 31, 1997). During 1998, the average value at risk for hedging activities was $4 million, the high was $5 million and the low was $1 million. The value at risk on trading activities, predominantly partnership trading, was $4 million at December 31, 1998 ($2 million at December 31, 1997). During 1998, the average value at risk for trading activities was $5 million, the high was $6 million and the low was $3 million.

The Corporation also uses interest-rate conversion agreements to reduce exposure to rising interest rates. At December 31, 1998, the Corporation has $400 million of notional-value, interest-rate conversion agreements that effectively reduce its percentage of floating rate debt from 47% to 32% ($300 million at December 31, 1997). These agreements relate to the Corporation's outstanding debt of $2,652 million, which together with the interest-rate swaps has a fair value of $2,735 million at December 31, 1998. A 10% change in interest rates would change the fair values of debt and related swaps by $64 million at December 31, 1998 ($48 million at December 31, 1997).

The Corporation also hedges a portion of its exposure to fluctuating foreign exchange rates, principally the Pound Sterling. Generally, the Corporation uses forward contracts to fix the exchange rate on a portion of the currency used in its North Sea operations. The possible change in fair value of these contracts from a 10% change in the exchange rate is estimated to be $10 million at December 31, 1998 ($18 million at December 31, 1997). See Note 13 to the financial statements for additional information on financial instruments, hedging and trading activities.

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YEAR 2000

Some older computer software and embedded computer systems use two digits rather than four to reflect dates used in performing calculations. Because these computer programs and embedded systems may not properly recognize the year 2000, errors may result causing potentially serious disruptions. In addition, third parties with which the Corporation does business face the same problems.

The Corporation has a worldwide program to identify software and hardware that is not year 2000 compliant. The Corporation is also determining the year 2000 status of major vendors and customers and has begun contingency planning. The Corporation's year 2000 project is jointly managed by its Chief Information Officer and its Vice President of Internal Audit.

Status of year 2000 project: Since 1995, the Corporation has been installing new financial and business systems as part of its reengineering project. Although the primary purpose of the project is to increase efficiency and effectiveness, the new software is year 2000 compliant. These new systems have replaced, or will replace, approximately 70% of noncompliant software. The final phase of the new software installation is scheduled for completion in the second quarter of 1999.

The Corporation has assessed its remaining software. Remediation of the remaining software is largely complete and testing of changes is in progress. Testing is scheduled to be complete by the third quarter of 1999. The Corporation has completed approximately 70% of this portion of the project at December 31. The Corporation principally uses external consultants on this phase of the project.

There are embedded computer systems used throughout the Corporation's operations. The Corporation has hired consultants to evaluate embedded systems. The inventory and assessment phases will be completed at the end of the first quarter of 1999. Remediation of critical systems, where required, should finish in the second quarter of 1999. Remediation of all other systems, where required, will be completed in the third quarter. At December 31, assessment and remediation of embedded computer systems is approximately 65% complete.

The Corporation has also undertaken a supplier and customer analysis of year 2000 readiness. The identification process is complete. Communication with third parties to assess their progress in addressing year 2000 problems is in progress. The third party analysis will be completed by the end of the second quarter of 1999 and is approximately 60% complete at December 31.

Costs: The new systems that replace approximately 70% of noncompliant software will have a total cost of approximately $50 million (of which approximately 85% has been expended at December 31). The Corporation expects to spend an additional $12 million for remediation of remaining systems, primarily for outside consultants, which is being expensed as incurred. To date, the Corporation has expended approximately $6 million of the expected total.

The Corporation has not deferred ongoing information technology projects because of year 2000 efforts.

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Risks: There are uncertainties inherent in the year 2000 problem, partially resulting from the readiness of customers and suppliers. The failure to correct material year 2000 problems could interrupt business and operations. Uncorrected, these interruptions could have a material effect on the Corporation's financial position and results of operations. Consequently, the Corporation cannot determine whether year 2000 failures will materially affect its financial position or results of operations. However, the objective of the Corporation's year 2000 project is to reduce these risks.

Contingency planning: Contingency plans are necessary to ensure that risks associated with year 2000 are mitigated. In the normal course of business, the Corporation has developed contingency plans to ensure that it has alternate suppliers for critical materials and equipment and that production of crude oil, natural gas and refined products can be sold. The Corporation is in the design phase of contingency planning for year 2000 and expects to use existing contingency plans in this process. Contingency planning will be completed by the third quarter of 1999 and updated at year-end, if appropriate.

In addition, the Corporation has engaged external consultants to review and benchmark the progress of its year 2000 project.

Safe Harbor: Certain information in this section on year 2000 is forward looking. This includes projected costs, time tables for, and percentages of, completion of projects and possible effects. These disclosures are based on the Corporation's current understanding and assessment of the year 2000 problem. Assumptions used, such as availability of resources, and the status of its year 2000 assessment and remediation projects may change. In addition, suppliers and customers may fail to be ready for year 2000. Consequently, actual results may differ from these disclosures.

ENVIRONMENTAL MANAGEMENT

The Corporation is aware of its environmental responsibilities and the relevant environmental regulations with which it must comply at the federal, state and local level. Accordingly, the Corporation incurs ongoing operating costs and capital investment. The Corporation believes that it has made the necessary expenditures to comply with existing legislation and that it is well positioned to meet currently proposed regulations.

The Corporation continues to focus on energy conservation, pollution control and waste minimization and treatment. There are also programs for compliance evaluation, facility auditing and employee training to monitor operational activities and to prevent conditions that might threaten the environment.

In 1998, the Corporation published its first Environmental, Health and Safety Report. The report includes the Corporation's environmental policy and summarizes environmental performance and emissions data for 1997. The Corporation's Executive Committee approved an environmental business plan in July 1998 and implementation of the plan has begun. As part of the plan, the Corporation will develop an integrated environmental management system. The Corporation's objective is to ensure that its activities are conducted in an environmentally responsible and consistent manner.

The Corporation expects continuing expenditures for environmental assessment and remediation. Sites where corrective action may be necessary include gasoline stations, terminals, refineries (including solid waste management units under permits issued pursuant to the Resource Conservation and Recovery Act) and, although not significant, Superfund sites where the Corporation has been named a potentially responsible party under the Superfund legislation. The Corporation expects that existing reserves for environmental liabilities will adequately cover costs of assessing and remediating known sites.

The Corporation expended $9 million in 1998, $12 million in 1997 and $13 million in 1996 for remediation. In addition, capital expenditures for facilities, primarily to comply with federal, state and local environmental standards, were $4 million in 1998, $5 million in 1997 and $7 million in 1996.

FORWARD LOOKING INFORMATION

Certain sections of the Financial Review, including references to the Corporation's future results of operations and financial position, capital expenditures, planned asset sales, derivative disclosures and year 2000 and environmental sections, represent forward looking information. The 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.

DIVIDENDS

Cash dividends on common stock totaled $.60 per share ($.15 per quarter) during 1998 and 1997.

STOCK MARKET INFORMATION

The common stock of Amerada Hess Corporation is traded principally on the New York Stock Exchange (ticker symbol: AHC). High and low sales prices in 1998 and 1997 were as follows:

	1998		1997	
QUARTER ENDED	HIGH	LOW	HIGH	LOW
March 31	61 1/16	48 5/16	62	52 3/8
June 30	59 1/8	50 5/16	56 3/8	47 3/8
September 30	59 5/8	46	62 3/4	54 3/16
December 31	59 1/8	48	64 1/2	49 5/16

QUARTERLY FINANCIAL DATA

Quarterly results of operations for the years ended December 31, 1998 and 1997 follow (millions of dollars, except per share data):

QUARTER	SALES AND OTHER OPERATING REVENUES	GROSS PROFIT(a)	INCOME (LOSS) EXCLUDING SPECIAL ITEMS	SPECIAL ITEMS	NET INCOME (LOSS)	NET INCOME (LOSS) PER SHARE (DILUTED)
1998						
First	$1,826	$ 253	$ (69)	$ 56(b)	$ (13)	$ (.14)
Second	1,617	259	(22)	--	(22)	(.24)
Third	1,531	239	(6)	--	(6)	(.07)
Fourth	1,616	158	(99)	(319)(c)	(418)	(4.70)
Total	$6,590	$ 909	$ (196)	$ (263)	$ (459)	
1997						
First	$2,397	$ 336	$ 4	$ --	$ 4	$ .05
Second	1,834	312	31	11(b)	42	.45
Third	1,885	342	23	--	23	.25
Fourth	2,118	270	(44)	(17)(d)	(61)	(.67)
Total	$8,234	$1,260	$ 14	$ (6)	$ 8	

(a) Gross profit represents sales and other operating revenues less cost of products sold and operating expenses and depreciation, depletion and amortization.

(b) Represents net gains on asset sales.

(c) Includes a loss of $106 million on the formation of a refining joint venture, impairment of assets and operating leases of $198 million and accrued severance costs of $15 million.

(d) Reflects an after-tax charge of $55 million for the impairment of two oil fields in the United Kingdom North Sea and income of $38 million from a refund of United Kingdom taxes.

The results of operations for the periods reported herein should not be considered as indicative of future operating results.

STATEMENT OF CONSOLIDATED INCOME

AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

THOUSANDS OF DOLLARS, EXCEPT PER SHARE DATA	FOR THE YEARS ENDED DECEMBER 31 1998	1997	1996
REVENUES			
Sales (excluding excise taxes) and other operating revenues	$6,590,009	$8,233,723	$8,272,186
Non-operating revenues			
Gain (loss) on asset sales	(25,679)	16,463	529,271
Equity in loss of HOVENSA L.L.C	(15,848)	--	--
Other	68,984	89,860	128,254
Total revenues	6,617,466	8,340,046	8,929,711
COSTS AND EXPENSES			
Cost of products sold and operating expenses	5,024,405	6,301,046	6,074,695
Exploration expenses, including dry holes and lease impairment	337,518	373,180	342,860
Selling, general and administrative expenses	753,251	649,815	602,329
Interest expense	152,934	136,149	165,501
Depreciation, depletion and amortization	656,991	672,669	730,382
Impairment of assets and operating leases	206,478	80,602	--
Total costs and expenses	7,131,577	8,213,461	7,915,767
Income (loss) before income taxes	(514,111)	126,585	1,013,944
Provision (benefit) for income taxes	(55,218)	119,085	353,845
NET INCOME (LOSS)	$ (458,893)	$ 7,500	$ 660,099
NET INCOME (LOSS) PER SHARE			
Basic	$(5.12)	$.08	$7.13
Diluted	$(5.12)	$.08	$7.09

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

THOUSANDS OF DOLLARS, EXCEPT PER SHARE DATA	FOR THE YEARS ENDED DECEMBER 31 1998	1997	1996
BALANCE AT BEGINNING OF YEAR	$2,463,005	$2,613,920	$2,017,064
Net income (loss)	(458,893)	7,500	660,099
Dividends declared--common stock ($.60 per share in 1998, 1997 and 1996)	(54,520)	(55,090)	(55,761)
Common stock acquired and retired	(45,526)	(103,325)	(7,482)
BALANCE AT END OF YEAR	$1,904,066	$2,463,005	$2,613,920

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET
AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

THOUSANDS OF DOLLARS	AT DECEMBER 31 1998	1997
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 73,791	$ 91,154
Accounts receivable		
Trade	954,353	951,796
Other	58,831	41,302
Inventories	482,182	937,949
Current portion of deferred income taxes	114,194	105,391
Other current assets	203,355	76,040
Total current assets	1,886,706	2,203,632
INVESTMENTS AND ADVANCES		
HOVENSA L.L.C	702,581	--
Other	232,826	250,458
Total investments and advances	935,407	250,458
PROPERTY, PLANT AND EQUIPMENT		
Exploration and production	9,718,424	8,779,807
Refining	73,244	2,688,403
Marketing	1,120,109	1,025,178
Shipping	115,462	128,247
Total--at cost	11,027,239	12,621,635
Less reserves for depreciation, depletion, amortization and lease impairment	6,835,301	7,430,841
Property, plant and equipment--net	4,191,938	5,190,794
NOTE RECEIVABLE	538,500	--
DEFERRED INCOME TAXES AND OTHER ASSETS	330,432	289,735
TOTAL ASSETS	$7,882,983	$7,934,619

	AT DECEMBER 31	
	1998	1997
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable--trade	$ 713,831	$ 752,576
Accrued liabilities	554,632	491,644
Deferred revenue	251,328	175,684
Taxes payable	100,686	195,692
Notes payable	3,500	17,825
Current maturities of long-term debt	172,820	106,430
Total current liabilities	1,796,797	1,739,851
LONG-TERM DEBT	2,476,145	2,003,033
DEFERRED LIABILITIES AND CREDITS		
Deferred income taxes	483,843	562,371
Other	482,786	413,665
Total deferred liabilities and credits	966,629	976,036
STOCKHOLDERS' EQUITY		
Preferred stock, par value $1.00		
Authorized--20,000,000 shares for issuance in series	--	--
Common stock, par value $1.00		
Authorized--200,000,000 shares		
Issued--90,356,705 shares in 1998; 91,451,205 shares in 1997	90,357	91,451
Capital in excess of par value	764,412	774,631
Retained earnings	1,904,066	2,463,005
Equity adjustment from foreign currency translation	(115,423)	(113,388)
Total stockholders' equity	2,643,412	3,215,699
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 7,882,983	$ 7,934,619

The consolidated financial statements reflect the successful efforts method of accounting for oil and gas exploration and producing activities.

See accompanying notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED CASH FLOWS
AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

	FOR THE YEARS ENDED DECEMBER 31		
THOUSANDS OF DOLLARS	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ (458,893)	$ 7,500	$ 660,099
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation, depletion and amortization	656,991	672,669	730,382
Impairment of assets and operating leases	206,478	80,602	--
Exploratory dry hole costs	159,435	191,351	164,601
Lease impairment	47,440	37,185	52,825
(Gain) loss on asset sales	25,679	(16,463)	(529,271)
(Increase) decrease in accounts receivable	6,335	(148,488)	(66,452)
(Increase) decrease in inventories	122,204	333,477	(434,206)
Increase in accounts payable, accrued liabilities and deferred revenue	185,403	198,596	110,736
Increase (decrease) in taxes payable	(87,118)	(46,626)	32,623
Provision (benefit) for deferred income taxes	(137,922)	(80,208)	43,483
Changes in prepaid expenses and other	(207,244)	20,412	42,901
Net cash provided by operating activities	518,788	1,250,007	807,721
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures			
Exploration and production	(1,306,438)	(1,157,938)	(788,286)
Refining, marketing and shipping	(132,240)	(187,652)	(72,339)
Total capital expenditures	(1,438,678)	(1,345,590)	(860,625)
Proceeds from asset sales and other	502,854	63,017	1,037,073
Net cash provided by (used in) investing activities	(935,824)	(1,282,573)	176,448
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance (repayment) of notes	(14,342)	1,982	(72,046)
Long-term borrowings	848,320	398,391	--
Repayment of long-term debt and capitalized lease obligations	(317,144)	(209,000)	(794,527)
Cash dividends paid	(54,647)	(55,373)	(55,746)
Common stock acquired	(59,167)	(122,283)	(8,236)
Net cash provided by (used in) financing activities	403,020	13,717	(930,555)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(3,347)	(2,519)	2,837
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,363)	(21,368)	56,451
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	91,154	112,522	56,071
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 73,791	$ 91,154	$ 112,522

See accompanying notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED CHANGES IN COMMON STOCK AND CAPITAL IN EXCESS OF PAR VALUE

AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

THOUSANDS OF DOLLARS	COMMON STOCK NUMBER OF SHARES	COMMON STOCK AMOUNT	CAPITAL IN EXCESS OF PAR VALUE
BALANCE AT JANUARY 1, 1996	93,011,255	$ 93,011	$ 744,252
Distributions to trustee under executive incentive compensation and stock ownership plans (net)	211,750	212	11,300
Common stock acquired and retired	(154,700)	(155)	(1,247)
Employee stock options exercised	5,000	5	254
BALANCE AT DECEMBER 31, 1996	93,073,305	93,073	754,559
Distributions to trustee under executive incentive compensation and stock ownership plans (net)	719,000	719	38,145
Common stock acquired and retired	(2,368,100)	(2,368)	(19,419)
Employee stock options exercised	27,000	27	1,346
BALANCE AT DECEMBER 31, 1997	91,451,205	91,451	774,631
Cancellations under executive incentive compensation and stock ownership plans (net)	(26,000)	(26)	(1,292)
Common stock acquired and retired	(1,071,500)	(1,071)	(9,073)
Employee stock options exercised	3,000	3	146
BALANCE AT DECEMBER 31, 1998	90,356,705	$ 90,357	$ 764,412

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

THOUSANDS OF DOLLARS	FOR THE YEARS ENDED DECEMBER 31 1998	1997	1996
COMPONENTS OF COMPREHENSIVE INCOME (LOSS)			
Net income (loss)	$(458,893)	$ 7,500	$ 660,099
Change in foreign currency translation adjustment	(2,035)	(35,467)	116,010
COMPREHENSIVE INCOME (LOSS)	$(460,928)	$ (27,967)	$ 776,109

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS: Amerada Hess Corporation and subsidiaries (the "Corporation") engage in the exploration for and the production, purchase, transportation and sale of crude oil and natural gas. These activities are conducted primarily in the United States, United Kingdom, Norway and Gabon. The Corporation also has oil and gas activities in Azerbaijan, Denmark, Indonesia, Thailand and other countries. In addition, the Corporation manufactures, purchases, transports and markets refined petroleum and other energy products. The Corporation owns 50% of a refinery joint venture in the United States Virgin Islands. An additional refining facility, terminals and retail outlets are located principally on the East Coast of the United States.

In preparing financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheet and revenues and expenses in the income statement. Actual results could differ from those estimates. Among the estimates made by management are: oil and gas reserves, inventory and other asset valuations, pension liabilities, environmental obligations, depreciation, depletion and amortization, dismantlement costs and income taxes.

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of Amerada Hess Corporation and subsidiaries. The Corporation's interests in oil and gas exploration and production ventures are proportionately consolidated.

Investments in affiliated companies, 20% to 50% owned, including HOVENSA L.L.C., the Corporation's refining joint venture, are stated at cost of acquisition plus the Corporation's equity in undistributed net income since acquisition. The change in the equity in net income of these companies is included in non-operating revenues in the income statement.

Intercompany transactions and accounts are eliminated in consolidation.

Certain amounts in prior years' financial statements have been reclassified to conform with current year presentation.

CASH AND CASH EQUIVALENTS: Cash equivalents consist of highly liquid investments, which are readily convertible into cash and have maturities of three months or less.

INVENTORIES: Crude oil and refined product inventories are valued at the lower of cost or market value. Cost is determined principally on the average cost method.

Inventories of materials and supplies are valued at or below cost.

EXPLORATION AND DEVELOPMENT COSTS: Oil and gas exploration and production activities are accounted for on the successful efforts method. Costs of acquiring undeveloped oil and gas leasehold acreage, including lease bonuses, brokers' fees and other related costs, are capitalized. Provisions for impairment of undeveloped oil and gas leases are based on periodic evaluations and other factors.

Annual lease rentals and exploration expenses, including geological and geophysical expenses and exploratory dry hole costs, are charged against income as incurred.

Costs of drilling and equipping productive wells, including development dry holes, and related production facilities are capitalized.

DEPRECIATION, DEPLETION AND AMORTIZATION: Depreciation, depletion and amortization of oil and gas production equipment, properties and wells are determined on the unit-of-production method based on estimated recoverable oil and gas reserves. Depreciation of all other plant and equipment is determined on the straight-line method based on estimated useful lives.

The estimated costs of dismantlement, restoration and abandonment, less estimated salvage values, of offshore oil and gas production platforms and certain other facilities are taken into account in determining depreciation.

RETIREMENT OF PROPERTY, PLANT AND EQUIPMENT: Costs of property, plant and equipment retired or otherwise disposed of, less accumulated reserves, are reflected in net income.

MAINTENANCE AND REPAIRS: The estimated costs of major maintenance, including turnarounds at the Port Reading refining facility, are accrued. Other expenditures for maintenance and repairs are charged against income as incurred. Renewals and improvements are treated as additions to property, plant and equipment, and items replaced are treated as retirements.

ENVIRONMENTAL EXPENDITURES: The Corporation capitalizes environmental expenditures that increase the life or efficiency of property or that reduce or prevent environmental contamination. The Corporation accrues for environmental expenses resulting from existing conditions related to past operations when the costs are probable and reasonably estimable.

EMPLOYEE STOCK OPTIONS AND NONVESTED COMMON STOCK AWARDS: The Corporation uses the intrinsic value method to account for employee stock options. Because the exercise prices of employee stock options equal or exceed the market price of the stock on the date of grant, the Corporation does not recognize compensation expense. The Corporation records compensation expense for nonvested common stock awards ratably over the vesting period.

FOREIGN CURRENCY TRANSLATION: The local currency is the functional currency (primary currency in which business is conducted) for the Corporation's United Kingdom and Norwegian operations. The U.S. dollar is the functional currency for other foreign operations. Adjustments resulting from translating foreign functional currency assets and liabilities into U.S. dollars are recorded in a separate component of stockholders' equity entitled "Equity adjustment from foreign currency translation." Gains or losses resulting from transactions in other than the functional currency are reflected in net income. The Corporation is studying a change to the U.S. dollar functional currency for its United Kingdom operations for 1999 reporting.

HEDGING: The Corporation uses futures, forwards, options and swaps to hedge the effects of fluctuations in the prices of crude oil, natural gas and refined products and changes in interest rates and foreign currency values. These transactions meet the requirements for hedge accounting, including designation and correlation. The resulting gains or losses, measured by quoted market prices, termination values or other methods, are accounted for as part of the transactions being hedged, except that losses not expected to be recovered upon the completion of hedged transactions are expensed. On the balance sheet, deferred gains and losses are included in current assets and liabilities.

TRADING: The results of commodity trading activities are marked to market, with gains and losses recorded in operating revenue.

2. REFINING JOINT VENTURE

On October 30, 1998, the Corporation formed a joint venture with Petroleos de Venezuela, S.A. (PDVSA). Pursuant to this transaction, PDVSA, V.I., Inc. (PDVSA V.I.), a wholly-owned subsidiary of PDVSA, purchased a 50% interest in the fixed assets of the Corporation's Virgin Islands refinery for $62,500,000 in cash, a 10-year note from PDVSA V.I. for $562,500,000, bearing interest at 8.46% per annum and requiring principal payments over its term, and a $125,000,000, 10-year, contingent note, also bearing interest at 8.46% per annum (which contingent note was not valued for accounting purposes). PDVSA V.I.'s payment obligations under both notes are guaranteed by PDVSA and secured by a pledge of PDVSA V.I.'s interest in the joint venture. The Corporation's Virgin Islands subsidiary and PDVSA V.I. each contributed their 50% interest in the refinery fixed assets to HOVENSA L.L.C. (HOVENSA). HOVENSA is 50% owned by this subsidiary of the Corporation and 50% owned by PDVSA V.I. and operates the Virgin Islands refinery. The Corporation purchased refined products from HOVENSA at a cost of approximately $151,000,000 during the two months ended December 31, 1998.

At closing, the Corporation also received $307,000,000 from HOVENSA as payment for the net working capital of the refinery. The Corporation's investment in the joint venture is accounted for using the equity method. Summarized financial information for HOVENSA as of December 31, 1998 and for the two months since inception follows:

Thousands of dollars	1998
SUMMARIZED BALANCE SHEET INFORMATION	
At December 31	
Current assets	$ 352,171
Net fixed assets	1,343,712
Other assets	27,711
Current liabilities	(133,454)
Long-term debt	(250,000)
Deferred liabilities and credits	(27,718)
Partners' equity	$ 1,312,422
SUMMARIZED INCOME STATEMENT INFORMATION	
For the period ended December 31	
Total revenues	$ 344,896
Costs and expenses	(343,904)
Inventory market value changes	(31,999)
Net loss	$ (31,007)*

* The Corporation's share of HOVENSA's loss was $15,848.

3. SPECIAL ITEMS

1998: In connection with the sale of a 50% interest in the fixed assets of the Corporation's Virgin Islands refinery, the Corporation recorded a loss of $106,000,000. The contingent note of $125,000,000 received from PDVSA V.I. was not valued for accounting purposes. The Corporation also recorded an additional noncash charge of $44,000,000 for the reduction in carrying value of its crude oil storage terminal in St. Lucia, which will be used less as a result of the joint venture. The amount of this charge was based on an estimate of fair value of the facility determined by discounting anticipated future net cash flows. No income tax benefit was recorded on either charge.

Exploration and production results included a special after-tax charge of $77,000,000 for the reduction in market value of fixed-priced drilling service contracts due to the decline in worldwide crude oil prices. This charge reflects estimated costs that will not be recovered through subcontracts on several drilling rigs. Pre-tax excess costs of approximately $90,000,000 were recorded as liabilities in the balance sheet. A charge of $54,000,000 ($35,000,000 after income taxes) was also recorded for the impairment of capitalized costs related to a North Sea oil discovery, which is uneconomic at current prices. The Corporation also expensed $29,000,000 for its share of asset impairment of an equity affiliate and $13,000,000 for the reduction in carrying value of developed and undeveloped properties in the United States and United Kingdom.

Net expenses of approximately $15,000,000 were also recorded for severance covering approximately 400 exploration and production employees (of which approximately 200 had been terminated at year-end). Approximately $2,000,000 of severance has been paid in 1998. In addition, the Corporation recorded gains of $56,200,000 on the sale of oil and gas assets in the United States and Norway.

The impairment of carrying values of the crude oil storage terminal and exploration and production assets, including the loss on drilling service contracts, is reflected in a separate impairment line in the income statement. Gains (losses) on asset sales and equity in net income (loss) of affiliates are included in non-operating revenues. Severance and related costs, before income tax effect, are included in selling, general and administrative expenses.

1997: The Corporation recorded a charge of $80,600,000 (approximately $55,000,000 after income taxes) for impairment of long-lived assets and a long-term operating lease, as a result of reserve revisions on two oil fields in the United Kingdom North Sea. The Corporation also recorded income of $38,200,000 from a refund of United Kingdom Petroleum Revenue Taxes. In 1997, the Corporation also sold its interest in a United States natural gas field resulting in an after-tax gain of $10,700,000.

1996: The Corporation sold exploration and production assets in 1996 resulting in a net gain of $421,150,000. These sales included the Corporation's Canadian operations, certain United States and United Kingdom producing properties and Abu Dhabi assets.

4. ACCOUNTING CHANGES

On January 1, 1998, the Corporation began capitalizing the cost of internal use software in accordance with AICPA Statement of Position 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. This accounting change increased net income for the year by $13,867,000 ($.15 per share).

Effective January 1, 1999, the Corporation adopted the last-in, first-out (LIFO) method of accounting for its refining and marketing inventory.

In June 1998, the Financial Accounting Standards Board issued FAS No. 133, Accounting for Derivative Instruments and Hedging Activities. The Corporation must adopt this statement by January 1, 2000. The Corporation has not yet determined the effect of FAS No. 133 on its earnings and financial position.

5. INVENTORIES

Inventories at December 31 are as follows:

THOUSANDS OF DOLLARS	1998	1997
Crude oil and other charge stocks	$ 35,818	$269,783
Refined and other finished products	386,917	564,973
	422,735	834,756
Materials and supplies	59,447	103,193
Total	$482,182*	$937,949

* Excludes inventories of 50% owned refinery joint venture, HOVENSA L.L.C., accounted for using the equity method.

6. SHORT-TERM NOTES AND RELATED LINES OF CREDIT

Short-term notes payable to banks amounted to $3,500,000 at December 31, 1998 and $17,825,000 at December 31, 1997. The weighted average interest rates on these borrowings were 8.8% and 7.0% at December 31, 1998 and 1997, respectively. At December 31, 1998, the Corporation has uncommitted arrangements with banks for unused lines of credit aggregating $362,000,000. No compensating balances or fees are required for these lines of credit. In addition, the Corporation has an unused committed short-term credit line of $300,000,000 with facility fees of .10% maturing in August 1999.

7. LONG-TERM DEBT

Long-term debt at December 31 consists of the following:

THOUSANDS OF DOLLARS	1998	1997
6.1% Marine Terminal Revenue Bonds--Series 1994--City of Valdez, Alaska, due 2024	$ 20,000	$ 20,000
Pollution Control Revenue Bonds, weighted average rate 6.6%, due through 2022	52,607	52,590
Fixed rate notes, payable principally to insurance companies, weighted average rate 8.1%, due through 2014	1,154,285	1,013,376
Global Revolving Credit Facility with banks, weighted average rate 6.1%*, due 2002	1,195,000	968,000
Project lease financing, weighted average rate 5.1%, due through 2014	185,513	--
Capitalized lease obligations, weighted average rate 6.7%, due through 2010	35,960	49,497
Other loans, weighted average rate 8.2%, due through 2007	5,600	6,000
	2,648,965	2,109,463
Less amount included in current maturities	172,820	106,430
Total	$2,476,145	$2,003,033

* Includes effect of interest rate conversion agreements.

The aggregate long-term debt maturing during the next five years is as follows (in thousands): 1999--$172,820 (included in current liabilities); 2000--$4,923; 2001--$25,409; 2002--$1,395,693 and 2003--$80,986.

The Corporation's long-term debt agreements contain various restrictions and conditions, including working capital requirements and limitations on total borrowings and cash dividends. At December 31, 1998, the Corporation meets the required working capital ratio of 1 to 1. The Corporation has additional borrowing capacity of $1,313,000,000 for the construction or acquisition of assets and $213,000,000 of retained earnings free of dividend restrictions.

The Corporation has a $2,000,000,000 Global Revolving Credit Facility (the "Facility"), of which $1,195,000,000 is outstanding at December 31, 1998. Outstanding amounts are due to be repaid in 2002, but may be extended for an additional two years with the consent of the lenders. Borrowings bear interest at a margin above the London Interbank Offered Rate ("LIBOR") based on the Corporation's capitalization ratio. The current borrowing rate is .20% above LIBOR. Facility fees of .125% per annum are payable on the amount of the credit line.

During 1998, the Corporation entered into the sale and leaseback of its interests in the production platforms and related facilities of two Gulf of Mexico producing properties. These transactions have been accounted for as financings. At December 31, the outstanding obligations amount to $185,513,000, maturing through 2014.

The Corporation sold a portion of its subsequent year crude oil production in 1998 and 1997 and used the proceeds to repay revolving credit debt. Accordingly, at December 31, 1998 and 1997, $249,325,000 and $173,681,000, respectively, are included in deferred revenue on the balance sheet.

At December 31, 1998, the Corporation has interest rate conversion agreements, accounted for by the accrual method, that effectively convert floating rate debt to fixed rate debt, reducing the percentage of its floating rate debt from 47% to 32%.

In 1998 and 1997, the Corporation capitalized interest of $23,559,000 and

$10,284,000 on major development projects. The total amount of interest paid (net of amounts capitalized), principally on short-term and long-term debt, in 1998, 1997 and 1996 was $154,419,000, $146,795,000 and $176,033,000, respectively.

8. STOCKHOLDERS' EQUITY

The Corporation has outstanding stock options and nonvested common stock under its 1995 Long-Term Incentive Plan and its Executive Long-Term Incentive Compensation and Stock Ownership Plan (which expired in 1997). Generally, stock options vest one year from the date of grant and the exercise price equals or exceeds the market price on the date of grant. Nonvested common stock vests three or five years from the date of grant, depending on the terms of the award.

The Corporation's stock option activity in 1998, 1997 and 1996 consisted of the following:

	OPTIONS (THOUSANDS)	WEIGHTED-AVERAGE EXERCISE PRICE PER SHARE
Granted in 1995, approved in 1996	863	$56.39
Granted in 1996	629	62.22
Exercised	(5)	51.75
Forfeited	(66)	56.39
Outstanding at December 31, 1996	1,421	58.99
Granted	873	54.75
Exercised	(27)	50.86
Forfeited	(19)	59.52
Outstanding at December 31, 1997	2,248	57.43
Granted	873	53.05
Exercised	(3)	49.75
Forfeited	(23)	56.22
Outstanding at December 31, 1998	3,095	$56.21
Exercisable at December 31, 1996	792	$56.42
Exercisable at December 31, 1997	1,376	59.14
Exercisable at December 31, 1998	2,230	57.44

Exercise prices for employee stock options at December 31, 1998 ranged from $49.00 to $64.75 per share. The weighted-average remaining contractual life of employee stock options is 8.3 years.

The Corporation uses the Black-Scholes model to estimate the fair value of employee stock options for pro forma disclosure of the effects on net income and earnings per share. The Corporation used the following weighted-average assumptions in the Black-Scholes model for 1998, 1997 and 1996, respectively: risk-free interest rates of 5.6%, 5.9% and 5.8%; expected stock price volatility of .218, .220 and .213; a dividend yield of 1.1%; and an expected life of seven years. The Corporation's net income would have been reduced by approximately $19,100,000 in 1998, $7,600,000 in 1997 and $7,700,000 in 1996 ($.21 per share in 1998 and $.08 per share in 1997 and 1996, diluted) if option expense were recorded using the fair value method.

The weighted-average fair values of options granted for which the exercise price equaled the market price on the date of grant were $17.50 in 1998, $18.69 in 1997 and $18.91 in 1996. In 1996, the fair value of options granted for which the exercise price exceeded the market price on the date of grant was $15.47.

Total compensation expense for nonvested common stock was $15,975,000 in 1998, $11,553,000 in 1997 and $5,915,000 in 1996. Awards of nonvested common stock were as follows:

	SHARES OF NONVESTED COMMON STOCK AWARDED (THOUSANDS)	WEIGHTED-AVERAGE PRICE ON DATE OF GRANT
Granted in 1995, approved in 1996	203	$49.81
Granted in 1996	95	57.30
Granted in 1997	746	53.94
Granted in 1998	18	53.08

At December 31, 1998, the number of common shares reserved for issuance is as follows:

1995 Long-Term Incentive Plan	
Future awards	621,000
Stock options outstanding	3,094,500
Stock appreciation rights	52,000
Warrants*	1,051,584
Total	4,819,084

* Issued in connection with an insurance company financing, exercisable through June 27, 2001 at $64.66 per share.

9. FOREIGN CURRENCY TRANSLATION

Foreign currency exchange transactions reflected in net income (after income tax effect) amounted to gains of $2,511,000 in 1998, $5,073,000 in 1997 and $1,813,000 in 1996.

10. PENSION PLANS

The Corporation has defined benefit pension plans for substantially all of its employees. The following table reconciles the benefit obligation and fair value of plan assets and discloses the funded status:

THOUSANDS OF DOLLARS	1998	1997
Reconciliation of pension benefit obligation		
Benefit obligation at January 1	$ 464,728	$ 419,798
Service cost	19,280	17,751
Interest cost	32,841	31,565
Actuarial loss	48,855	18,273
Benefit payments	(23,000)	(22,659)
Pension benefit obligation at December 31	542,704	464,728
Reconciliation of fair value of plan assets		
Fair value of plan assets at January 1	427,912	381,532
Actual return on plan assets	54,311	60,216
Employer contributions	16,833	8,204
Employee contributions	793	619
Benefit payments	(23,000)	(22,659)
Fair value of plan assets at December 31	476,849	427,912
Funded status at December 31		
Funded status	(65,855)	(36,816)
Unrecognized prior service cost	11,166	10,321
Unrecognized (gain) loss	736	(27,193)
Accrued pension liability	$ (53,953)	$ (53,688)

The pension information shown above, which indicates a pension benefit obligation in excess of plan assets of $65,855,000, is based on Financial Accounting Standard No. 87, Employer's Accounting for Pensions. This standard requires using a current discount rate at which the pension obligation could be effectively settled. The rate is based on the rates of return of high-quality, fixed-income investments. In determining the funding requirements of U.S. pension plans in accordance with income tax regulations, the expected long-term rate of return on the pension funds' investments is used as the discount rate. This rate has historically been higher than the discount rate required by FAS 87, because pension assets are invested in equity and fixed income securities. Had the long-term rate of return been used to discount the pension benefit obligation, the present value of the Corporation's pension liability at December 31, 1998 would have been reduced by approximately $100,000,000. Accordingly, the Corporation and its actuaries believe that its pension plans are adequately funded. The Corporation's United States pension plan also meets the full funding requirements under income tax regulations.

Pension expense consisted of the following:

THOUSANDS OF DOLLARS	1998	1997	1996
Service cost	$ 19,280	$ 19,109	$ 17,915
Interest cost	32,841	33,162	29,961
Expected return on plan assets	(36,221)	(32,390)	(29,128)
Amortization of transition obligation	(72)	(3,052)	(3,064)
Amortization of prior service cost	1,280	1,280	568
Amortization of net gain	(22)	(1,692)	(778)
Pension expense	$ 17,086	$ 16,417	$ 15,474

Prior service costs and gains and losses in excess of 10% of the greater of the benefit obligation and the market value of assets are amortized over the average remaining service period of active employees.

The weighted-average actuarial assumptions used by the Corporation's pension plans at December 31 were as follows:

	1998	1997
Discount rate	6.4%	7.0%
Expected long-term rate of return on plan assets	8.3%	8.5%
Rate of compensation increases	4.9%	5.1%

The Corporation also has a nonqualified supplemental pension plan covering certain employees. The supplemental pension plan provides for incremental pension payments from the Corporation's funds so that total pension payments equal amounts that would have been payable from the Corporation's principal pension plan were it not for limitations imposed by income tax regulations. The benefit obligation related to this unfunded plan totaled $41,802,000 at December 31, 1998 and $35,606,000 at December 31, 1997. Pension expense for the plan was $6,271,000 in 1998, $5,098,000 in 1997 and $3,970,000 in 1996. At December 31, 1998, the Corporation has accrued $25,205,000 for this plan. The trust established to fund the supplemental plan held assets valued at $6,209,000 at December 31, 1998.

11. PROVISION FOR INCOME TAXES

The provision (benefit) for income taxes consisted of:

THOUSANDS OF DOLLARS	1998	1997	1996
United States Federal			
Current	$ 9,510	$ 16,210	$ 20,156
Deferred	(68,203)	(27,254)	6,528
State	1,702	1,418	4,904
	(56,991)	(9,626)	31,588
Foreign			
Current	71,492	181,665*	285,302
Deferred	(66,310)	(41,599)	36,955
	5,182	140,066	322,257
Adjustment of deferred tax liability for foreign income tax rate change	(3,409)	(11,355)	--
Total	$ (55,218)	$ 119,085	$ 353,845

* Includes income tax refund of $38,180.

Income (loss) before income taxes consisted of the following:

THOUSANDS OF DOLLARS	1998	1997	1996
United States	$ (205,522)	$ 3,533	$ 55,678
Foreign*	(308,589)	123,052	958,266
Total	$ (514,111)	$ 126,585	$1,013,944

* Foreign income includes the Corporation's Virgin Islands, shipping and other operations located outside of the United States.

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. A summary of the components of deferred tax liabilities and assets at December 31 follows:

THOUSANDS OF DOLLARS	1998	1997
Deferred tax liabilities		
Fixed assets and investments	$ 272,461	$ 390,214
Foreign petroleum taxes	238,568	294,004
Other	58,251	51,778
Total deferred tax liabilities	569,280	735,996
Deferred tax assets		
Accrued liabilities	194,109	170,730
Net operating and capital loss carryforwards	224,765	471,583
Tax credit carryforwards	126,590	132,014
Other	41,592	41,826
Total deferred tax assets	587,056	816,153
Valuation allowance	(141,113)	(330,119)
Net deferred tax assets	445,943	486,034
Net deferred tax liabilities	$ 123,337	$ 249,962

The difference between the Corporation's effective income tax rate and the United States statutory rate is reconciled below:

	1998	1997	1996
United States statutory rate	(35.0)%	35.0%	35.0%
Effect of foreign operations, including foreign tax credits	24.2	72.3	(.6)
Effect of capital and other loss carryforwards	(.2)	(8.3)	.5
State income taxes, net of Federal income tax benefit	.2	.7	.3
Prior year adjustments	(.3)	(3.5)	(.1)
Tax credits	--	(.8)	(.1)
Other	.4	(1.3)	(.1)
Total	(10.7)%	94.1%	34.9%

The Corporation has not recorded deferred income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations. Undistributed earnings amounted to approximately $750 million at December 31, 1998, excluding amounts which, if remitted, generally would not result in any additional U.S. income taxes because of available foreign tax credits. If the earnings of such foreign subsidiaries were not indefinitely reinvested, a deferred tax liability of approximately $140 million would have been required.

For income tax reporting at December 31, 1998, the Corporation has general business credit carryforwards of approximately $27 million, principally expiring in 1999 through 2001. In addition, the Corporation has alternative minimum tax credit carryforwards of approximately $100 million, which can be carried forward indefinitely. A net operating loss carryforward of approximately $1.1 billion is also available to offset income of the HOVENSA joint venture partners.

Income taxes paid (net of refunds) in 1998, 1997 and 1996 amounted to $140,470,000, $259,767,000 and $294,905,000, respectively.

12. NET INCOME PER SHARE

The weighted average number of common shares used in the basic and diluted earnings per share computations are summarized below:

THOUSANDS OF SHARES	1998	1997	1996
Common shares--basic	89,585	91,254	92,552
Effect of dilutive securities			
Nonvested common stock	--	428	539
Stock options	--	51	19
Common shares--diluted	89,585	91,733	93,110

Diluted common shares include shares that would be outstanding assuming the fulfillment of restrictions on nonvested shares and the exercise of stock options. In 1998, the above table excludes the antidilutive effect of 666,000 nonvested common shares and 78,000 stock options. The table also excludes the effect of out-of-the-money options on 1,626,000 shares, 867,000 shares and 336,000 shares in 1998, 1997 and 1996, respectively.

13. FINANCIAL INSTRUMENTS, HEDGING AND TRADING ACTIVITIES

The Corporation uses futures, forwards, options and swaps, individually or in combination, to reduce the effects of fluctuations in crude oil, natural gas and refined product prices and in fixed-price sales contracts. In addition, the Corporation uses interest-rate conversion agreements to fix the interest rates on a portion of its long-term, floating-rate debt. Foreign currency contracts are used to protect the Corporation from fluctuations in exchange rates.

COMMODITY HEDGING: At December 31, 1998, the Corporation's hedging activities included commodity and financial contracts, maturing mainly in 1999, covering 3,000,000 net barrels of crude oil and refined products (12,700,000 net barrels in 1997) and 4,500,000 net Mcf of natural gas (9,300,000 net Mcf in 1997). In 1998, the crude oil and refined product hedges related to refining and marketing operations. In 1997, the crude oil and refined product hedges included 7,300,000 barrels related to exploration and production activities, and the remainder related to refining and marketing operations.

The Corporation produced 75,000,000 barrels of crude oil and natural gas liquids and 210,000,000 Mcf of natural gas in 1998, and had approximately 22,000,000 barrels of crude oil and refined products in its refining and marketing inventories at December 31, 1998. Since the contracts described above are designated as hedges and correlate to price movements of crude oil, natural gas and refined products, any gains or losses resulting from market changes will be offset by losses or gains on the Corporation's hedged inventory or production. Net deferred gains from the Corporation's hedging activities were $5,000,000 at December 31, 1998, including $2,000,000 of unrealized gains ($22,000,000 at December 31, 1997, including $17,000,000 of unrealized gains). The Corporation also had a net loss on certain contracts and offsetting fixed-price sales commitments of approximately $1,700,000 in 1998 and a net gain of $600,000 in 1997.

FINANCIAL INSTRUMENTS: At December 31, 1998, the Corporation has $400,000,000 in interest-rate conversion agreements outstanding ($300,000,000 at December 31, 1997). The Corporation has $97,200,000 of notional value foreign currency forward and purchased option contracts maturing generally in 1999 ($179,200,000 at December 31, 1997) and $137,900,000 in letters of credit outstanding ($66,100,000 at December 31, 1997). Notional amounts do not quantify risk or represent

assets or liabilities of the Corporation, but are used in the calculation of cash settlements under the contracts.

FAIR VALUE DISCLOSURE: The carrying amounts of cash and cash equivalents, short-term debt and long-term, variable-rate debt approximate fair value. The Corporation estimates the fair value of its long-term, fixed-rate debt generally using discounted cash flow analysis based on the Corporation's current borrowing rates for debt with similar maturities. Interest-rate conversion agreements and foreign currency exchange contracts are valued based on current termination values or quoted market prices of comparable contracts. The Corporation's valuation of commodity contracts considers quoted market prices, time value, volatility of the underlying commodities and other factors.

The carrying amounts of the Corporation's financial instruments and commodity contracts, including those used in the Corporation's hedging and trading activities, generally approximate their fair values at December 31, 1998, except as follows:

	1998		1997	
MILLIONS OF DOLLARS, ASSET (LIABILITY)	BALANCE SHEET AMOUNT	FAIR VALUE	BALANCE SHEET AMOUNT	FAIR VALUE
Long-term, fixed-rate debt	$(1,418)	$(1,477)	$(1,091)	$(1,194)
Interest rate conversion agreements	--	(24)	--	(4)
Foreign currency exchange agreements and options	--	2	--	4

MARKET AND CREDIT RISKS: The Corporation's financial instruments expose it to market and credit risks and may at times be concentrated with certain counterparties or groups of counterparties. Counterparties to the Corporation's financial instruments are major financial institutions and their credit worthiness is subject to continuing review and full performance is anticipated.

COMMODITY TRADING: The Corporation, including a consolidated partnership formed in 1997, trades energy commodities, including futures, forwards, options and swaps, based on expectations of future market conditions. The Corporation's results from trading activities, including its share of the earnings of the trading partnership, amounted to a net loss of approximately $26,000,000 in 1998 and net income of approximately $4,000,000 in 1997.

The following table presents the year-end fair values of energy commodities and derivative instruments used in trading activities and the average aggregate fair values during the year:

	FAIR VALUE			
MILLIONS OF DOLLARS, ASSET (LIABILITY)	AT DEC. 31, 1998	AVERAGE FOR 1998	AT DEC. 31, 1997	AVERAGE FOR 1997
Commodities	$ 98	$ 75	$ 33	$ 21
Futures and forwards				
Assets	29	43	20	13
Liabilities	(29)	(39)	(14)	(9)
Options				
Held	(7)	(3)	(4)	(2)
Written	8	5	6	1
Swaps				
Assets	110	59	3	4
Liabilities	(117)	(60)	(1)	(1)

Notional amounts of commodities and derivatives relating to trading activities follow:

	AT DECEMBER 31,	
MILLIONS OF BARRELS OF OIL EQUIVALENT	1998	1997
Commodities	7	2
Futures and forwards--Long	39	26
--Short	(51)	(28)

Options--Held	20	8
--Written	(21)	(10)
Swaps*--Held	83	7
--Written	(81)	(9)

* Includes 18 million barrels long and 20 million barrels short related to basis swaps at December 31, 1998 (4 million barrels long and 6 million barrels short in 1997).

14. LEASED ASSETS

The Corporation and certain of its subsidiaries lease floating production systems, drilling rigs, tankers, gasoline stations, office space and other assets for varying periods. At December 31, 1998, the Corporation had net capital lease assets of $75,971,000, representing natural gas production and transportation facilities in the United Kingdom, which are included in property, plant and equipment in the balance sheet.

At December 31, 1998, future minimum rental payments applicable to capital and noncancelable operating leases with remaining terms of one year or more (other than oil and gas leases) are as follows:

THOUSANDS OF DOLLARS	OPERATING LEASES	CAPITAL LEASES
1999	$ 339,672	$28,632
2000	323,195	1,149
2001	130,987	1,149
2002	104,072	1,149
2003	88,634	1,149
Remaining years	367,248	6,896
Total minimum lease payments	1,353,808	40,124
Less: Imputed interest	--	4,164
Income from subleases	28,228	--
Net minimum lease payments	$1,325,580*	$35,960
Capitalized lease obligations--		
Current		$28,004
Long-term		7,956
Total		$35,960

* Of the total future minimum payments under operating leases, $156,126 has been accrued at December 31, 1998.

Rental expense for all operating leases, other than rentals applicable to oil and gas leases, was as follows:

THOUSANDS OF DOLLARS	1998	1997	1996
Total rental expense	$178,560	$195,246	$185,669
Less income from subleases	29,979	11,792	5,264
Net rental expense	$148,581	$183,454	$180,405

15. SEGMENT INFORMATION

The Corporation adopted FAS No. 131, Disclosures about Segments of an Enterprise and Related Information, during the fourth quarter of 1998. FAS No. 131 requires financial information by geographic area and operating segment.

Financial information by major geographic area for each of the three years ended December 31, 1998 follows:

MILLIONS OF DOLLARS	UNITED STATES*	EUROPE	OTHER	CONSOLI- DATED
1998				
Operating revenues	$5,051	$1,479	$ 60	$6,590
Property, plant and equipment (net)	1,457	2,351	384	4,192
1997				
Operating revenues	$6,557	$1,619	$ 58	$8,234
Property, plant and equipment (net)	2,872	2,106	213	5,191

1996				
Operating revenues	$6,589	$1,568	$115	$8,272
Property, plant and equipment (net)	2,671	2,020	216	4,907

* Includes U.S. Virgin Islands and shipping operations.

The Corporation operates principally in the petroleum industry and its operating segments are (1) exploration and production and (2) refining, marketing and shipping. Exploration and production operations include the exploration for and the production, purchase, gathering, transportation and sale of crude oil and natural gas. Refining, marketing and shipping operations include the manufacture, purchase, transportation, and marketing of petroleum and other energy products.

15. SEGMENT INFORMATION (CONTINUED)

The following table presents financial data by major operating segment for each of the three years ended December 31, 1998:

MILLIONS OF DOLLARS	EXPLORATION AND PRODUCTION	REFINING, MARKETING AND SHIPPING	CORPORATE	CONSOLIDATED*
1998				
Operating revenues				
Total operating revenues	$1,985	$4,722	$ 1	
Less: Transfers between affiliates	118	--	--	
Operating revenues from unaffiliated customers	$1,867	$4,722	$ 1	$6,590
Operating profit (loss)	$ (29)	$ (54)	$ (37)	$ (120)
Earnings of equity affiliates	7	(13)	5	(1)
Interest income	11	11	1	23
Interest expense	--	--	(153)	(153)
(Provision) benefit for income taxes	(7)	38	24	55
Income (loss) before special items	(18)	(18)	(160)	(196)
Special items	(113)	(150)	--	(263)
Net income (loss)	$ (131)	$ (168)	$(160)	$ (459)
Depreciation, depletion, amortization and lease impairment	$ 577	$ 125	$ 2	$ 704
Investments in equity affiliates	96	781	56	933
Identifiable assets	4,286	3,126	471	7,883
Capital employed	3,231	2,065	--	5,296
Capital expenditures	1,307	129	3	1,439
1997				
Operating revenues				
Total operating revenues	$3,091	$5,285	$ 1	
Less: Transfers between affiliates	142	1	--	
Operating revenues from unaffiliated customers	$2,949	$5,284	$ 1	$8,234
Operating profit (loss)	$ 387	$ (119)	$ (49)	$ 219
Earnings of equity affiliates	21	6	5	32
Interest income	14	3	1	18
Interest expense	--	--	(136)	(136)
(Provision) benefit for income taxes	(164)	--	45	(119)
Income (loss) before special items	258	(110)	(134)	14
Special items	(6)	--	--	(6)
Net income (loss)	$ 252	$ (110)	$(134)	$ 8
Depreciation, depletion, amortization and lease impairment	$ 553	$ 118	$ 2	$ 673
Investments in equity affiliates	114	77	53	244
Identifiable assets	3,727	3,713	495	7,935
Capital employed	2,468	2,875	--	5,343
Capital expenditures	1,158	183	5	1,346
1996				
Operating revenues				
Total operating revenues	$3,166	$5,283	$ 2	
Less: Transfers between affiliates	177	1	1	
Operating revenues from unaffiliated customers	$2,989	$5,282	$ 1	$8,272
Operating profit (loss)	$ 608	$ 163	$ (51)	$ 720
Earnings of equity affiliates	13	9	3	25
Interest income	7	2	2	11
Interest expense	--	--	(166)	(166)
(Provision) benefit for income taxes	(418)	7	57	(354)
Income (loss) before special items	210	181	(155)	236
Special items	424	--	--	424
Net income (loss)	$ 634	$ 181	$(155)	$ 660
Depreciation, depletion, amortization and lease impairment	$ 603	$ 125	$ 2	$ 730
Investments in equity affiliates	92	71	50	213
Identifiable assets	3,600	3,802	382	7,784
Capital employed	2,156	3,167	--	5,323
Capital expenditures	788	68	5	861

* After elimination of transactions between affiliates, which are valued at approximate market prices.

REPORT OF MANAGEMENT
AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

The consolidated financial statements of Amerada Hess Corporation and consolidated subsidiaries were prepared by and are the responsibility of management. These financial statements conform with generally accepted accounting principles and are, in part, based on estimates and judgements of management. Other information included in this Annual Report is consistent with that in the consolidated financial statements.

The Corporation maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that transactions are properly executed and recorded. Judgements are required to balance the relative costs and benefits of this system of internal controls.

The Corporation's consolidated financial statements have been audited by Ernst & Young LLP, independent auditors, who have been selected by the Audit Committee of the Board of Directors and approved by the stockholders. Ernst & Young LLP assesses the Corporation's system of internal controls and performs tests and procedures that they consider necessary to arrive at an opinion on the fairness of the consolidated financial statements.

The Audit Committee of the Board of Directors, which consists solely of nonemployee directors, meets periodically with the independent auditors, internal auditors and management to review and discuss the Corporation's financial information, the system of internal controls and the results of internal and external audits. Ernst & Young LLP and the Corporation's internal auditors have unrestricted access to the Audit Committee to discuss audit findings and other financial matters.

/s/ John B. Hess

John B. Hess
Chairman of the Board and Chief Executive Officer

/s/ John Y. Schreyer

John Y. Schreyer
Executive Vice President and Chief Financial Officer

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Amerada Hess Corporation

We have audited the accompanying consolidated balance sheet of Amerada Hess Corporation and consolidated subsidiaries as of December 31, 1998 and 1997 and the related consolidated statements of income, retained earnings, changes in common stock and capital in excess of par value, cash flows and comprehensive income for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Amerada Hess Corporation and consolidated subsidiaries at December 31, 1998 and 1997 and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

As discussed in Note 4 to the consolidated financial statements, in 1998 the Corporation adopted AICPA Statement of Position 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use.

/s/ Ernst & Young LLP

Ernst & Young LLP

New York, NY
February 22, 1999

SUPPLEMENTARY OIL AND GAS DATA
AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

The supplementary oil and gas data that follows is presented in accordance with Statement of Financial Accounting Standards (FAS) No. 69, Disclosures about Oil and Gas Producing Activities, and includes (1) costs incurred, capitalized costs and results of operations relating to oil and gas producing activities, (2) net proved oil and gas reserves, and (3) a standardized measure of discounted future net cash flows relating to proved oil and gas reserves, including a reconciliation of changes therein.

The Corporation produces crude oil and natural gas in the United States, Europe, Gabon, Indonesia and Azerbaijan. Exploration and/or development activities are also conducted, or are planned, in Thailand, Kazakstan, Brazil and in certain other countries.

During 1996, the Corporation sold its Canadian and Abu Dhabi operations and certain United States and United Kingdom producing properties. In the geographic data which follows, information on Canada and Abu Dhabi has been combined for disclosure purposes.

COSTS INCURRED IN OIL AND GAS PRODUCING ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS OF DOLLARS)	TOTAL	UNITED STATES	EUROPE	AFRICA, ASIA AND OTHER	CANADA AND ABU DHABI
1998					
Property acquisitions	$203	$ 41	$ 7	$155	$ --
Exploration	319	106	145	68	--
Development	915	182	650	83	--
1997					
Property acquisitions	$237	$ 39	$193	$ 5	$ --
Exploration	383	131	215	37	--
Development	679	231	408	40	--
1996					
Property acquisitions	$ 70	$ 32	$ 1	$ 37	$ --
Exploration	332	135	160	22	15
Development	512	152	337	12	11

CAPITALIZED COSTS RELATING TO OIL AND GAS PRODUCING ACTIVITIES

AT DECEMBER 31 (MILLIONS OF DOLLARS)	1998	1997
Unproved properties	$ 434	$ 449
Proved properties	1,596	1,425
Wells, equipment and related facilities	7,688	6,906
Total costs	9,718	8,780
Less: Reserve for depreciation, depletion, amortization and lease impairment	6,131	5,687
Net capitalized costs	$3,587	$3,093

The results of operations for oil and gas producing activities shown below exclude sales of purchased crude oil and natural gas, non-operating revenues (including gains on sales of oil and gas properties), interest expense and gains and losses resulting from foreign currency exchange transactions. Therefore, these results differ from the net income from exploration and production operations in Note 15 to the financial statements.

RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS OF DOLLARS)	TOTAL	UNITED STATES	EUROPE	AFRICA, ASIA AND OTHER	CANADA AND ABU DHABI
1998					
Sales and other operating revenues					
Unaffiliated customers	$1,355	$344	$ 975	$ 36	$--
Inter-company	144	84	--	60	--
Total revenues	1,499	428	975	96	--
Costs and expenses					
Production expenses, including related taxes	463	129	317	17	--
Exploration expenses, including dry holes and lease impairment	338	127	146	65	--
Other operating expenses	226*	72	103	51	--
Depreciation, depletion and amortization	528	155	345	28	--
Impairment of assets and operating leases	162	7	104	51	--
Total costs and expenses	1,717	490	1,015	212	--
Results of operations before income taxes	(218)	(62)	(40)	(116)	--
Provision (benefit) for income taxes	(38)	(22)	(22)	6	--
Results of operations	$ (180)	$(40)	$ (18)	$(122)	$--
1997					
Sales and other operating revenues					
Unaffiliated customers	$1,983	$496	$1,454	$ 33	$--
Inter-company	134	76	--	58	--
Total revenues	2,117	572	1,454	91	--
Costs and expenses					
Production expenses, including related taxes	557	157	390	10	--
Exploration expenses, including dry holes and lease impairment	373	145	187	41	--
Other operating expenses	186	58	94	34	--
Depreciation, depletion and amortization	552	126	408	18	--
Impairment of assets and operating leases	81	--	81	--	--
Total costs and expenses	1,749	486	1,160	103	--
Results of operations before income taxes	368	86	294	(12)	--
Provision for income taxes	143	30	107	6	--
Results of operations	$ 225	$ 56	$ 187	$ (18)	$--
1996					
Sales and other operating revenues					
Unaffiliated customers	$2,034	$474	$1,473	$ 11	$76
Inter-company	184	102	--	78	4
Total revenues	2,218	576	1,473	89	80
Costs and expenses					
Production expenses, including related taxes	619	182	410	7	20
Exploration expenses, including dry holes and lease impairment	343	183	124	27	9
Other operating expenses	203	66	105	23	9
Depreciation, depletion and amortization	603	165	405	16	17
Total costs and expenses	1,768	596	1,044	73	55
Results of operations before income taxes	450	(20)	429	16	25
Provision (benefit) for income taxes	266	(6)	276	(4)	--
Results of operations	$ 184	$(14)	$ 153	$ 20	$25

* Includes severance and related costs of approximately $32 million.

The Corporation's net oil and gas reserves have been estimated by DeGolyer and MacNaughton, independent consultants. The reserves in the tabulation below include proved undeveloped crude oil and natural gas reserves that will require substantial future development expenditures. The estimates of the Corporation's proved reserves of crude oil and natural gas (after deducting royalties and operating interests owned by others) follow:

OIL AND GAS RESERVES

	TOTAL	UNITED STATES	EUROPE	AFRICA, ASIA AND OTHER	CANADA AND ABU DHABI
NET PROVED DEVELOPED AND UNDEVELOPED RESERVES					
CRUDE OIL, INCLUDING CONDENSATE AND NATURAL GAS LIQUIDS (MILLIONS OF BARRELS)					
At January 1, 1996	695	205	412	18	60
Revisions of previous estimates	13	6	2	5	--
Improved recovery	6	6	--	--	--
Extensions, discoveries and other additions	45	5	40	--	--
Purchases of minerals in-place	4	--	--	4	--
Sales of minerals in-place	(98)	(33)	(8)	--	(57)
Production	(87)	(18)	(63)	(3)	(3)
At December 31, 1996	578	171	383	24	--
Revisions of previous estimates	47	7	40	--	--
Extensions, discoveries and other additions	39	12	21	6	--
Purchases of minerals in-place	14	1	13	--	--
Sales of minerals in-place	(3)	(1)	(2)	--	--
Production	(80)	(16)	(60)	(4)	--
At December 31, 1997	595	174	395	26	--
Revisions of previous estimates	80	6	72	2	--
Extensions, discoveries and other additions	55	6	22	27	--
Purchases of minerals in-place	45	--	2	43	--
Sales of minerals in-place	(5)	--	(5)	--	--
Production	(75)	(17)	(52)	(6)	--
At December 31, 1998	695	169	434	92	--
NATURAL GAS (MILLIONS OF MCF)					
At January 1, 1996	2,481	1,038	927	53	463
Revisions of previous estimates	108	34	74	--	--
Improved recovery	3	3	--	--	--
Extensions, discoveries and other additions	84	50	34	--	--
Purchases of minerals in-place	39	4	--	35	--
Sales of minerals in-place	(598)	(158)	--	--	(440)
Production	(251)	(124)	(104)	--	(23)
At December 31, 1996	1,866	847	931	88	--
Revisions of previous estimates	78	16	54	8	--
Extensions, discoveries and other additions	195	68	48	79	--
Purchases of minerals in-place	44	--	44	--	--
Sales of minerals in-place	(41)	(8)	(33)	--	--
Production	(207)	(114)	(93)	--	--
At December 31, 1997	1,935	809	951	175	--
Revisions of previous estimates	147	35	113	(1)	--
Extensions, discoveries and other additions	227	80	54	93	--
Purchases of minerals in-place	3	1	2	--	--
Sales of minerals in-place	(47)	(38)	(9)	--	--
Production	(210)	(107)	(102)	(1)	--
At December 31, 1998	2,055	780*	1,009	266	--
NET PROVED DEVELOPED RESERVES					
CRUDE OIL, INCLUDING CONDENSATE AND NATURAL GAS LIQUIDS (MILLIONS OF BARRELS)					
At January 1, 1996	540	157	310	13	60
At December 31, 1996	412	121	280	11	--
At December 31, 1997	420	123	280	17	--
At December 31, 1998	452	132	293	27	--
NATURAL GAS (MILLIONS OF MCF)					
At January 1, 1996	2,036	755	823	--	458
At December 31, 1996	1,368	553	815	--	--
At December 31, 1997	1,342	497	796	49	--
At December 31, 1998	1,330	525	753	52	--

* Excludes 483 million Mcf of carbon dioxide gas for sale or use in company operations.

The standardized measure of discounted future net cash flows relating to proved oil and gas reserves required to be disclosed by FAS No. 69 is based on assumptions and judgements. As a result, the future net cash flow estimates are highly subjective and could be materially different if other assumptions were used. Therefore, caution should be exercised in the use of the data presented below.

Future net cash flows are calculated by applying year-end oil and gas selling prices (adjusted for price changes provided by contractual arrangements, including hedges) to estimated future production of proved oil and gas reserves, less estimated future development and production costs and future income tax expenses. Future net cash flows are discounted at the prescribed rate of 10%. No recognition is given in the discounted future net cash flow estimates to depreciation, depletion, amortization and lease impairment, exploration expenses, interest expense, general and administrative expenses and changes in future prices and costs. The selling prices of crude oil and natural gas have decreased significantly during 1998 and are highly volatile.

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS
RELATING TO PROVED OIL AND GAS RESERVES

AT DECEMBER 31 (MILLIONS OF DOLLARS)	TOTAL	UNITED STATES	EUROPE	AFRICA, ASIA AND OTHER
1998				
Future revenues	$10,826	$2,866	$ 6,457	$1,503
Less:				
Future development and production costs	6,412	1,479	4,183	750
Future income tax expenses	1,411	374	795	242
	7,823	1,853	4,978	992
Future net cash flows	3,003	1,013	1,479	511
Less: Discount at 10% annual rate	980	403	326	251
Standardized measure of discounted future net cash flows	$ 2,023	$ 610	$ 1,153	$ 260
1997				
Future revenues	$13,001	$4,078	$ 8,207	$ 716
Less:				
Future development and production costs	6,033	1,533	4,243	257
Future income tax expenses	3,127	831	2,073	223
	9,160	2,364	6,316	480
Future net cash flows	3,841	1,714	1,891	236
Less: Discount at 10% annual rate	1,424	692	648	84
Standardized measure of discounted future net cash flows	$ 2,417	$1,022	$ 1,243	$ 152
1996				
Future revenues	$18,479	$5,936	$11,630	$ 913
Less:				
Future development and production costs	6,551	1,906	4,382	263
Future income tax expenses	5,297	1,319	3,632	346
	11,848	3,225	8,014	609
Future net cash flows	6,631	2,711	3,616	304
Less: Discount at 10% annual rate	2,447	1,160	1,213	74
Standardized measure of discounted future net cash flows	$ 4,184	$1,551	$ 2,403	$ 230

CHANGES IN STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET
CASH FLOWS RELATING TO PROVED OIL AND GAS RESERVES

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS OF DOLLARS)	1998	1997	1996
Standardized measure of discounted future net cash flows at beginning of year	$ 2,417	$ 4,184	$ 3,758
Changes during the year			
Sales and transfers of oil and gas produced during year, net of production costs	(1,036)	(1,558)	(1,603)
Development costs incurred during year	915	679	512
Net changes in prices and production costs applicable to future production	(2,215)	(3,304)	2,577
Net change in estimated future development costs	(273)	(392)	(168)
Extensions and discoveries (including improved recovery) of oil and gas reserves, less related costs	220	140	315
Revisions of previous oil and gas reserve estimates	233	271	311
Purchases (sales) of minerals in-place, net	126	90	(983)
Accretion of discount	435	769	600
Net change in income taxes	1,036	1,355	(814)
Revision in rate or timing of future production and other changes	165	183	(321)
Total	(394)	(1,767)	426
Standardized measure of discounted future net cash flows at end of year	$ 2,023	$ 2,417	$ 4,184

TEN-YEAR SUMMARY OF FINANCIAL DATA
AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

THOUSANDS OF DOLLARS, EXCEPT PER SHARE DATA	1998	1997	1996
STATEMENT OF CONSOLIDATED INCOME			
Revenues			
Sales (excluding excise taxes) and other operating revenues			
Crude oil (including sales of purchased oil)	$ 893,921	$ 1,435,848	$ 1,528,692
Natural gas (including sales of purchased gas)	1,710,743	1,414,314	1,364,833
Petroleum products	3,464,229	4,960,986	5,080,790
Other operating revenues	521,116	422,575	297,871
Total	6,590,009	8,233,723	8,272,186
Non-operating revenues (including asset sales)	27,457	106,323	657,525(b)
Total revenues	6,617,466	8,340,046	8,929,711
Costs and expenses			
Cost of products sold and operating expenses	5,024,405	6,301,046	6,074,695
Exploration expenses, including dry holes and lease impairment	337,518	373,180	342,860
Selling, general and administrative expenses	753,251	649,815	602,329
Interest expense	152,934	136,149	165,501
Depreciation, depletion and amortization	656,991	672,669	730,382
Asset impairment	206,478	80,602	--
Total costs and expenses	7,131,577	8,213,461	7,915,767
Income (loss) before income taxes	(514,111)	126,585	1,013,944
Provision (benefit) for income taxes	(55,218)	119,085	353,845
Net income (loss)	$ (458,893)(a)	$ 7,500	$ 660,099
Net income (loss) per share			
Basic	$ (5.12)	$ .08	$ 7.13
Diluted	(5.12)	.08	7.09
DIVIDENDS PER SHARE OF COMMON STOCK	$ .60	$ .60	$ .60
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (DILUTED)--in thousands	89,585	91,733	93,110

(a) Includes after-tax special charges aggregating $262,800 ($2.93 per share) representing impairments of assets and operating leases, a net loss on asset sales and accrued severance.

(b) Includes a pre-tax gain on asset sales of $529,271. The net gain, after applicable income taxes, was $421,150 ($4.52 per share).

(c) Reflects a charge for impairment of long-lived assets on adoption of FAS No. 121. The net effect, after income taxes, was $415,542 ($4.47 per share).

See accompanying notes to consolidated financial statements.

1995	1994	1993	1992	1991	1990	1989
$ 1,565,310	$ 1,228,045	$ 1,219,750	$ 1,362,118	$ 1,448,793	$ 1,248,193	$ 904,233
1,120,450	1,063,560	1,020,563	787,996	574,004	458,615	315,578
4,311,082	3,980,563	3,348,900	3,428,702	3,897,748	4,587,646	4,107,770
305,465	329,816	290,308	279,541	346,300	653,051	261,373
7,302,307	6,601,984	5,879,521	5,858,357	6,266,845	6,947,505	5,588,954
222,482	96,809	21,153	95,352	149,496	133,593	90,373
7,524,789	6,698,793	5,900,674	5,953,709	6,416,341	7,081,098	5,679,327
5,226,157	4,454,219	4,291,539	4,043,880	4,414,332	4,712,125	3,840,300
350,378	306,687	323,187	298,596	373,171	339,103	223,549
617,871	577,247	583,419	567,142	568,949	503,105	414,791
247,465	245,149	156,615	147,099	177,850	224,200	187,811
851,406	879,679	769,390	773,507	765,877	687,064	492,510
584,161 (c)	--	--	--	--	--	--
7,877,438	6,462,981	6,124,150	5,830,224	6,300,179	6,465,597	5,158,961
(352,649)	235,812	(223,476)	123,485	116,162	615,501	520,366
41,764	162,098	44,727	115,940	31,854	132,788	44,017
$ (394,413)	$ 73,714	$ (268,203)	$ 7,545	$ 84,308	$ 482,713	$ 476,349
$ (4.26)	$ .80	$ (2.91)	$ .09	$ 1.05	$ 5.99	$ 5.89
(4.26)	.79	(2.91)	.09	1.04	5.96	5.87
$ .60	$ .60	$ .60	$ .60	$ .60	$ .60	$ .60
92,509	92,968	92,213	87,286	81,087	81,023	81,176

TEN-YEAR SUMMARY OF FINANCIAL DATA
AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

THOUSANDS OF DOLLARS, EXCEPT PER SHARE DATA	1998	1997	1996
SELECTED BALANCE SHEET DATA AT YEAR-END			
Cash and cash equivalents	$ 73,791	$ 91,154	$ 112,522
Working capital	89,909	463,781	689,864
Property, plant and equipment			
Exploration and production	$ 9,718,424	$ 8,779,807	$ 8,233,445
Refining, marketing and other	1,308,815	3,841,828	3,668,974
Total--at cost	11,027,239	12,621,635	11,902,419
Less reserves	6,835,301	7,430,841	6,995,136
Property, plant and equipment--net	$ 4,191,938	$ 5,190,794	$ 4,907,283
Total assets	$ 7,882,983	$ 7,934,619	$ 7,784,481
Total debt	2,652,465	2,127,288	1,939,288
Stockholders' equity	2,643,412	3,215,699	3,383,631
Stockholders' equity per share	$29.26	$35.16	$36.35
SUMMARIZED STATEMENT OF CASH FLOWS			
Net cash provided by operating activities	$ 518,788	$ 1,250,007	$ 807,721
Cash flows from investing activities			
Capital expenditures			
Exploration and production	(1,306,438)	(1,157,938)	(788,286)
Refining, marketing and other	(132,240)	(187,652)	(72,339)
Total capital expenditures	(1,438,678)	(1,345,590)	(860,625)
Proceeds from sales of property, plant and equipment and other	502,854	63,017	1,037,073
Net cash provided by (used in) investing activities	(935,824)	(1,282,573)	176,448
Cash flows from financing activities			
Issuance (repayment) of notes	(14,342)	1,982	(72,046)
Long-term borrowings	848,320	398,391	--
Repayment of long-term debt and capitalized lease obligations	(317,144)	(209,000)	(794,527)
Issuance of common stock	--	--	--
Cash dividends paid	(54,647)	(55,373)	(55,746)
Common stock retired	(59,167)	(122,283)	(8,236)
Net cash provided by (used in) financing activities	403,020	13,717	(930,555)
Effect of exchange rate changes on cash	(3,347)	(2,519)	2,837
Net increase (decrease) in cash and cash equivalents	$ (17,363)	$ (21,368)	$ 56,451
STOCKHOLDER DATA AT YEAR-END			
Number of common shares outstanding (in thousands)	90,357	91,451	93,073
Number of stockholders (based on number of holders of record)	8,959	9,591	10,153
Market price of common stock	$49.75	$54.88	$57.88

1995	1994	1993	1992	1991	1990	1989
$ 56,071	$ 53,135	$ 79,635	$ 141,014	$ 120,170	$ 129,914	$ 120,300
357,964	520,247	245,026	551,459	625,370	603,244	493,168
$ 9,392,184	$ 9,790,468	$ 9,360,871	$ 9,203,951	$ 9,306,435	$ 8,340,951	$ 6,531,956
3,672,028	4,514,358	4,426,369	3,886,814	3,223,397	2,817,032	2,635,300
13,064,212	14,304,826	13,787,240	13,090,765	12,529,832	11,157,983	9,167,256
7,694,496	7,938,824	7,052,328	6,646,801	6,339,232	5,594,399	4,688,142
$ 5,369,716	$ 6,366,002	$ 6,734,912	$ 6,443,964	$ 6,190,600	$ 5,563,584	$ 4,479,114
$ 7,756,370	$ 8,337,940	$ 8,641,546	$ 8,721,756	$ 8,841,435	$ 9,056,636	$ 6,867,411
2,717,866	3,339,788	3,687,922	3,186,199	3,266,195	2,925,285	2,697,184
2,660,396	3,099,629	3,028,911	3,387,599	3,131,982	3,106,029	2,560,628
$28.60	$33.33	$32.71	$36.59	$38.63	$38.34	$31.69
$ 1,241,007	$ 957,018	$ 819,423	$ 1,137,707	$ 1,364,268	$ 1,326,444	$ 805,848
(626,518)	(532,189)	(755,419)	(916,536)	(1,295,039)	(1,267,506)	(1,730,072)
(65,593)	(64,095)	(592,622)	(641,258)	(417,276)	(193,921)	(98,597)
(692,111)	(596,284)	(1,348,041)	(1,557,794)	(1,712,315)	(1,461,427)	(1,828,669)
145,792	72,804	12,436	25,423	37,788	(12,012)	6,644
(546,319)	(523,480)	(1,335,605)	(1,532,371)	(1,674,527)	(1,473,439)	(1,822,025)
26,247	(54,153)	117,791	(159,756)	(183,351)	46,744	13,823
25,000	289,843	547,704	675,016	786,280	461,413	1,203,994
(689,355)	(642,112)	(167,769)	(524,384)	(269,414)	(287,531)	(194,870)
--	--	--	497,360	--	--	--
(55,788)	(55,711)	(41,603)	(64,194)	(36,468)	(60,681)	(48,785)
--	--	--	--	--	(6,213)	(43,632)
(693,896)	(462,133)	456,123	424,042	297,047	153,732	930,530
2,144	2,095	(1,320)	(8,534)	3,468	2,877	(7,237)
$ 2,936	$ (26,500)	$ (61,379)	$ 20,844	$ (9,744)	$ 9,614	$ (92,884)
93,011	92,996	92,587	92,584	81,068	81,019	80,804
11,294	11,506	12,000	13,088	13,732	14,669	16,638
$53.00	$45.63	$45.13	$46.00	$47.50	$46.38	$48.75

TEN-YEAR SUMMARY OF OPERATING DATA
AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

	1998	1997	1996
PRODUCTION PER DAY (NET)			
Crude oil (barrels)			
United States	36,784	35,707	41,020
United Kingdom	109,463	126,427	134,726
Norway	26,943	29,516	27,603
Africa	14,345	10,127	9,725
Indonesia and Azerbaijan	2,949	531	--
Canada and Abu Dhabi	--	--	5,929
Total	190,484	202,308	219,003
Natural gas liquids (barrels)			
United States	8,136	8,243	9,105
United Kingdom	5,990	6,364	6,628
Norway	1,379	1,657	1,585
Canada	--	--	476
Total	15,505	16,264	17,794
Natural gas (Mcf)			
United States	293,849	311,915	337,653
United Kingdom	251,000	225,804	253,983
Norway	27,828	30,312	30,445
Indonesia	3,800	1,223	--
Canada	--	--	62,585
Total	576,477	569,254	684,666
WELL COMPLETIONS (NET)			
Oil wells	28	42	39
Gas wells	20	11	25
Dry holes	25	24	40
PRODUCTIVE WELLS AT YEAR-END (NET)			
Oil wells	721	860	854
Gas wells	252	447	455
Total	973	1,307	1,309
UNDEVELOPED NET ACREAGE (HELD AT END OF YEAR)			
United States	748,000	915,000	891,000
Foreign(a)	16,927,000	10,180,000	7,455,000
Total	17,675,000	11,095,000	8,346,000
SHIPPING			
Vessels owned or under charter at year-end	9	14	13
Total deadweight tons	952,000	1,602,000	1,236,000
REFINING (BARRELS DAILY)			
Amerada Hess Corporation(b)	419,000	411,000	396,000
HOVENSA L.L.C.(c)	433,000	--	--
PETROLEUM PRODUCTS SOLD (BARRELS DAILY)			
Gasoline, distillates and other light products	411,000	436,000	412,000
Residual fuel oils	71,000	73,000	83,000
Total	482,000	509,000	495,000
STORAGE CAPACITY AT YEAR-END (BARRELS)	56,070,000	87,000,000	86,986,000
NUMBER OF EMPLOYEES (AVERAGE)	9,777	9,216	9,085

(a) Includes acreage held under production sharing contracts.

(b) Through ten months of 1998.

(c) Reflects 100% of HOVENSA refinery crude runs from November 1, 1998.

1995	1994	1993	1992	1991	1990	1989
52,284	55,638	60,173	62,517	66,063	62,434	60,992
135,429	122,043	80,019	86,265	59,979	56,027	38,707
25,576	24,279	26,388	29,598	28,619	24,351	24,135
9,512	8,857	8,301	6,910	8,952	--	--
--	--	--	--	--	--	--
16,976	17,854	21,540	22,678	21,832	17,969	16,408
239,777	228,671	196,421	207,968	185,445	160,781	140,242
10,722	11,964	11,798	11,063	10,047	9,436	9,986
6,900	6,756	3,783	1,468	766	805	466
1,414	1,320	1,432	1,707	1,752	2,004	2,016
1,647	1,809	1,956	1,981	1,997	1,704	1,732
20,683	21,849	18,969	16,219	14,562	13,949	14,200
401,581	427,103	502,459	601,824	583,740	457,042	335,112
239,307	208,742	188,024	153,599	128,014	145,921	126,643
27,743	24,417	28,987	31,858	26,947	25,656	24,371
--	--	--	--	--	--	--
215,500	185,856	167,839	137,680	104,151	76,768	72,855
884,131	846,118	887,309	924,961	842,852	705,387	558,981
33	28	48	33	45	17	19
41	44	49	20	41	33	19
50	24	37	22	36	38	31
2,154	2,160	2,189	2,082	2,103	2,111	2,048
1,160	1,146	1,115	966	927	905	714
3,314	3,306	3,304	3,048	3,030	3,016	2,762
1,440,000	1,685,000	1,854,000	1,819,000	1,802,000	1,716,000	1,589,000
5,871,000	4,570,000	4,310,000	3,168,000	3,480,000	3,329,000	3,083,000
7,311,000	6,255,000	6,164,000	4,987,000	5,282,000	5,045,000	4,672,000
16	17	15	21	21	23	22
2,010,000	2,265,000	2,398,000	3,223,000	2,825,000	3,012,000	3,081,000
377,000	388,000	351,000	335,000	320,000	383,000	397,000
--	--	--	--	--	--	--
401,000	375,000	291,000	275,000	285,000	296,000	299,000
86,000	93,000	95,000	102,000	128,000	132,000	171,000
487,000	468,000	386,000	377,000	413,000	428,000	470,000
89,165,000	94,597,000	94,380,000	95,199,000	94,879,000	93,867,000	91,794,000
9,574	9,858	10,173	10,263	10,317	9,645	8,740

EXHIBIT 21

AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

SUBSIDIARIES OF THE REGISTRANT

Name of Subsidiary	Organized under the laws of
A.H. Shipping Guaranty Corporation	Delaware
Amerada Hess (CAO) Limited	United Kingdom
Amerada Hess (Denmark) A/S	Denmark
Amerada Hess (Falkland Islands) Limited	United Kingdom
Amerada Hess Gas Limited	United Kingdom
Amerada Hess Gas (Domestic) Limited	United Kingdom
Amerada Hess (Indonesia -- Jabung) Limited	United Kingdom
Amerada Hess (Indonesia -- Pangkah) Limited	United Kingdom
Amerada Hess International Limited	Delaware
Amerada Hess Limitada	Brazil
Amerada Hess Limited	United Kingdom
Amerada Hess Norge A/S	Norway
Amerada Hess Pipeline Corporation	Delaware
Amerada Hess (Port Reading) Corporation	Delaware
Amerada Hess Production Gabon	Gabon
Amerada Hess Shipping Corporation	Liberia
Amerada Hess (Thailand Exploration) Limited	United Kingdom
Delta Hess (Khazar) Limited	United Kingdom
Hess Energy Trading Company, LLC	Delaware
Hess Oil St. Lucia Limited	St. Lucia
Hess Oil Virgin Islands Corp.	U.S. Virgin Islands
Jamestown Insurance Company Limited	Bermuda

Other subsidiaries (names omitted because such unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary)

Each of the foregoing subsidiaries conducts business under the name listed, and is 100% owned by the Registrant, except for Hess Energy Trading Company, LLC, which is a trading company that is a joint venture between the Registrant and unrelated parties.

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