



**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2004**

**or**  
 **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from        to**

Commission File Number 1-1204

**Amerada Hess Corporation**

*(Exact name of Registrant as specified in its charter)*

**DELAWARE**  
*(State or other jurisdiction of  
incorporation or organization)*

**13-4921002**  
*(I.R.S. Employer  
Identification Number)*

**1185 AVENUE OF THE AMERICAS,  
NEW YORK, N.Y**  
*(Address of principal executive offices)*

**10036**  
*(Zip Code)*

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

**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
7% Mandatory Convertible Preferred Stock	New York 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  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.

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of voting stock held by non-affiliates of the Registrant amounted to \$6,163,000,000 as of June 30, 2004.

At December 31, 2004, 91,715,180 shares of Common Stock were outstanding.

Part III is incorporated by reference from the Proxy Statement for the annual meeting of stockholders to be held on May 4, 2005.

**AMERADA HESS CORPORATION**

**Form 10-K**

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**PART I****Items 1 and 2. Business and Properties**

Amerada Hess Corporation (the Registrant) is a Delaware corporation, incorporated in 1920. The Registrant and its subsidiaries (collectively referred to as the "Corporation") explore for, produce, purchase, transport and sell crude oil and natural gas. These exploration and production activities take place in the United States, United Kingdom, Norway, Denmark, Equatorial Guinea, Algeria, Gabon, Indonesia, Thailand, Azerbaijan, Malaysia and other countries. The Corporation also manufactures, purchases, trades and markets refined petroleum and other energy products. The Corporation owns 50% of a refinery joint venture in the United States Virgin Islands, and another refining facility, terminals and retail gasoline stations located on the East Coast of the United States.

**Exploration and Production**

At December 31, 2004, the Corporation had 646 million barrels of proved crude oil and natural gas liquids reserves, the same as at the end of 2003. Proved natural gas reserves were 2,400 million Mcf at December 31, 2004 compared with 2,332 million Mcf at December 31, 2003. Proved reserves at December 31, 2004 include 37% and 52%, respectively, of crude oil and natural gas reserves held under production sharing contracts. Of the total proved reserves (on a barrel of oil equivalent basis), 17% are located in the United States, 39% are located in the United Kingdom, Norwegian and Danish sectors of the North Sea, 17% are located in Africa and the remainder are located in Indonesia, Thailand, Malaysia and Azerbaijan. On a barrel of oil equivalent basis, 38% of the Corporation's December 31, 2004 worldwide proved reserves are undeveloped (32% in 2003). Most of the proved undeveloped reserves relate to properties being developed in Africa and Asia.

Worldwide crude oil and natural gas liquids production amounted to 246,000 barrels per day in 2004 compared with 259,000 barrels per day in 2003. Worldwide natural gas production was 575,000 Mcf per day in 2004 compared with 683,000 Mcf per day in 2003. On a barrel of oil equivalent basis, production from continuing operations was 342,000 barrels per day in 2004 compared with 360,000 barrels per day in 2003. The Corporation presently estimates that its 2005 barrel of oil equivalent production will be approximately 350,000 barrels per day. The Corporation is developing a number of oil and gas fields and has an inventory of domestic and foreign exploration prospects.

Worldwide crude oil and natural gas production was as follows:

	<u>2004</u>	<u>2003</u>
<b>Worldwide Crude Oil, Natural Gas Liquids and Natural Gas</b>		
<b>Crude oil (thousands of barrels per day)</b>		
United States	44	44
United Kingdom	70	89
Norway	27	24
Equatorial Guinea	26	22
Algeria	23	19
Denmark	22	24
Gabon	12	11
Azerbaijan	2	2
Indonesia	—	1
Colombia	—	3
Total	<u>226</u>	<u>239</u>

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	2004	2003
<b>Natural gas liquids (thousands of barrels per day)</b>		
United States	12	11
United Kingdom	5	6
Norway	1	1
Indonesia and Thailand	2	2
Total	<u>20</u>	<u>20</u>
<b>Natural gas (thousands of Mcf per day)</b>		
United States	171	253
United Kingdom	268	312
Norway	27	26
Denmark	24	29
Indonesia and Thailand	85	63
Total	<u>575</u>	<u>683</u>
<b>Barrels of oil equivalent*</b>	<u>342</u>	<u>373**</u>

\* Reflects natural gas production converted on the basis of relative energy content (six Mcf equals one barrel).

\*\* Includes production from properties classified as discontinued operations of 13 thousand barrels of oil equivalent per day.

**United States.** Amerada Hess Corporation operates mainly offshore in the Gulf of Mexico and onshore in Texas, Louisiana and North Dakota. During 2004, 23% of the Corporation's crude oil and natural gas liquids production and 30% 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:

	2004	2003
<b>Crude Oil, Including Condensate and Natural Gas Liquids (thousands of barrels per day)</b>		
Gulf of Mexico	26	23
North Dakota	13	13
Texas	11	11
Louisiana	4	5
New Mexico	2	3
Total	<u>56</u>	<u>55</u>
<b>Natural Gas (thousands of Mcf per day)</b>		
Gulf of Mexico	80	117
North Dakota	45	58
Louisiana	31	58
New Mexico	9	9
Texas	6	11
Total	<u>171</u>	<u>253</u>
<b>Barrels of Oil Equivalent (thousands of barrels per day)</b>	<u>84</u>	<u>97</u>

The Llano Field on Garden Banks Blocks 385 and 386 in the Gulf of Mexico commenced production in April and the Corporation's 50% interest is currently averaging approximately 20,000 barrels of oil equivalent per day. Additional appraisal drilling is planned for the Shenzi prospect (AHC 28%) on Green Canyon

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Block 654 in the deepwater Gulf of Mexico. Further appraisal drilling is also planned for the Tubular Bells discovery (AHC 20%) on Mississippi Canyon Block 725 in the deepwater Gulf of Mexico.

At December 31, 2004, the Corporation has interests in approximately 376 exploration blocks in the Gulf of Mexico of which it operates 260. The Corporation has 1,341,000 net undeveloped acres in the Gulf of Mexico.

**United Kingdom.** The Corporation's activities in the United Kingdom are conducted by its wholly-owned subsidiary, Amerada Hess Limited. During 2004, 30% of the Corporation's crude oil and natural gas liquids production and 47% 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, 2004:

Producing Field	Interest	2004	2003
<b>Crude Oil, Including Condensate and Natural Gas Liquids</b>			
<b>(thousands of barrels per day)</b>			
Beryl/ Ness/ Nevis/ Buckland/ Skene	22.22/22.22/37.35/14.07/9.07%	<b>16</b>	19
Schiehallion	15.67	<b>14</b>	16
Bittern	28.28	<b>13</b>	15
Fife/ Fergus/ Flora/ Angus	85.00/65.00/85.00/85.00	<b>10</b>	14
Scott/ Telford	20.95/17.42	<b>8</b>	14
Ivanhoe/ Rob Roy/ Hamish	76.56	<b>4</b>	5
Hudson	28.00	<b>3</b>	4
Other	Various	<b>7</b>	8
Total		<u><b>75</b></u>	<u>95</u>
<b>Natural Gas (thousands of Mcf per day)</b>			
Easington Catchment Area	28.84%	<b>77</b>	84
Everest/ Lomond	18.67/16.67	<b>54</b>	61
Beryl/ Ness/ Nevis/ Buckland	22.22/22.22/37.35/14.07	<b>47</b>	52
Indefatigable/ Leman	23.08/21.74	<b>41</b>	47
Davy/ Bessemer	27.78/23.08	<b>19</b>	31
Scott/ Telford	20.95/17.42	<b>12</b>	18
Other	Various	<b>18</b>	19
Total		<u><b>268</b></u>	<u>312</u>
<b>Barrels of Oil Equivalent (thousands of barrels per day)</b>		<u><b>120</b></u>	<u>147</u>

Production from the Clair Field (AHC 9.29%) commenced in early 2005. The Atlantic (AHC 25%) and Cromarty (AHC 90%) natural gas fields are also being developed. These fields are expected to produce at an annualized rate of approximately 25,000 barrels of oil equivalent per day when they are onstream in 2006.

During 2003, the Corporation exchanged 14% interests in the Scott and Telford fields for an additional 22.5% interest in the Llano Field in the Gulf of Mexico. In addition, Amerada Hess Limited exchanged its 25% shareholding interest in Premier Oil plc, for a 23% interest in Natuna Sea Block A in Indonesia.

**Norway.** The Corporation's activities in Norway are conducted through its wholly-owned Norwegian subsidiary, Amerada Hess Norge A/ S. Norwegian operations accounted for crude oil and natural gas liquids production of 28,000 barrels per day in 2004 and 25,000 barrels per day in 2003. Natural gas production averaged 27,000 Mcf per day in 2004 and 26,000 Mcf per day in 2003. Substantially all of the Norwegian

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production is from the Corporation's 28.09% interest in the Valhall Field. Drilling for the enhanced-recovery waterflood project in the Valhall Field is scheduled to commence in 2005.

**Denmark.** Amerada Hess ApS, the Corporation's wholly-owned Danish subsidiary, operates the South Arne Field. Net crude oil production from the Corporation's 57.48% interest in the South Arne Field was 22,000 barrels of crude oil per day in 2004 and 24,000 barrels of crude oil per day in 2003. Natural gas production was 24,000 Mcf and 29,000 Mcf per day in 2004 and 2003, respectively.

**Equatorial Guinea.** The Corporation has interests in production sharing contracts covering three offshore blocks. Net crude oil production from the Corporation's 85% interest in the Ceiba Field averaged 26,000 barrels of crude oil per day in 2004 and 22,000 barrels per day in 2003. The development plan for the Okume Complex, formerly referred to as Northern Block G, received government approval during 2004. Most of the major contracts for construction have been authorized and development drilling will begin in 2006. First production from the Okume Complex is expected in early 2007.

**Malaysia — Thailand.** In 2003, the Corporation exchanged its oil and gas assets in Colombia for an additional 25% interest in long-lived natural gas reserves in the joint development area of Malaysia and Thailand (JDA), bringing the Corporation's interest to 50%. In 2004, the Corporation negotiated additional gas sales covering Block A-18 in the JDA, which will result in production growth in the future. First production from the field under the original gas sales agreement commenced in early 2005.

**Algeria.** The Corporation has a 49% interest in a venture with the Algerian national oil company that is redeveloping three oil fields. The Corporation's share of production averaged 23,000 and 19,000 barrels of crude oil per day in 2004 and 2003, respectively. During 2004, the second phase of the project to redevelop these fields was approved, resulting in an increased investment commitment of approximately \$400 million.

**Gabon.** Amerada Hess Production Gabon, the Corporation's 77.5% owned Gabonese subsidiary, has a 10% interest in the Rabi Kounga Field and interests in two other Gabonese fields. The Corporation's share of production averaged 12,000 net barrels of crude oil per day in 2004 and 11,000 barrels per day in 2003.

**Indonesia.** During 2003, the Corporation acquired a 23% interest in the Natuna Sea Block A production sharing contract in exchange for its shares of Premier Oil plc. Natural gas production in Indonesia increased to 32,000 Mcf per day in 2004 from 11,000 Mcf per day in 2003. In December 2004, the Ujung Pangkah gas sales agreement was approved and gas sales are expected to commence by early 2007.

**Thailand.** The Corporation has a 15% interest in the Pailin gas field offshore Thailand. Net production from the Corporation's interest averaged 53,000 Mcf and 52,000 Mcf of natural gas per day in 2004 and 2003, respectively. An onshore discovery on Phu Horm Block E5N (AHC 35%) has been successfully appraised and is now in the permitting process. It is expected that this project will be approved in 2005 with first production in 2007.

**Azerbaijan.** The Corporation has a 2.72% interest in the AIOC Consortium in the Caspian Sea. Net production from its interest averaged 2,000 barrels of crude oil per day in 2004 and 2003. Phase three of the development of the Azeri, Chirag and Guneshli Fields was approved in 2004 and will result in increased production in the future. The Corporation also holds a 2.36% interest in the BTC Pipeline.

### **Refining and Marketing**

**Refining.** The Corporation owns a 50% interest in the HOVENSA refining joint venture in the United States Virgin Islands with a subsidiary of Petroleos de Venezuela S.A. (PDVSA). In addition, it owns and operates a refining facility in Port Reading, New Jersey.

**HOVENSA.** HOVENSA's total crude runs amounted to 484,000 barrels per day in 2004 and 440,000 barrels per day in 2003. The fluid catalytic cracking unit at HOVENSA operated at the rates of 139,000 and 142,000 barrels per day in 2004 and 2003, respectively. The coking unit at HOVENSA operated at the rate of 55,000 barrels per day in 2004 and 53,000 barrels per day in 2003. The coker permits HOVENSA to run lower-cost heavy crude oil. HOVENSA has a long-term supply contract with PDVSA to purchase 115,000 barrels per day of Venezuelan Merey heavy crude oil. PDVSA also supplies 155,000 barrels

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per day of Venezuelan Mesa medium gravity crude oil to HOVENSA under a long-term crude oil supply contract. The remaining crude oil requirements are purchased mainly under contracts of one year or less from third parties and through spot purchases on the open market. After sales of refined products by HOVENSA to third parties, the Corporation purchases 50% of HOVENSA's remaining production at market prices.

**Port Reading Facility.** The Corporation owns and operates a fluid catalytic cracking facility in Port Reading, New Jersey. This facility processes vacuum gas oil and residual fuel oil and operated at a rate of approximately 52,000 barrels per day in 2004 and 54,000 barrels per day in 2003. Substantially all of Port Reading's production is gasoline and heating oil.

**Marketing.** The Corporation markets refined petroleum products on the East Coast of the United States to the motoring public, wholesale distributors, industrial and commercial users, other petroleum companies, governmental agencies and public utilities. It also markets natural gas to utilities and other industrial and commercial customers. The Corporation's energy marketing activities include the sale of electricity. The Corporation has a 50% voting interest in a consolidated partnership that trades energy commodities and derivatives. The Corporation also takes trading positions for its own account.

The Corporation has 1,254 HESS® gasoline stations at December 31, 2004, of which approximately 67% are company operated. The Corporation has 941 convenience stores at its gasoline stations. In early 2004, a 50% owned joint venture acquired a chain of gasoline stations, adding approximately 50 HESS® retail outlets. Most of the Corporation's gasoline stations are in New York, New Jersey, Pennsylvania, Florida, Massachusetts and North and South Carolina. The Corporation owns approximately 50% of the properties on which the stations are located.

The Corporation has 22 terminals with an aggregate storage capacity of 21 million barrels in its East Coast marketing areas.

Refined product sales averaged 428,000 barrels per day in 2004 and 419,000 barrels per day in 2003. Of total refined products sold in 2004, approximately 54% was obtained from HOVENSA and Port Reading. The Corporation purchased the balance from others under short-term supply contracts and by spot purchases from various sources.

In June 2004, the Corporation formed a 50% owned joint venture, Hess LNG, which will pursue investments in liquefied natural gas (LNG) terminals and related supply, trading and marketing opportunities. The joint venture is pursuing development of an LNG terminal project located in Fall River, Massachusetts.

The Corporation has a wholly-owned subsidiary that provides distributed electricity generating equipment to industrial and commercial customers as an alternative to purchasing electricity from local utilities. The Corporation also has invested in long-term technology to develop fuel cells for electricity generation through a venture with other parties.

### **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 and natural gas. 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 are dependent upon 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.



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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 selling 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**

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 may affect the Corporation's operations. 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 existing environmental and pollution control regulations imposed by federal, state and local governments is not expected to have a material adverse effect on the Corporation's earnings and competitive position within the industry. The Corporation spent \$12 million in 2004 for environmental remediation, with a comparable amount anticipated for 2005. Capital expenditures for facilities, primarily to comply with federal, state and local environmental standards, were \$1 million in 2004 and the Corporation anticipates approximately \$35 million in 2005. Regulatory changes already made or anticipated in the United States will alter the composition and emissions characteristics of motor fuels. Future capital expenditures necessary to comply with these regulations will be substantial. The Environmental Protection Agency has adopted rules that limit the amount of sulfur in gasoline and diesel fuel. Capital expenditures necessary to comply with the low-sulfur gasoline requirements at Port Reading are estimated to be approximately \$70 million over the next two years. Capital expenditures to comply with low-sulfur gasoline and diesel fuel requirements at HOVENSA are currently expected to be approximately \$400 million over the next two years, \$50 million of which has already been spent. HOVENSA expects to finance these capital expenditures through cash flow and, if necessary, future borrowings.

The number of persons employed by the Corporation averaged 11,119 in 2004 and 11,481 in 2003.

The Corporation's Internet address is [www.hess.com](http://www.hess.com). On its website, the Corporation makes available free of charge its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after the Corporation electronically files with or furnishes such material to the Securities and Exchange Commission. Copies of the Corporation's Code of Business Conduct and Ethics, its Corporate Governance Guidelines and the charters of the Audit Committee, the Compensation and Management Development Committee and the Corporate Governance and Nominating Committee of the Board of Directors are available on the Corporation's website and are also available free of charge upon request to the Secretary of the Corporation at its principal executive offices. The Corporation has also filed with the New York Stock Exchange (NYSE) its annual certification that the Corporation's chief executive officer is unaware of any violation of the NYSE's corporate governance standards.

### **Oil and Gas Reserves**

The Corporation's net proved oil and gas reserves at the end of 2004, 2003 and 2002 are presented under Supplementary Oil and Gas Data in the accompanying financial statements.

During 2004, the Corporation provided oil and gas reserve estimates for 2003 to the Department of Energy. Such estimates are compatible with the information furnished to the SEC on Form 10-K, although

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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, although derivative instruments are used to reduce the effects of changes in selling prices. In the United States, natural gas is sold 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 55% of its 2005 sales commitments under long-term contracts that total approximately 275,000 Mcf per day. Natural gas sales commitments for 2006 are expected to be comparable. The Corporation attempts to minimize price and supply risks associated with its United States 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.

### Average selling prices and average production costs

	2004	2003	2002
<b>Average selling prices (Note A)</b>			
Crude oil, including condensate and natural gas liquids (per barrel)			
United States	\$ 27.87	\$ 24.13	\$ 22.48
Europe	26.24	24.58	24.84
Africa	26.35	25.43	23.89
Asia and other	38.36	28.49	20.84
Average	26.86	24.73	24.07
Natural gas (per Mcf)			
United States	\$ 5.18	\$ 4.02	\$ 3.72
Europe	3.96	3.00	2.15
Africa, Asia and other	3.90	3.10	3.15
Average	4.31	3.34	2.88
<b>Average production (lifting) costs per barrel of oil equivalent produced (Note B)</b>			
United States	\$ 6.42	\$ 5.90	\$ 5.19
Europe	6.35	5.49	4.88
Africa	7.72	8.96	5.47
Asia and other	6.05	4.54	4.40
Average	6.59	6.06	5.04

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

*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 of oil equivalent reflect the crude oil equivalent of natural gas production converted based on the basis of relative energy content (six 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 the costs of related general and administrative expenses, interest expense and income taxes.

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**Gross and net undeveloped acreage at December 31, 2004**

	Undeveloped Acreage (Note A)	
	Gross	Net
	(In thousands)	
United States	1,896	1,371
Europe	5,894	2,498
Africa	4,230	2,029
Asia and other	8,870	2,737
<b>Total (Note B)</b>	<b>20,890</b>	<b>8,635</b>

Note A: Includes acreage held under production sharing contracts.

Note B: Approximately two-thirds of net undeveloped acreage held at December 31, 2004 will expire during the next three years.

**Gross and net developed acreage and productive wells at December 31, 2004**

	Developed Acreage Applicable to Productive Wells		Productive Wells (Note A)			
			Oil		Gas	
	Gross	Net	Gross	Net	Gross	Net
	(In thousands)					
United States	1,580	436	2,845	646	223	166
Europe	714	200	321	77	154	35
Africa	294	128	154	51	—	—
Asia and other	2,839	1,027	22	2	238	35
<b>Total</b>	<b>5,427</b>	<b>1,791</b>	<b>3,342</b>	<b>776</b>	<b>615</b>	<b>236</b>

Note A: Includes multiple completion wells (wells producing from different formations in the same bore hole) totaling 71 gross wells and 52 net wells.

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**Number of net exploratory and development wells drilled**

	Net Exploratory Wells			Net Development Wells		
	2004	2003	2002	2004	2003	2002
<b>Productive wells</b>						
United States	4	2	11	32	19	26
Europe	—	—	2	5	7	5
Africa	1	2	6	12	7	8
Asia and other	1	1	2	2	5	17
Total	<u>6</u>	<u>5</u>	<u>21</u>	<u>51</u>	<u>38</u>	<u>56</u>
<b>Dry holes</b>						
United States	1	3	3	—	1	4
Europe	1	2	1	1	1	—
Africa	2	4	4	1	2	1
Asia and other	1	—	3	1	—	—
Total	<u>5</u>	<u>9</u>	<u>11</u>	<u>3</u>	<u>4</u>	<u>5</u>
<b>Total</b>	<u>11</u>	<u>14</u>	<u>32</u>	<u>54</u>	<u>42</u>	<u>61</u>

**Number of wells in process of drilling at December 31, 2004**

	Gross Wells	Net Wells
United States	10	6
Europe	3	—
Africa	4	2
Asia and other	3	1
Total	<u>20</u>	<u>9</u>

**Number of waterfloods and pressure maintenance projects in process of installation at December 31, 2004 — 1**

**Item 3. Legal Proceedings**

Purported class actions consolidated under the complaint captioned *In re Amerada Hess Corporation Securities Litigation* are pending in the United States District Court for the District of New Jersey, against certain executive officers and former executive officers of the Registrant alleging that these individuals sold shares of Registrant's common stock in advance of Registrant's acquisition of Triton Energy Limited (Triton) in 2001 in violation of federal securities laws. In April 2003, the Registrant and the other defendants filed a motion to dismiss for failure to state a claim and failure to plead fraud with particularity. On March 31, 2004, the court granted the defendants' motion to dismiss the complaint. The plaintiffs were granted leave to file an amended complaint. Plaintiffs filed an amended complaint in June 2004. In August 2004, defendant moved to dismiss the plaintiffs amended complaint. This motion is currently pending with the District Court. Two other purported class actions, based in large part on the same factual background, were commenced in May and August 2003 and were consolidated under a complaint captioned *Falk et. al. v. Amerada Hess Corporation, et. al.* in the United States District Court for the District of New Jersey against certain named executive officers, certain directors and former directors and certain employees of Registrant on behalf of participants in the

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Registrant's savings and stock bonus plans, alleging that the defendants breached their fiduciary duties under the Employee Retirement Income Security Act, resulting in losses to participants in the plan who held shares of the Registrant's common stock. Registrant and the other defendants moved to dismiss these actions in December 2003. This motion was denied by the District Court in May 2004. Registrant has reached a tentative settlement of these actions, subject to approval of the District Court. The Registrant is advancing expenses to these individuals in accordance with its By-Laws to defend these actions. Based on current legal and factual circumstances, Registrant does not believe these actions will have a material adverse effect on its financial condition.

Registrant has been served with a complaint from the New York State Department of Environmental Conservation (DEC) relating to alleged violations at its petroleum terminal in Brooklyn, New York. The complaint, which seeks an order to shut down the terminal and penalties in unspecified amounts, alleges violations involving the structural integrity of certain tanks, the erosion of shorelines and bulkheads, petroleum discharges and improper certification of tank repairs. DEC is also seeking relief relating to remediation of certain gasoline stations in the New York metropolitan area. Registrant believes that many of the allegations are factually inaccurate or based on an incorrect interpretation of applicable law. Registrant has already addressed the primary conditions discussed in the complaint. Registrant intends to vigorously contest the complaint, but is involved in settlement discussions with DEC.

Over the last several years, many refiners have entered into consent agreements to resolve EPA's assertions that refining facilities were modified or expanded without complying with New Source Review regulations that require permits and new emission controls in certain circumstances and other regulations that impose emissions control requirements. These consent agreements, which arise out of an EPA enforcement initiative focusing on petroleum refiners and utilities, have typically imposed substantial civil fines and penalties and required significant capital expenditures to install emissions control equipment. EPA contacted Registrant and HOVENSA L.L.C. (HOVENSA), its 50% owned joint venture with Petroleos de Venezuela, regarding the petroleum refinery initiative in August 2003 and held an initial meeting in October 2003. While EPA has not made any specific assertions that the Registrant or HOVENSA violated the New Source Review regulations, the Registrant and HOVENSA expect to have further discussions with EPA regarding the petroleum refining initiative.

In June 2001, the Corporation voluntarily investigated and disclosed to the New Jersey Department of Environmental Protection (NJDEP) that there was a calculation error in the program code of the Port Reading refining facility's Wet Gas Scrubber (WGS) Continuous Emissions Monitoring System (CEM). The error in the code resulted in the CEM system under calculating CO, NOx and SO<sub>2</sub> emissions from the WGS beginning in late 1998 and some exceedances of the permit limits for NOx. After discovery, the code error was promptly corrected. In November 2003, the Corporation received a notice of violation from the NJDEP relating to the CEM coding error that proposes a fine of \$649,600, subsequently revised to \$319,600. The Corporation is engaging in settlement discussions with NJDEP to resolve this matter, particularly as regards to a reduction in the revised penalty to reflect the voluntary self-disclosure of the issue.

The Registrant, along with other companies engaged in refining and marketing of gasoline, has been a party to lawsuits and claims related to the use of the methyl tertiary butyl ether (MTBE) in gasoline. A series of substantially identical lawsuits, many involving water utilities or governmental entities, were filed in jurisdictions across the United States against producers of MTBE and petroleum refiners who produce gasoline containing MTBE, including Registrant. These cases have been consolidated in the Southern District of New York. The principal allegation is that gasoline containing MTBE is a defective product and that these parties are strictly liable in proportion to their share of the gasoline market for damage to groundwater resources and are required to take remedial action to ameliorate the alleged effects on the environment of releases of MTBE. Additional property damage and personal injury lawsuits and claims related to the use of MTBE are expected. Prior class action product liability based litigation involving MTBE in gasoline has been resolved without a material effect on the Registrant. While the damages claimed in these actions are substantial, Registrant has no reason to believe, based on factual and legal circumstances currently known to the Registrant, that these actions will have a material adverse effect on its financial condition. However, these actions are in their preliminary stages, and the factual and legal circumstances may change.

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In April 2003, HOVENSA received a notice of violation from the Virgin Islands Department of Planning and Natural Resources (DPNR), relating to certain alleged wastewater permit exceedances occurring in 2001 and 2002 at HOVENSA. The notice proposes a fine of \$219,000 and requires corrective actions to address the alleged violations. HOVENSA is engaging in settlement discussions with DPNR to resolve this matter.

The Registrant periodically receives notices from EPA that it is a “potential 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 that 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.

Registrant is one of approximately 40 companies that have received a directive from the New Jersey Department of Environmental Protection to remediate contamination in the sediments of the lower Passaic River and NJDEP is also seeking natural resource damages. The directive, insofar as it affects Registrant, relates to alleged releases from a petroleum bulk storage terminal in Newark, New Jersey now owned by Registrant. EPA has also issued an order relating to the same contamination. The costs of remediation of the Passaic River are preliminary, but NJDEP has estimated them at approximately \$900 million. Based on currently known facts and circumstances, Registrant does not believe that this matter will result in material liability because its terminal could not have contributed contamination along most of the river’s length and did not store or use contaminants which are of the greatest concern in the river sediments, and because there are numerous other parties who will likely share in the cost of remediation and damages.

On or about July 15, 2004, Hess Oil Virgin Islands Corp. (HOVIC), a wholly owned subsidiary of Registrant, and HOVENSA L.L.C., in which Registrant owns a 50% interest, each received a letter from the Commissioner of the Virgin Islands Department of Planning and Natural Resources and Natural Resources Trustees, advising of the Trustee’s intention to bring suit against HOVIC and HOVENSA under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). The letter alleges that HOVIC and HOVENSA are potentially responsible for damages to natural resources arising from releases of hazardous substances from the “HOVENSA Oil Refinery.” HOVENSA currently owns and operates a petroleum refinery on the south shore of St. Croix, United States Virgin Islands, which had been operated by HOVIC until October 1998. The letter does not specify the basis for the claim or a claimed damages amount. If an action is brought, Registrant and HOVENSA intend to vigorously defend it.

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 2004, no matter was submitted to a vote of security holders through the solicitation of proxies or otherwise.

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### *Executive Officers of the Registrant*

The following table presents information as of February 1, 2005 regarding executive officers of the Registrant:

<u>Name</u>	<u>Age</u>	<u>Office Held*</u>	<u>Year Individual Became an Executive Officer</u>
John B. Hess	50	Chairman of the Board, Chief Executive Officer and Director	1983
J. Barclay Collins II	60	Executive Vice President, General Counsel and Director	1986
John J. O'Connor	58	Executive Vice President, President of Worldwide Exploration and Production and Director	2001
F. Borden Walker	51	Executive Vice President and President of Refining and Marketing	1996
Brian J. Bohling	44	Senior Vice President	2004
E. Clyde Crouch	56	Senior Vice President	2003
John A. Gartman	57	Senior Vice President	1997
Scott Heck	47	Senior Vice President	2005
Lawrence H. Ornstein	53	Senior Vice President	1995
Howard Paver	54	Senior Vice President	2002
John P. Rielly	42	Senior Vice President and Chief Financial Officer	2002
George F. Sandison	48	Senior Vice President	2003
John J. Scelfo	47	Senior Vice President	2004
Robert P. Strode	49	Senior Vice President	2000
Robert J. Vogel	45	Vice President & Treasurer	2004

\* All officers referred to herein 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 5, 2004, except Messrs. Bohling, Heck and Vogel, who were elected to their offices on October 1, 2004, January 1, 2005 and October 1, 2004, respectively. The first meeting of Directors following the next annual meeting of stockholders of the Registrant is scheduled to be held May 4, 2005.

Except for Messrs. O'Connor, Bohling, Paver, Rielly, Sandison, Scelfo and Strode, 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. Mr. O'Connor had served in senior executive positions at Texaco Inc. and BHP Petroleum prior to his employment with the Registrant in October 2001. Mr. Bohling was employed in senior human resource positions with American Standard Corporation and CDI Corporation before joining the Registrant in 2004. Mr. Paver had served in a senior executive position at BHP Petroleum prior to his employment with a subsidiary of Registrant in October 2002. Prior to his employment with the Registrant in April 2001, Mr. Rielly had been a partner of Ernst & Young LLP. Mr. Scelfo was chief financial officer of Sirius Satellite Radio and a division of Dell Computer before his employment by the Registrant in 2003. Mr. Sandison served in senior executive positions in the area of global drilling with Texaco, Inc. before he was employed by the Registrant in 2003. Prior to his employment with the Registrant in April 2000, Mr. Strode had served in senior executive positions in the area of exploration at Vastar Resources, Inc. and Atlantic Richfield Company.

**PART II****Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters****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 2004 and 2003 were as follows:

<u>Quarter Ended</u>	<u>2004</u>		<u>2003</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
March 31	\$ 67.48	\$ 53.24	\$ 57.20	\$ 41.14
June 30	79.49	62.05	51.50	43.51
September 30	89.73	75.81	50.90	45.04
December 31	93.89	76.13	55.25	46.09

The high and low sales prices of the Corporation's 7% cumulative mandatory convertible preferred stock (traded on the New York Stock Exchange, ticker symbol: AHCPR) since issuance in the fourth quarter of 2003 were as follows:

<u>Quarter Ended</u>	<u>2004</u>		<u>2003</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
March 31	\$ 64.75	\$ 54.90	\$ —	\$ —
June 30	72.45	60.71	—	—
September 30	80.05	68.93	—	—
December 31	83.65	68.70	55.43	49.50

 **Holders**

At December 31, 2004, 6,450 stockholders (based on number of holders of record) owned 91,715,180 shares of common stock.

 **Dividends**

Cash dividends on common stock totaled \$1.20 per share (\$.30 per quarter) during 2004 and 2003. Annual dividends on the 7% cumulative mandatory convertible preferred stock totaled \$3.50 per share (\$.875 per quarter) in 2004. See Note 8 on Long-Term Debt in the financial statements for a discussion of restrictions on dividends.



[Table of Contents](#)**Equity Compensation Plans**

Following is information on the Registrant's equity compensation plans at December 31, 2004:

<b>Plan Category</b>	<b>Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)</b>	<b>Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)</b>
Equity compensation plans approved by security holders	3,787,000	\$ 62.99	6,502,000*
Equity compensation plans not approved by security holders**	—	—	—

\* These securities may be awarded as stock options, restricted stock or other awards permitted under the Registrant's equity compensation plan.

\*\* Registrant has a Stock Award Program adopted in 1997 pursuant to which each non-employee director receives 500 shares of Registrant's common stock each year. These awards are made from treasury shares purchased by the Company in the open market. Stockholders did not approve this equity compensation plan.

See Note 9 on Stock-Based Compensation Plans in the financial statements for further discussion of the Corporation's equity compensation plans.

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**Item 6. Selected Financial Data**

A five-year summary of selected financial data follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(Millions of dollars, except per share amounts)				
<b>Sales and other operating revenues</b>					
Crude oil and natural gas liquids	\$ 2,594	\$ 2,295	\$ 2,702	\$ 2,317	\$ 2,241
Natural gas (including sales of purchased gas)	4,638	4,522	3,077	4,501	3,239
Petroleum and other energy products	8,125	6,250	4,635	5,087	5,320
Convenience store sales and other operating revenues	1,376	1,244	1,137	1,147	947
Total	<u>\$ 16,733</u>	<u>\$ 14,311</u>	<u>\$ 11,551</u>	<u>\$ 13,052</u>	<u>\$ 11,747</u>
Income (loss) from continuing operations	<u>\$ 970(a)</u>	<u>\$ 467(b)</u>	<u>\$ (245)(c)</u>	<u>\$ 816(d)</u>	<u>\$ 917(e)</u>
Discontinued operations	7	169	27	98	106
Cumulative effect of change in accounting principle	—	7	—	—	—
Net income (loss)	<u>\$ 977</u>	<u>\$ 643</u>	<u>\$ (218)</u>	<u>\$ 914</u>	<u>\$ 1,023</u>
Less preferred stock dividends	48	5	—	—	—
Net income (loss) applicable to common shareholders	<u>\$ 929</u>	<u>\$ 638</u>	<u>\$ (218)</u>	<u>\$ 914</u>	<u>\$ 1,023</u>
<b>Basic earnings (loss) per share</b>					
Continuing operations	\$ 10.30	\$ 5.21	\$ (2.78)	\$ 9.26	\$ 10.29
Net income (loss)	10.38	7.19	(2.48)	10.38	11.48
<b>Diluted earnings (loss) per share</b>					
Continuing operations	\$ 9.50	\$ 5.17	\$ (2.78)	\$ 9.15	\$ 10.20
Net income (loss)	9.57	7.11	(2.48)	10.25	11.38
Total assets	\$ 16,312	\$ 13,983	\$ 13,262	\$ 15,369	\$ 10,274
Total debt	3,835	3,941	4,992	5,665	2,050
Stockholders' equity	5,597	5,340	4,249	4,907	3,883
Dividends per share of common stock	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 0.60

(a) Includes net after-tax gains of \$76 million (\$40 million before income taxes) primarily from sales of assets and income tax adjustments.

(b) Includes net after-tax charges of \$25 million (\$73 million before income taxes), principally from premiums on bond repurchases and accrued severance and office costs, partially offset by income tax adjustments and asset sales.

(c) Includes net after-tax charges aggregating \$708 million (\$931 million before income taxes), principally resulting from asset impairments.

(d) Includes after-tax charges of \$31 million (\$47 million before income taxes) for losses related to the bankruptcy of certain subsidiaries of Enron and accrued severance.

(e) Includes an after-tax gain of \$60 million (\$97 million before income taxes) on termination of an acquisition, partially offset by a \$24 million (\$38 million before income taxes) charge for costs associated with a research and development venture.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Overview**

The Corporation is a global integrated energy company that operates in two segments, exploration and production (E&P) and refining and marketing (R&M). The E&P segment explores for, produces and sells crude oil and natural gas. The R&M segment manufactures, purchases, trades and markets refined petroleum and other energy products.

The Corporation's goal for the E&P segment is to grow reserves and production profitably with its portfolio of development projects and to deliver exploration success. During 2002 and 2003, the Corporation reshaped its E&P asset portfolio by:

- Selling higher cost properties predominantly in the shallow water Gulf of Mexico and the North Sea for proceeds of \$738 million.
- Exchanging interests in mature producing assets for increased interests in development stage assets in the joint development area of Malaysia and Thailand and deepwater Gulf of Mexico.
- Participating in two oil discoveries in the deepwater Gulf of Mexico.

The asset sales and exchanges contributed significantly to the decline in production from 451,000 barrels of oil equivalent per day in 2002 to 342,000 barrels of oil equivalent per day in 2004. In 2005, the Corporation forecasts that crude oil and natural gas production will average 350,000 barrels of oil equivalent per day.

In 2004, the Corporation continued to make progress in its development projects that are expected to provide significant new production in 2006 and 2007, which will more than offset natural declines in existing fields. Milestones accomplished on our development projects in 2004 were:

- In April, the Llano Field in the deepwater Gulf of Mexico commenced production. The Corporation has a 50% interest in this field and net production at year-end is averaging approximately 20,000 barrels of oil equivalent per day.
- In August, the government of Equatorial Guinea approved the development plan for the Corporation's Northern Block G fields, which is now called the Okume Complex. The Corporation anticipates first production in 2007.
- In August, the second phase of the project to redevelop the Gassi El Agreb fields in Algeria was approved, resulting in an increased investment commitment of approximately \$400 million. This change reflects the Corporation's success in the area. Since 2000, the Corporation has increased gross production from 20,000 barrels of oil equivalent per day to 55,000 barrels of oil equivalent per day.
- In December, the Corporation negotiated additional gas sales from Block A-18 in the Malaysia-Thailand joint development area. The Corporation anticipates that this agreement will allow it to double proved reserves on the field over the next several years and contribute to future production growth. First sales of natural gas from this block under the original gas sales agreement began in 2005.
- In December, the Corporation approved the Ujung Pangkah development in Indonesia. Gas sales should commence by early 2007.
- In the United Kingdom, first production from the Clair Field commenced in 2005 and production from the Atlantic and Cromarty gas fields is expected to commence in 2006. Combined net production from these three fields is anticipated to be at an annualized rate of 25,000 barrels of oil equivalent per day when all three fields are onstream in 2006.

During 2004, the Corporation drilled successful appraisal wells at the Shenzi prospect in the deepwater Gulf of Mexico, at the Phu Horm Field onshore Thailand, and at Ujung Pangkah. In December, the Corporation announced a natural gas discovery at the Belud prospect offshore Malaysia. The Corporation has an inventory of exploration prospects and will drill several high impact wells in 2005.

The Corporation has two exploration wells currently drilling in the Gulf of Mexico that will have estimated pre-tax capitalized drilling costs of approximately \$100 to \$110 million upon completion. If either or both of these wells are unsuccessful, after-tax first quarter 2005 earnings would be reduced by up to \$70 million.

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Proved reserves increased to 1.046 billion barrels of oil equivalent at year-end 2004 from 1.035 billion barrels of oil equivalent at the end of 2003. The Corporation's reserves included in this Form 10-K are calculated by an independent third party reserve engineer. See further discussion of management's governance over the estimation of oil and gas reserves in the Supplementary Oil and Gas Data on page 73.

The strategic goals for R&M are to maximize returns from existing assets and generate free cash flow. The Corporation may grow the retail and energy marketing businesses opportunistically. During 2004 and 2003, the R&M segment's results improved significantly, primarily due to higher refining margins. The HOVENSA and Port Reading refineries operated near maximum capacity for most of the year, enabling them to take full advantage of the strong margins. HOVENSA's capacity to process lower cost heavy crude oil enhanced profitability in 2004, due to a significant price differential between light and heavy crude oil. In 2004, the Corporation received a cash distribution of \$88 million from HOVENSA. The HOVENSA fluid catalytic cracking unit was shutdown for approximately 30 days of planned maintenance in the first quarter of 2005. Planned maintenance of the fluid catalytic cracking unit at the Port Reading facility is underway and expected to last for approximately 30 days.

The Corporation's liquidity and financial position have improved significantly since year-end 2002. At December 31, 2002, the Corporation's debt was \$5 billion and its debt to capitalization ratio was 54%. As of December 31, 2004, the Corporation's debt has been reduced to \$3.8 billion and the debt to capitalization ratio was 40.7%. Aggregate debt maturities through 2006 are \$128 million. The Corporation's cash balance at December 31, 2004 was \$877 million.

Capital expenditures were \$1.5 billion in 2004, \$1.4 billion in 2003 and \$1.5 billion in 2002. Capital expenditures for 2005 are forecast to be \$2.1 billion, with \$2.0 billion dedicated to the exploration and production segment. This higher spending reflects the Corporation's portfolio of organic growth projects and attractive investment opportunities. The Corporation has hedged approximately 60% of its 2005 worldwide crude oil production to underpin its cash flows to fund development projects. See further discussion on hedging starting on page 34.

### Consolidated Results of Operations

Net income in 2004 was \$977 million compared with net income of \$643 million in 2003 and a net loss of \$218 million in 2002, including impairments. Included in these amounts was income from discontinued operations of \$7 million in 2004, \$169 million in 2003 and \$27 million in 2002. See the following page for a table of items affecting the comparability of earnings between periods.

The after-tax results by major operating activity for 2004, 2003 and 2002 are summarized below:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	(Millions of dollars, except per share data)		
Exploration and production	\$ 755	\$ 414	\$ (102)
Refining and marketing	451	327	85
Corporate	(85)	(101)	(63)
Interest expense	(151)	(173)	(165)
Income (loss) from continuing operations	970	467	(245)
Discontinued operations			
Net gains from asset sales	—	116	—
Income from operations	7	53	27
Income from cumulative effect of accounting change	—	7	—
Net income (loss)	<u>\$ 977</u>	<u>\$ 643</u>	<u>\$ (218)</u>
Income (loss) per share from continuing operations — diluted	<u>\$ 9.50</u>	<u>\$ 5.17</u>	<u>\$ (2.78)</u>
Net income (loss) per share — diluted	<u>\$ 9.57</u>	<u>\$ 7.11</u>	<u>\$ (2.48)</u>

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In the discussion that follows, the financial effects of certain transactions are disclosed on an after-tax basis. Management reviews segment earnings on an after-tax basis and uses after-tax amounts in its review of variances in segment earnings. Management believes that after-tax amounts are a preferable method of explaining variances in earnings, since they show the entire effect of a transaction rather than only the pre-tax amount. After-tax amounts are determined by applying the appropriate income tax rate in each tax jurisdiction to pre-tax amounts.

The following items, on an after-tax basis, are included in income from continuing operations for the years 2004, 2003 and 2002:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
		(Millions of dollars)	
Net gains from asset sales	\$ 54	\$ 11	\$ 100
Income tax adjustments	32	30	(43)
Corporate insurance accrual	(13)	—	—
LIFO inventory liquidation	12	—	—
Accrued severance and office costs	(9)	(32)	—
Premiums on bond repurchases	—	(34)	(6)
Asset impairments	—	—	(737)
Reduction in carrying value of refining and marketing intangible assets and severance	—	—	(22)
	<u>\$ 76</u>	<u>\$ (25)</u>	<u>\$ (708)</u>

The items in the table above are explained on pages 21 through 24. The pre-tax amounts are shown on pages 21, 23 and 24.

## Comparison of Results

**Exploration and Production:** After considering the exploration and production items in the preceding table, the remaining changes in exploration and production earnings are primarily attributable to changes in selling prices, production volumes and operating costs and exploration expenses, as discussed below.

**Selling prices:** Higher average selling prices of crude oil, natural gas liquids and natural gas increased exploration and production revenues from continuing operations by approximately \$400 million in 2004 compared with 2003. In 2003, the change in average selling prices increased revenues by approximately \$170 million compared with 2002. The Corporation's average selling prices from continuing operations, including the effects of hedging, were as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Crude oil (per barrel)			
United States	\$ 27.42	\$ 24.23	\$ 24.04
Foreign	26.40	24.93	24.69
Natural gas liquids (per barrel)			
United States	29.50	23.74	16.12
Foreign	30.02	24.09	19.09
Natural gas (per Mcf)			
United States	5.18	4.02	3.72
Foreign	3.94	3.01	2.26

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The after-tax impacts of crude oil and U.S. natural gas hedges reduced earnings by \$583 million (\$935 million before income taxes) in 2004 and \$260 million (\$418 million before income taxes) in 2003 compared with an increase of \$48 million (\$82 million before income taxes) in 2002.

The Corporation has after-tax, deferred hedge losses of \$875 million recorded in accumulated other comprehensive income at December 31, 2004. Of this amount, \$680 million is unrealized and relates to open hedge positions. The remaining \$195 million deferred loss is realized and relates to closed hedge positions. The deferred realized loss will be recognized in earnings as the underlying barrels are sold in 2005.

The Corporation has open hedge positions equal to 60% of its estimated worldwide crude oil production for 2005. The average price per barrel for open United States crude oil hedges is \$33.06. The average price for open foreign crude oil hedges is \$31.17. Approximately 20% of the Corporation's hedges are WTI related and the remainder are Brent. In addition to the gains or losses on these open hedge positions, approximately \$52 million of the \$195 million deferred realized loss will reduce first quarter 2005 earnings and the remaining deferred realized loss will be recognized in earnings over the balance of the year. The Corporation also has approximately 24,000 barrels per day of Brent related production hedged from 2006 to 2012. The average price of these hedge positions is \$26.20 per barrel. There were no natural gas hedges outstanding at December 31, 2004.

**Production and sales volumes:** The Corporation's crude oil and natural gas production, on a barrel of oil equivalent basis, was 342,000 barrels per day in 2004, 373,000 barrels per day in 2003 and 451,000 barrels per day in 2002. Approximately 50% of the production declines in 2004 and 2003 resulted from sales and exchanges of oil and gas producing properties. The remainder resulted principally from natural decline, and in 2003 compared with 2002, disappointing results from fields acquired in the United States in 2001 and reduced production from the Ceiba Field in Equatorial Guinea. The Corporation anticipates that its 2005 production, including anticipated production from Libya, will be approximately 350,000 barrels of oil equivalent per day. See page 27 for the current status of the discussions on the Corporation's return to Libya. The Corporation's net daily worldwide production was as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Crude oil (thousands of barrels per day)			
United States	44	44	54
Foreign	<u>182</u>	<u>195</u>	<u>250</u>
Total	<u>226</u>	<u>239</u>	<u>304</u>
Natural gas liquids (thousands of barrels per day)			
United States	12	11	12
Foreign	<u>8</u>	<u>9</u>	<u>9</u>
Total	<u>20</u>	<u>20</u>	<u>21</u>
Natural gas (thousands of Mcf per day)			
United States	171	253	373
Foreign	<u>404</u>	<u>430</u>	<u>381</u>
Total	<u>575</u>	<u>683</u>	<u>754</u>
Barrels of oil equivalent* (thousands of barrels per day)	<u>342</u>	<u>373</u>	<u>451</u>
Barrels of oil equivalent production included above related to discontinued operations	<u>—</u>	<u>13</u>	<u>51</u>

\* Reflects natural gas production converted on the basis of relative energy content (six Mcf equals one barrel).



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**2004:** The Corporation recognized gains on the sales of an office building in Aberdeen, Scotland, a non-producing property in Malaysia and two mature Gulf of Mexico properties. It also recorded foreign income tax benefits resulting from a change in tax law and a tax settlement. The Corporation accrued an additional amount for severance and costs for vacated office space during 2004. Additional accruals for vacated office space of approximately \$35 million before income taxes are anticipated in 2005.

**2003:** The Corporation recorded an after-tax charge of \$32 million for accrued severance in the United States and United Kingdom and a reduction of leased office space in London. The pre-tax amount of this charge was \$53 million, of which \$32 million relates to vacated office space. The remainder of \$21 million relates to severance for positions that were eliminated in London, Aberdeen and Houston.

The Corporation recorded an income tax benefit reflecting the recognition for United States income tax purposes of certain prior year foreign exploration expenses. The gain from asset sale in 2003 reflects the sale of the Corporation's 1.5% interest in the Trans Alaska Pipeline System.

**2002:** Exploration and production earnings included after-tax asset impairments of \$737 million, \$530 million of which related to the Ceiba Field in Equatorial Guinea. The pre-tax amount of the Ceiba Field impairment was \$706 million. The charge resulted from a 12% reduction in the estimated total field reserves that will ultimately be produced from the field, as well as higher anticipated development costs needed to produce the remaining reserves at lower production rates over a longer period. The reduction in estimated recoverable reserves was attributable to disappointing 2002 year-end drilling results on the western flank of the field. The reduction in probable reserves and higher estimated future development costs resulted in an asset impairment because projected cash flows were less than the book value of the field, which includes allocated purchase price from the Triton acquisition.

The Corporation also recorded an after-tax impairment charge of \$207 million to reduce the carrying value of oil and gas properties located primarily in the Main Pass/ Breton Sound area of the Gulf of Mexico. Most of these properties were obtained in the 2001 LLOG acquisition and consisted of producing oil and gas fields with proved and probable reserves and exploration acreage. This charge principally reflects reduced reserve estimates on these fields resulting from unfavorable production performance. The fair values of producing properties were determined by using discounted cash flows. Exploration properties were evaluated by using results of drilling and production data from nearby fields and seismic data for these and other properties in the area.

During 2002, the United Kingdom government enacted a 10% supplementary tax on profits from oil and gas production. A one-time charge of \$43 million was recorded to increase the existing United Kingdom deferred tax liability on the balance sheet.

The gain on asset sales in 2002 reflected the disposal of oil and gas producing properties in the United States, United Kingdom and Azerbaijan, and the Corporation's energy marketing business in the United Kingdom.

The Corporation's future exploration and production earnings may be impacted by external factors, such as volatility in the selling prices of crude oil and natural gas, reserve and production changes and changes in tax rates.

**Refining and Marketing:** Earnings from refining and marketing activities amounted to \$451 million in 2004, \$327 million in 2003 and \$85 million in 2002. The Corporation's downstream operations include HOVENSA L.L.C. (HOVENSA), a 50% owned refining joint venture with a subsidiary of Petroleos de Venezuela S.A. (PDVSA) that is accounted for using the equity method. Additional refining and marketing activities include a fluid catalytic cracking facility in Port Reading, New Jersey, as well as retail gasoline stations, energy marketing and trading operations. In 2004, the Corporation invested in a 50% joint venture, Hess LNG L.L.C., to pursue investments in liquefied natural gas terminals and related supply, trading and marketing opportunities.

**HOVENSA:** The Corporation's share of HOVENSA's income was \$244 million in 2004, compared with income of \$117 million in 2003 and a loss of \$47 million in 2002. The increases in 2004 and 2003 were



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due primarily to higher refining margins compared with prior years. HOVENSA's total crude runs amounted to 484,000 barrels per day in 2004, 440,000 barrels per day in 2003 and 361,000 barrels per day in 2002. In late 2002 and early 2003, crude oil deliveries to HOVENSA were interrupted due to political disturbances in Venezuela. For the remainder of 2003 and in 2004, HOVENSA received contracted quantities of crude oil from PDVSA. The fluid catalytic cracking unit at HOVENSA operated at 139,000, 142,000 and 116,000 barrels per day in 2004, 2003 and 2002, respectively. The coking unit at HOVENSA commenced production in August 2002. The unit operated at the rate of 55,000 barrels per day in 2004 and 53,000 barrels per day in 2003. Planned maintenance of the fluid catalytic cracking unit at HOVENSA was completed during the first quarter of 2005.

Earnings from refining and marketing activities also include interest income on the note received from PDVSA at the formation of the joint venture. Interest on the PDVSA note amounted to \$25 million in 2004, \$30 million in 2003 and \$35 million in 2002. Interest income is reflected in non-operating income in the income statement. In 2004, the Corporation recorded deferred income tax expense of \$32 million in refining and marketing results relating to HOVENSA's earnings and interest on the PDVSA note. In 2005, the Corporation expects that deferred income taxes will be recorded at the Virgin Islands statutory rate of 38.5%. At December 31, 2004, the Corporation has approximately \$190 million of net operating loss carryforwards available to offset its share of future HOVENSA taxable income.

**Retail, Energy Marketing and Other:** Retail gasoline operations in 2004 were profitable but less so than in 2003, reflecting lower margins. Earnings from retail gasoline operations were higher in 2003 compared with 2002, reflecting higher margins. Energy marketing earnings were lower in 2004 compared with 2003 because of lower margins. Energy marketing activities had higher earnings in 2003, reflecting increased margins and sales volumes in the early part of the year resulting from the cold winter. Results of the Port Reading refining facility improved in 2004 reflecting higher margins than in 2003, which was also an improvement over 2002 results. Total refined product sales volumes were 428,000 barrels per day in 2004, 419,000 barrels per day in 2003 and 383,000 barrels per day in 2002. Planned maintenance at the Port Reading fluid catalytic cracking unit is underway in the first quarter of 2005.

The Corporation has a 50% voting interest in a consolidated partnership that trades energy commodities and energy derivatives. The Corporation also takes trading positions for its own account. The Corporation's after-tax results from trading activities, including its share of the earnings of the trading partnership amounted to income of \$37 million in 2004, \$17 million in 2003 and \$3 million in 2002. Before income taxes, the trading income was \$72 million in 2004, \$30 million in 2003 and \$6 million in 2002.

Marketing expenses increased in 2004 compared with 2003 reflecting higher expenses from retail operations and the trading partnership.

Refining and marketing earnings include the following items:

	After Income Taxes		
	2004	2003	2002
		(Millions of dollars)	
LIFO inventory liquidation	\$ 12	\$ —	\$ —
Gain (loss) from asset sales	—	(20)	67
Reduction in carrying value of intangible assets	—	—	(14)
Severance accrual	—	—	(8)
	<u>\$ 12</u>	<u>\$ (20)</u>	<u>\$ 45</u>

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	Before Income Taxes		
	2004	2003	2002
	(Millions of dollars)		
LIFO inventory liquidation	\$ 20	\$ —	\$ —
Gain (loss) from asset sales	—	(9)	102
Reduction in carrying value of intangible assets	—	—	(22)
Severance accrual	—	—	(13)
	<u>\$ 20</u>	<u>\$ (9)</u>	<u>\$ 67</u>

In 2004, refining and marketing results include income of \$12 million from the liquidation of LIFO inventories. In 2003, refining and marketing earnings were reduced by a loss from the sale of the Corporation's interest in a shipping joint venture. In 2002, the Corporation completed the sale of six United States flag vessels for \$161 million in cash and a note for \$29 million. The sale resulted in a net gain of \$67 million. In connection with this sale, the Corporation agreed to support the buyer's charter rate on these vessels for up to five years. The support agreement requires that if the actual contracted rate for the charter of a vessel is less than the stipulated support rate in the agreement, the Corporation will pay to the buyer the difference between the contracted rate and the stipulated rate. At January 1, 2004, the charter support reserve was \$32 million. During 2004, the Corporation made net payments of \$4 million for charter support. Based on contractual long-term charters and estimates of future charter rates, the Corporation lowered the estimated charter support reserve by \$18 million in 2004. The balance in this reserve at December 31, 2004 was \$10 million. In 2002, the Corporation recorded a charge for the write-off of intangible assets in its U.S. energy marketing business. In addition, severance was recorded for cost reduction initiatives in refining and marketing, principally energy marketing.

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

**Corporate:** After-tax corporate expenses amounted to \$85 million in 2004, \$101 million in 2003 and \$63 million in 2002. The 2004 corporate expenses include \$13 million (\$20 million before income taxes) of insurance costs related to retrospective premium increases. In addition, corporate results include an income tax benefit of \$13 million from the settlement of a federal tax audit. The 2003 amount includes expenses of \$34 million for premiums paid on the repurchase of bonds compared with \$6 million in 2002. The pre-tax amounts of the bond repurchase premiums were \$58 million in 2003 and \$15 million in 2002 and are recorded in non-operating income (expense) in the income statement. Recurring after-tax corporate expenses for 2005 are estimated to be in the range of \$90 to \$100 million.

**Interest:** After-tax interest expense in 2004, 2003 and 2002 was as follows:

	2004	2003	2002
	(Millions of dollars)		
Total interest incurred	\$ 295	\$ 334	\$ 357
Less capitalized interest	54	41	101
Interest expense before income taxes	241	293	256
Less income taxes	90	120	91
After-tax interest expense	<u>\$ 151</u>	<u>\$ 173</u>	<u>\$ 165</u>

Interest incurred decreased in 2004 and 2003 reflecting lower average outstanding debt. After-tax interest expense in 2005 is anticipated to be lower than the 2004 level because of higher estimated capitalized interest.

**Discontinued Operations:** In 2003, the Corporation exchanged its crude oil producing properties in Colombia (acquired in 2001 as part of the Triton acquisition), plus \$10 million in cash, for an additional 25% interest in Block A-18 in the joint development area of Malaysia and Thailand (JDA). The exchange resulted

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in an after-tax charge to income of \$47 million (\$51 million before income taxes). The after-tax loss on this exchange included a \$43 million adjustment of the book value of the Colombian assets to fair value. The loss also included \$17 million from the recognition in earnings of the value of related hedge contracts at the time of the exchange. These items were partially offset by after-tax earnings in Colombia prior to the exchange of \$13 million. Income from discontinued operations of \$7 million in 2004 reflects the settlement of a previously accrued contingency relating to the Colombian asset exchange.

In 2003, the Corporation also sold Gulf of Mexico shelf properties, the Jabung Field in Indonesia and several small United Kingdom fields for \$445 million. The after-tax gain from these asset sales of \$176 million (\$248 million before income taxes) was included in discontinued operations. Discontinued operations in 2003 also included \$40 million of income from operations prior to the sales of these assets.

**Change in Accounting Principle:** The Corporation adopted FAS No. 143, *Accounting for Asset Retirement Obligations*, effective January 1, 2003. A net after-tax gain of \$7 million resulting from the cumulative effect of this accounting change was recorded at the beginning of 2003. At the date of adoption, a liability of \$556 million representing the estimated fair value of the Corporation's required dismantlement obligations was recorded on the balance sheet. In addition, a dismantlement asset of \$311 million was recorded, as well as accumulated depreciation of \$203 million.

**Sales and Other Operating Revenues:** In 2004, sales and other operating revenues totaled \$16,733 million, an increase of 17% compared with 2003. This increase principally reflects higher selling prices and sales volumes of refined products, partially offset by decreased sales of purchased natural gas in energy marketing. Sales and other operating revenues increased by 24% in 2003 compared with 2002, reflecting increased sales volumes and selling prices of refined products and the higher selling price of purchased natural gas in energy marketing activities. The change in cost of goods sold in each year reflects the change in sales volumes and prices of refined products and purchased natural gas.

### **Liquidity and Capital Resources**

**Overview:** Cash flows from operating activities, including changes in operating assets and liabilities, totaled \$1,903 million in 2004. During the year, the Corporation repaid \$106 million of debt, which decreased its debt to capitalization ratio to 40.7% at December 31, 2004 from 42.5% at December 31, 2003. Total debt was \$3,835 million at December 31, 2004 and \$3,941 million at December 31, 2003. The Corporation has debt maturities of \$128 million during the next two years. In 2004, the Corporation entered into a new \$2.5 billion revolving credit facility, expiring in 2009. Cash and cash equivalents at the end of 2004 totaled \$877 million, an increase of \$359 million for the year.

**Cash Flows from Operating Activities:** Net cash provided by operating activities, including changes in operating assets and liabilities, totaled \$1,903 million in 2004, \$1,581 million in 2003 and \$1,965 million in 2002. The increased cash flows in 2004 resulted primarily from higher earnings and the timing of cash flows associated with changes in operating assets and liabilities. In 2004, the Corporation also received a cash distribution of \$88 million from HOVENSA. Lower cash flows in 2003 were primarily due to reduced exploration and production sales volumes. Changes in operating assets and liabilities increased cash flow by \$230 million in 2004 and decreased cash flow by \$120 million in 2003.

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**Cash Flows from Investing Activities:** The following table summarizes the Corporation's capital expenditures in 2004, 2003 and 2002:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
		(Millions of dollars)	
Exploration and production			
Exploration	\$ 230	\$ 196	\$ 239
Production and development	1,204	1,067	1,095
Acquisitions	—	23	70
	<u>1,434</u>	<u>1,286</u>	<u>1,404</u>
Refining and marketing			
Operations	67	72	83
Acquisitions	20	—	47
	<u>87</u>	<u>72</u>	<u>130</u>
Total	<u>\$ 1,521</u>	<u>\$ 1,358</u>	<u>\$ 1,534</u>

Proceeds from asset sales in 2004 totaled \$57 million. In 2003, the Corporation sold certain producing properties in the Gulf of Mexico Shelf, the Jabung Field in Indonesia, several small United Kingdom fields and an interest in a shipping joint venture. Proceeds from asset sales totaled \$545 million in 2003. In addition, the Corporation completed several asset exchanges. The Corporation swapped mature, high-cost assets in Colombia for an additional 25% interest in long-lived natural gas reserves in Block A-18 in the joint development area of Malaysia and Thailand, bringing the Corporation's interest in the area to 50%. The Corporation exchanged its 25% equity investment in Premier Oil plc for a 23% interest in Natuna Sea Block A in Indonesia, plus approximately \$10 million in cash. In the fourth quarter of 2003, the Corporation exchanged 14% interests in the Scott and Telford fields in the United Kingdom for an additional 22.5% interest in the Llano Field in the Gulf of Mexico and \$17 million in cash. This exchange increased the Corporation's working interest in the Llano Field to 50% and decreased its interest in the Scott Field to 21% and the Telford Field to 17%. The net production from fields sold or exchanged in 2003 at the time of disposition was approximately 50,000 barrels of oil equivalent per day.

In 2002, the Corporation sold six United States Flag vessels, its energy marketing business in the United Kingdom and several small oil and gas fields for net proceeds of \$412 million.

**Cash Flows from Financing Activities:** The Corporation reduced debt by \$106 million in 2004, \$1,051 million in 2003 and \$673 million in 2002. The debt reduction in 2004 was due to cash flow from operations. In 2003, debt was reduced by proceeds from the issuance of preferred stock and from asset sales, as well as cash flow from operations. In 2003, the Corporation issued 13,500,000 shares of mandatory convertible preferred stock for net proceeds of \$653 million. In 2004, the Corporation received proceeds from the exercise of stock options totaling \$90 million. Dividends paid were \$157 million in 2004, \$108 million in 2003 and \$107 million in 2002. The increase in 2004 was due to dividends on the 7% preferred stock issued in the fourth quarter of 2003.

**Future Capital Requirements and Resources:** Capital expenditures in 2005 are expected to be approximately \$2.1 billion, including an estimated amount for re-entering Libya. The Corporation anticipates that these expenditures will be funded by available cash and cash flow from operations, however, revolving credit facilities are available, if necessary.

With higher crude oil prices, the Corporation's collateral requirements under certain contracts with hedging and trading counterparties have increased. Outstanding letters of credit were \$1,487 million at December 31, 2004, including \$570 million drawn against the Corporation's \$2.5 billion syndicated, revolving credit facility, compared with outstanding letters of credit of \$229 million at December 31, 2003. At December 31, 2004, the Corporation has \$1,930 million available under its committed revolving credit



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In the preceding table, the Corporation's supply commitments include its estimated purchases of 50% of HOVENSA's production of refined products, after anticipated sales by HOVENSA to unaffiliated parties. Also included are normal term purchase agreements at market prices for additional gasoline necessary to supply the Corporation's retail marketing system and feedstocks for the Port Reading refining facility. In addition, the Corporation has commitments to purchase natural gas for use in supplying contracted customers in its energy marketing business. These commitments were computed based on year-end market prices.

The table also reflects that portion of the Corporation's planned capital expenditures that are contractually committed at December 31. The Corporation's 2005 capital expenditures are estimated to be approximately \$2.1 billion. Obligations for operating expenses include commitments for transportation, seismic purchases, oil and gas production expenses and other normal business expenses. Other long-term liabilities reflect contractually committed obligations on the balance sheet at December 31, including minimum pension plan funding requirements.

In connection with the sale of six vessels in 2002, the Corporation agreed to support the buyer's charter rate on these vessels for up to five years. The support agreement requires that if the actual contracted rate for the charter of a vessel is less than the stipulated support rate in the agreement, the Corporation will pay to the buyer the difference between the contracted rate and the stipulated rate. The balance in the charter support reserve at December 31, 2004 was \$10 million.

The Corporation has a contingent purchase obligation to acquire the remaining 50% interest in a retail marketing and gasoline station joint venture for approximately \$90 million.

The Corporation guarantees the payment of up to 50% of HOVENSA's crude oil purchases from suppliers other than PDVSA. The amount of the Corporation's guarantee fluctuates based on the volume of crude oil purchased and related prices and at December 31, 2004 amounted to \$97 million. In addition, the Corporation has agreed to provide funding up to a maximum of \$40 million to the extent HOVENSA does not have funds to meet its senior debt obligations.

At December 31, the Corporation has \$1,415 million of letters of credit principally relating to accrued liabilities with hedging and trading counterparties recorded on its balance sheet. In addition, the Corporation is contingently liable under letters of credit and under guarantees of the debt of other entities directly related to its business, as follows:

	<u>Total</u> <u>(Millions of</u> <u>dollars)</u>
Letters of credit	\$ 72
Guarantees	237*
	<u>\$ 309</u>

\* Includes \$40 million HOVENSA debt and \$97 million crude oil purchase guarantees discussed above. The remainder relates principally to loan guarantees — \$55 million for a natural gas pipeline in which the Corporation owns a 5% interest and \$45 million for an oil pipeline in which the Corporation owns a 2.36% interest.

**Off-Balance Sheet Arrangements:** The Corporation has leveraged lease financings not included in its balance sheet, primarily related to retail gasoline stations that the Corporation operates. The net present value of these financings is \$467 million at December 31, 2004 compared with \$462 million at December 31, 2003. The Corporation's December 31, 2004 debt to capitalization ratio would increase from 40.7% to 43.5% if the lease financings were included as debt.

See also "Contractual Obligations and Contingencies" above, Note 5, "Refining Joint Venture," and Note 16, "Guarantees and Contingencies," in the financial statements.

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**Foreign Operations:** The Corporation conducts exploration and production activities in many foreign countries, including the United Kingdom, Norway, Denmark, Gabon, Indonesia, Thailand, Azerbaijan, Algeria, Malaysia and Equatorial Guinea. Therefore, the Corporation is subject to the risks associated with foreign operations. These exposures include political risk (including tax law changes) and currency risk. The effects of these events are accounted for when they occur and generally have not been material to the Corporation's liquidity or financial position.

HOVENSA L.L.C., owned 50% by the Corporation and 50% by Petroleos de Venezuela, S.A. (PDVSA), owns and operates a refinery in the Virgin Islands. Although there have in the past been political disruptions in Venezuela that reduced the availability of Venezuelan crude oil used in refining operations, these disruptions did not have a material adverse effect on the Corporation's financial position. The Corporation also has a note receivable of \$273 million at December 31, 2004 from a subsidiary of PDVSA. The Corporation anticipates collection of the remaining balance.

### **Critical Accounting Policies and Estimates**

Accounting policies and estimates affect the recognition of assets and liabilities on the Corporation's balance sheet and revenues and expenses on the income statement. The accounting methods used can affect net income, stockholders' equity and various financial statement ratios. However, the Corporation's accounting policies generally do not change cash flows or liquidity.

**Accounting for Exploration and Development Costs:** Oil and gas exploration and production activities are accounted for using the successful efforts method. Costs of acquiring unproved and proved oil and gas leasehold acreage, including lease bonuses, brokers' fees and other related costs, are capitalized. Annual lease rentals, exploration expenses and exploratory dry hole costs are expensed as incurred. Costs of drilling and equipping productive wells, including development dry holes, and related production facilities are capitalized.

The costs of exploratory wells that find oil and gas reserves are capitalized pending determination of whether proved reserves have been found. In an area requiring a major capital expenditure before production can begin, an exploration well is carried as an asset if sufficient reserves are discovered to justify its completion as a production well, and additional exploration drilling is underway or firmly planned. The Corporation does not capitalize the cost of other exploratory wells for more than one year unless proved reserves are found.

**Crude Oil and Natural Gas Reserves:** The determination of estimated proved reserves is a significant element in arriving at the results of operations of exploration and production activities. The estimates of proved reserves affect well capitalizations, undeveloped leasehold impairments and the unit of production depreciation rates of proved properties, wells and equipment. Reductions in reserve estimates may result in the need for increased depreciation or impairments of proved properties and related assets.

The Corporation's oil and gas reserves are calculated in accordance with SEC regulations and interpretations and the requirements of the Financial Accounting Standards Board. For reserves to be booked as proved they must be commercially producible, government approvals must be obtained and depending on the amount of the project cost, senior management or the board of directors must commit to fund the project. The Corporation's oil and gas reserve estimation and reporting process involves an annual independent third party reserve determination as well as internal technical appraisals of reserves. The Corporation maintains its own internal reserve estimates that are calculated by technical staff that work directly with the oil and gas properties. The Corporation's technical staff updates reserve estimates throughout the year based on evaluations of new wells, performance reviews, new technical data and other studies. To provide consistency throughout the Corporation, standard reserve estimation guidelines, definitions, reporting reviews and approval practices are used. The internal reserve estimates are subject to internal technical audits and senior management reviews the estimates.

The oil and gas reserve estimates reported in the Supplementary Oil and Gas Data in accordance with FAS No. 69 are determined independently by the consulting firm of DeGolyer and MacNaughton (D&M) and are consistent with internal estimates. Annually, the Corporation provides D&M with engineering, geological and geophysical data, actual production histories and other information necessary for the reserve

determination. The Corporation's and D&M's technical staffs meet to review and discuss the information provided. Senior management and the Board of Directors review the final reserve estimates issued by D&M.

**Impairment of Long-Lived Assets and Goodwill:** As explained below there are significant differences in the way long-lived assets and goodwill are evaluated and measured for impairment testing. The Corporation reviews long-lived assets, including oil and gas fields, for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recovered. Long-lived assets are tested at the lowest level for which cash flows are identifiable and are largely independent of the cash flows of other assets and liabilities. If the carrying amounts of the long-lived assets are not expected to be recovered by undiscounted future net cash flow estimates, the assets are impaired and an impairment loss is recorded. The amount of impairment is based on the estimated fair value of the assets determined by discounting anticipated future net cash flows.

In the case of oil and gas fields, the present value of future net cash flows is based on management's best estimate of future prices, which is determined with reference to recent historical prices and published forward prices, applied to projected production volumes of individual fields and discounted at a rate commensurate with the risks involved. The projected production volumes represent reserves, including probable reserves, expected to be produced based on a stipulated amount of capital expenditures. The production volumes, prices and timing of production are consistent with internal projections and other externally reported information. Oil and gas prices used for determining asset impairments will generally differ from those used in the standardized measure of discounted future net cash flows, since the standardized measure requires the use of actual prices on the last day of the year.

The Corporation's impairment tests of long-lived exploration and production producing assets are based on its best estimates of future production volumes (including recovery factors), selling prices, operating and capital costs and the timing of future production, which are updated each time an impairment test is performed. In 2002, the Corporation recorded impairments of the Ceiba Field and LLOG properties that were required primarily because of reduced estimates of oil and gas production volumes and, in the case of Ceiba, anticipated additional development costs. The impairment charges did not result from changes in the other factors. The change in the estimated timing of production on the Ceiba Field did not significantly affect the undiscounted future cash flows, but did significantly reduce the fair value of the field determined by discounted cash flows. The Corporation could have additional impairments if the projected production volumes from oil and gas fields were reduced. Significant extended declines in crude oil and natural gas selling prices could also result in asset impairments.

The Corporation recorded \$977 million of goodwill in connection with the purchase of Triton Energy Limited in 2001. Factors contributing to the recognition of goodwill included the strategic value of expanding global operations to access new growth areas outside of the United States and the North Sea, obtaining critical mass in Africa and Southeast Asia, and synergies, including cost savings, improved processes and portfolio high grading opportunities. In accordance with FAS No. 142, goodwill is no longer amortized but must be tested for impairment annually. FAS No. 142 requires that goodwill be tested for impairment at a reporting unit level. The reporting unit or units used to evaluate and measure goodwill for impairment are determined primarily from the manner in which the business is managed. A reporting unit is an operating segment or a component that is one level below an operating segment. A component is a reporting unit if the component constitutes a business for which discrete financial information is available and segment management regularly reviews the operating results of that component. However, two or more components of an operating segment shall be aggregated and deemed a single reporting unit if the components have similar economic characteristics. An operating segment shall be deemed a reporting unit if all of its components are economically similar.

Within the Corporation's exploration and production operating segment there are currently two components: (1) Americas and West Africa and (2) Europe, North Africa and Asia. Each component has a manager who reports to the segment manager. The Corporation has determined the components have similar economic characteristics and, therefore, has aggregated the components into a single reporting unit — the exploration and production operating segment. As a result, goodwill has been assigned to the exploration and production operating segment. If the Corporation reorganized its exploration and production business such



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that there was more than one operating segment, or its components were no longer economically similar, goodwill would be assigned to two or more reporting units. The goodwill would be allocated to any new reporting units using a relative fair value approach in accordance with FAS No. 142. Goodwill impairment testing for lower level reporting units could result in the recognition of an impairment that would not otherwise be recognized at the current higher level of aggregation.

The Corporation expects that the benefits of goodwill will be recovered through the operation of the exploration and production segment as a whole and it evaluated the following characteristics in determining that the components are economically similar:

- The Corporation operates its exploration and production segment as a single, global business.
- Each component produces oil and gas.
- The exploration and production processes are similar in each component.
- The methods used by each component to market and distribute oil and gas are similar.
- Customers of each component are similar.
- The components share resources and are supported by a worldwide exploration team and a shared services organization.

The Corporation's fair value estimate of the exploration and production segment is the sum of: (1) the discounted anticipated cash flows of producing assets and known developments, (2) the expected risked present value of exploration assets, and (3) an estimated market premium to reflect the market price an acquirer would pay for potential synergies including cost savings, access to new business opportunities, enterprise control, improved processes and increased market share. The Corporation also considers the relative market valuation of similar exploration and production companies.

The determination of the fair value of the exploration and production operating segment depends on estimates about oil and gas reserves, future prices, timing of future net cash flows and market premiums. Significant extended declines in crude oil and natural gas prices or reduced reserve estimates could lead to a decrease in the fair value of the exploration and production operating segment that could result in an impairment of goodwill. In addition, changes in management structure or sales or dispositions of a portion of the exploration and production segment may result in goodwill impairment.

Because there are significant differences in the way long-lived assets and goodwill are evaluated and measured for impairment testing, there may be impairments of individual assets that would not cause an impairment of the \$977 million of goodwill assigned to the exploration and production segment. In 2002, the Corporation recognized asset impairments because reduced estimates of oil and gas production volumes caused the expected undiscounted cash flows of the assets to be lower than the asset carrying amounts. No impairment of goodwill existed because the fair value of the overall exploration and production operating segment continued to exceed its recorded book value.

**Segments:** The Corporation has two operating segments, exploration and production, and refining and marketing. Management has determined that these are its operating segments because, in accordance with FAS No. 131, these are the segments of the Corporation (i) that engage in business activities from which revenues are earned and expenses are incurred, (ii) whose operating results are regularly reviewed by the Corporation's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and (iii) for which discrete financial information is available. The Chairman of the Board and Chief Executive Officer of the Corporation, is the chief operating decision maker (CODM) as defined in FAS No. 131, because he is responsible for performing the functions within the Corporation of allocating resources to, and assessing the performance of, the Corporation's operating segments. The CODM uses only the operating results of each segment as a whole to make decisions about resources to be allocated to each segment and to assess the segment performance. The CODM manages each segment globally and does not regularly review the operating results of any component (e.g., geographic area) or asset within each

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segment or any such information by geographical location, oil and gas property or project, subsidiary or division, to make decisions about resources to be allocated or to assess performance. While the CODM does review and approve initial corporate funding for a new project using information about the project, he does not review subsequent operating results by project after the initial funding. Each operating segment has one manager. The segment managers are responsible for allocating resources within the segments, reviewing financial results of components within the segments, and assessing the performance of the components. The CODM evaluates the performance of the segment managers based on performance metrics related to each manager's operating segment as a whole. The Board of Directors of the Corporation does not receive more detailed information than that used by the CODM to operate and manage the Corporation.

**Hedging:** The Corporation may use futures, forwards, options and swaps, individually or in combination, to reduce the effects of fluctuations in crude oil, natural gas and refined product selling prices. Related hedge gains or losses are an integral part of the selling or purchase prices. Generally, these derivatives are designated as hedges of expected future cash flows or forecasted transactions (cash flow hedges), and the changes in fair value are recorded in accumulated other comprehensive income. These transactions meet the requirements for hedge accounting, including correlation. The Corporation reclassifies hedging gains and losses included in accumulated other comprehensive income to earnings at the time the hedged transactions are recognized. The ineffective portion of hedges is included in current earnings. The Corporation's remaining derivatives, including foreign currency contracts, are not designated as hedges and the change in fair value is included in income currently. At December 31, 2004, the Corporation has \$875 million of deferred exploration and production hedging losses, after income taxes, included in accumulated other comprehensive income.

**Income Taxes:** Judgments are required in the determination and recognition of income tax assets and liabilities in the financial statements. The Corporation has net operating loss carryforwards in several jurisdictions, including the United States, and has recorded deferred tax assets for those losses. Additionally, the Corporation has deferred tax assets due to temporary differences between the book basis and tax basis of certain assets and liabilities. Regular assessments are made as to the likelihood of those deferred tax assets being realized. If it is more likely than not that some or all of the deferred tax assets will not be realized, a valuation allowance is recorded to reduce the deferred tax assets to the amount that will be realized. In evaluating realizability of deferred tax assets, the Corporation refers to the reversal periods for temporary differences, available carryforward periods for net operating losses, estimates of future taxable income, the availability of tax planning strategies, the existence of appreciated assets and other factors. Estimates of future taxable income are based on assumptions of oil and gas reserves and selling prices that are consistent with the Corporation's internal business forecasts.

### **Environment, Health and Safety**

The Corporation has implemented a values-based, socially-responsible strategy focused on improving environment, health and safety performance and making a positive impact on communities. The strategy is supported by the Corporation's environment, health, safety and social responsibility policies and by environment and safety management systems that help protect the Corporation's workforce, customers and local communities. The Corporation's management systems are based on international standards and are intended to promote internal consistency, adherence to policy objectives and continual improvement in EHS performance. Improved performance may increase the Corporation's operating costs and could also require increased capital expenditures to reduce potential risks to assets, reputation and license to operate. While overall governance is the responsibility of senior management, the Corporation has programs in place to evaluate regulatory compliance, audit facilities, train employees and to generally meet corporate EHS goals.

The Port Reading refining facility and the HOVENSA refinery manufacture conventional and reformulated gasolines that are cleaner burning than that required under current U.S. regulations. The production of motor and other fuels in the United States and elsewhere has faced increasing regulatory pressures to reduce sulfur content in recent years. In 2004, new regulations went into effect that significantly reduced gasoline sulfur content and additional rules to reduce the allowable sulfur content in diesel fuel will go into effect in 2006. Fuels production will likely continue to be subject to more stringent regulation in future years and as such may require additional large capital expenditures.

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The Corporation and HOVENSA continue to evaluate options to determine the most cost effective compliance strategies for known fuel regulations. Estimated capital expenditures necessary to comply with low-sulfur gasoline requirements at Port Reading are approximately \$70 million over the next two years. Capital expenditures to comply with low-sulfur gasoline and diesel fuel requirements at HOVENSA are presently expected to be approximately \$400 million in total, \$50 million of which has already been spent. Remaining capital expenditures are projected to be \$350 million over the next two years. HOVENSA plans to finance these capital expenditures through cash flow from operations. If it becomes necessary to finance a portion of the capital expenditures, HOVENSA has \$400 million of available revolving credit capacity.

Federal legislation to restrict or ban the use of MTBE, a gasoline oxygenate, and to require the use of 'renewable' fuels was considered by the United States Congress in 2004 and will likely be reconsidered in 2005. The Corporation and HOVENSA both manufacture and use MTBE, where permitted, to meet the federal requirement for oxygen in reformulated gasoline. In states within the Corporation's marketing area where MTBE bans have been enacted, such as Connecticut and New York, the Corporation markets reformulated gasoline without oxygenates and ethanol is added to the gasoline downstream from the refineries to meet regulatory requirements. If Congress bans MTBE nationally or if additional state bans take effect, or if an obligation to use ethanol or other renewable fuels is imposed, the effect on the Corporation and HOVENSA could be significant. Whether the effect is significant will depend on several factors, including the extent and timing of any such bans of MTBE or obligations to use ethanol, requirements for maintenance of certain air emission reductions if MTBE is banned, the cost and availability of alternative oxygenates or credits and whether the minimum oxygen content standard for reformulated gasoline remains in effect. The Corporation will continue to review various options to market and produce reformulated gasolines if additional MTBE bans take effect.

As described in Item 3 "Legal Proceedings" in 2003, the Corporation and HOVENSA began discussions with the U.S. EPA regarding the EPA's Petroleum Refining Initiative (PRI). The PRI is an ongoing program that is designed to reduce certain air emissions at all U.S. refineries. Since 2000, EPA has entered into settlements addressing these emissions with petroleum refining companies that control over 50% of the nation's refining capacity in 26 states and negotiations continue with many refiners. Depending on the outcome of these discussions, the Corporation and HOVENSA may experience increased capital and operating expenses related to air emissions controls. The PRI allows for controls to be phased in over several years.

The Corporation recognizes the worldwide concern about the environmental and social impact of air emissions. On a global scale, climate change is an issue that has prompted much public debate and has a potential impact on future economic growth and development. The Corporation has undertaken a program to assess, monitor and reduce the emission of "greenhouse gases," including carbon dioxide and methane. The challenges associated with this program may be significant, not only from the standpoint of technical feasibility, but also from the perspective of adequately measuring the Corporation's entire greenhouse gas inventory.

The Corporation expects continuing expenditures for environmental assessment and remediation related primarily to existing conditions. Sites where corrective action may be necessary include gasoline stations, terminals, onshore exploration and production facilities, refineries (including solid waste management units under permits issued pursuant to the Resource Conservation and Recovery Act) and, although not currently significant, "Superfund" sites where the Corporation has been named a potentially responsible party.

The Corporation accrues for environmental assessment and remediation expenses when the future costs are probable and reasonably estimable. At year-end 2004, the Corporation's reserve for its estimated environmental liability was approximately \$81 million. The Corporation does not discount its environmental liability. The Corporation expects that existing reserves for environmental liabilities will adequately cover costs to assess and remediate known sites. Remediation spending was \$12 million in 2004 and 2003 and \$9 million in 2002. Capital expenditures for facilities, primarily to comply with federal, state and local environmental standards, were \$1 million in 2004, \$7 million in 2003 and \$5 million in 2002.

## Forward Looking Information

Certain sections of Management's Discussion and Analysis of Results of Operations and Financial Condition and Quantitative and Qualitative Disclosures about Market Risk, including references to the Corporation's future results of operations and financial position, liquidity and capital resources, capital expenditures, oil and gas production, tax rates, debt repayment, hedging, derivative, market risk and environmental disclosures, off-balance sheet arrangements and contractual obligations and contingencies include forward looking information. Forward-looking disclosures are based on the Corporation's current understanding and assessment of these activities and reasonable assumptions about the future. Actual results may differ from these disclosures because of changes in market conditions, government actions and other factors.

### Item 7A. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of its business, the Corporation is exposed to commodity risks related to changes in the price of crude oil, natural gas, refined products and electricity, as well as to changes in interest rates and foreign currency values. In the disclosures that follow, these operations are referred to as non-trading activities. The Corporation also has trading operations, principally through a 50% voting interest in a trading partnership. These activities are also exposed to commodity risks primarily related to the prices of crude oil, natural gas and refined products. The following describes how these risks are controlled and managed.

**Controls:** The Corporation maintains a control environment under the direction of its chief risk officer and through its corporate risk policy, which the Corporation's senior management has approved. Controls include volumetric, term and value-at-risk limits. In addition, the chief risk officer must approve the use of new instruments or commodities. Risk limits are monitored daily and exceptions are reported to business units and to senior management. The Corporation's risk management department also performs independent verifications of sources of fair values and validations of valuation models. These controls apply to all of the Corporation's non-trading and trading activities, including the consolidated trading partnership. The Corporation's treasury department administers foreign exchange rate and interest rate hedging programs.

**Instruments:** The Corporation primarily uses forward commodity contracts, foreign exchange forward contracts, futures, swaps, options and energy commodity linked securities in its non-trading and trading activities. These contracts are widely traded instruments mainly with standardized terms. The following describes these instruments and how the Corporation uses them:

- **Forward Commodity Contracts:** The forward purchase and sale of commodities is performed as part of the Corporation's normal activities. At title date, the notional value of the contract is exchanged for physical delivery of the commodity. Forward contracts that are designated as normal purchase and sale contracts under FAS No. 133 are excluded from the quantitative market risk disclosures.
- **Forward Foreign Exchange Contracts:** Forward contracts include forward purchase contracts for both the British pound sterling and the Danish kroner. These foreign currency contracts commit the Corporation to purchase a fixed amount of pound sterling and kroner at a predetermined exchange rate on a certain date.
- **Futures:** The Corporation uses exchange traded futures contracts on a number of different underlying energy commodities. These contracts are settled daily with the relevant exchange and are subject to exchange position limits.
- **Swaps:** The Corporation uses financially settled swap contracts with third parties as part of its hedging and trading activities. Cash flows from swap contracts are determined based on underlying commodity prices and are typically settled over the life of the contract.
- **Options:** Options on various underlying energy commodities include exchange traded and third party contracts and have various exercise periods. As a seller of options, the Corporation receives a premium at the outset and bears the risk of unfavorable changes in the price of the commodity underlying the option. As a purchaser of options, the Corporation pays a premium at the outset and has the right to participate in the favorable price movements in the underlying commodities.

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- *Energy Commodity Linked Securities*: Securities where the price is linked to the price of an underlying energy commodity. These securities may be issued by a company or government.

**Quantitative Measures:** The Corporation uses value-at-risk to monitor and control commodity risk within its trading and non-trading activities. The value-at-risk model uses historical simulation and the results represent the potential loss in fair value over one day at a 95% confidence level. The model captures both first and second order sensitivities for options. The potential change in fair value based on commodity price risk is presented in the non-trading and trading sections below.

For foreign exchange rate risk, the impact of a 10% change in foreign exchange rates on the value of the Corporation's portfolio of foreign currency forward contracts is presented in the non-trading section. Similarly, the impact of a 15% change in interest rates on the fair value of the Corporation's debt is also presented in the non-trading section. A 10% change in foreign exchange rates and a 15% change in the rate of interest over one year are considered reasonable possibilities for providing sensitivity disclosures.

**Non-Trading:** The Corporation's non-trading activities include hedging of crude oil and natural gas production. Futures and swaps are used to fix the selling prices of a portion of the Corporation's future production and the related gains or losses are an integral part of the Corporation's selling prices. As of December 31, the Corporation has open hedge positions equal to 60% of its estimated 2005 worldwide crude oil production. The average price for West Texas Intermediate crude oil (WTI) related open hedge positions is \$33.06. The average price for Brent crude oil related open hedge positions is \$31.17. Approximately 20% of the Corporation's hedges is WTI related and the remainder is Brent. In addition, the Corporation has approximately 24,000 barrels per day of Brent related crude oil production hedged from 2006 through 2012 at an average price of \$26.20 per barrel. There were no hedges of natural gas production at year end. As market conditions change, the Corporation may adjust its hedge percentages.

Because the selling price of crude oil has increased during 2004, accumulated other comprehensive income (loss) at December 31, 2004 includes after-tax deferred losses of \$875 million (\$195 million of realized losses and \$680 million of unrealized losses) related to crude oil contracts used as hedges of exploration and production sales. Realized losses in accumulated other comprehensive income represent losses on closed contracts that are deferred until the underlying barrels are sold. In addition to the impact of the open hedge positions described above, approximately \$52 million of the realized losses will reduce earnings in the first quarter of 2005 and the remainder will reduce earnings during the balance of 2005. The pre-tax amount of all deferred hedge losses is reflected in accounts payable and the related income tax benefits are recorded as deferred tax assets on the balance sheet.

The Corporation also markets energy commodities including refined petroleum products, natural gas and electricity. The Corporation uses futures and swaps to fix the purchase prices of commodities to be sold under fixed-price sales contracts.

The following table summarizes the value-at-risk results of commodity related derivatives that are settled in cash and used in non-trading activities. The results may vary from time to time as hedge levels change.

	<u>Non-Trading Activities</u> (Millions of dollars)
<b>2004</b>	
At December 31	<b>\$108</b>
Average for the year	<b>90</b>
High during the year	<b>111</b>
Low during the year	<b>52</b>
<b>2003</b>	
At December 31	\$ 44
Average for the year	43
High during the year	47
Low during the year	40

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The increase in the value at risk in 2004 principally reflects additional hedge positions on Brent related production for the years 2006 through 2012.

The Corporation uses foreign exchange contracts to reduce its exposure to fluctuating foreign exchange rates by entering into forward purchase contracts for both the British pound sterling and the Danish kroner. At December 31, 2004, the Corporation has \$476 million of notional value foreign exchange contracts maturing in 2005 (\$384 million at December 31, 2003). The fair value of foreign exchange contracts recorded as assets was \$49 million at December 31, 2004 (\$40 million at December 31, 2003). The change in fair value of the foreign exchange contracts from a 10% change in exchange rates is estimated to be \$53 million at December 31, 2004 (\$43 million at December 31, 2003).

At December 31, 2004, the interest rate on substantially all of the Corporation's debt was fixed and there were no interest rate swaps. The Corporation's outstanding debt of \$3,835 million has a fair value of \$4,327 million at December 31, 2004 (debt of \$3,941 million at December 31, 2003 had a fair value of \$4,440 million). A 15% change in the rate of interest would change the fair value of debt by approximately \$260 million at December 31, 2004 and by approximately \$270 million at December 31, 2003.

**Trading:** The trading partnership in which the Corporation has a 50% voting interest trades energy commodities and derivatives. The accounts of the partnership are consolidated with those of the Corporation. The Corporation also takes trading positions for its own account. These strategies include proprietary position management and trading to enhance the potential return on assets. The information that follows represents 100% of the trading partnership and the Corporation's proprietary trading accounts.

In trading activities, the Corporation is exposed to changes in crude oil, natural gas and refined product prices, primarily in North America and Europe. Trading positions include futures, forwards, swaps and options. In some cases, physical purchase and sale contracts are used as trading instruments and are included in the trading results.

Gains or losses from sales of physical products are recorded at the time of sale. Derivative trading transactions are marked-to-market and are reflected in income currently. Total realized gains for the year amounted to \$79 million. The following table provides an assessment of the factors affecting the changes in fair value of trading activities and represents 100% of the trading partnership and other trading activities.

	<u>2004</u>	<u>2003</u>
	(Millions of dollars)	
Fair value of contracts outstanding at the beginning of the year	\$ 67	\$ 36
Change in fair value of contracts outstanding at the beginning of the year and still outstanding at the end of year	13	36
Reversal of fair value for contracts closed during the year	(10)	(26)
Fair value of contracts entered into during the year and still outstanding	114	21
Fair value of contracts outstanding at the end of the year	<u>\$ 184</u>	<u>\$ 67</u>

The Corporation uses observable market values for determining the fair value of its trading instruments. In cases where actively quoted prices are not available, other external sources are used which incorporate information about commodity prices in actively quoted markets, quoted prices in less active markets and other market fundamental analysis. Internal estimates are based on internal models incorporating underlying market information such as commodity volatilities and correlations. The Corporation's risk management department

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regularly compares valuations to independent sources and models. The following table summarizes the sources of fair values of derivatives used in the Corporation's trading activities:

	<u>Total</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008 and Beyond</u>
	(Millions of dollars)				
Source of fair value					
Prices actively quoted	\$ 57	\$ 2	\$ 23	\$ (1)	\$ 33
Other external sources	132	68	43	19	2
Internal estimates	(5)	(5)	—	—	—
Total	<u>\$ 184</u>	<u>\$ 65</u>	<u>\$ 66</u>	<u>\$ 18</u>	<u>\$ 35</u>

The following table summarizes the value-at-risk results for all trading activities. The results may change from time to time as strategies change to capture potential market rate movements.

	<u>Trading Activities</u> (Millions of dollars)
<b>2004</b>	
At December 31	\$ 17
Average for the year	12
High during the year	17
Low during the year	7
<b>2003</b>	
At December 31	\$ 7
Average for the year	9
High during the year	12
Low during the year	7

The following table summarizes the fair values of net receivables relating to the Corporation's trading activities and the credit ratings of counterparties at December 31:

	<u>2004</u>	<u>2003</u>
	(Millions of dollars)	
Investment grade determined by outside sources	\$307	\$246
Investment grade determined internally*	48	89
Less than investment grade	25	16
Fair value of net receivables outstanding at the end of the year	<u>\$380</u>	<u>\$351</u>

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

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Item 8. *Financial Statements and Supplementary Data*

AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES  
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\* 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.



### Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2004.

Our management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2004, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

By /s/ John P. Rielly  
John P. Rielly  
Senior Vice President and  
Chief Financial Officer

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

February 21, 2005

## Report of Independent Registered Public Accounting Firm

### The Board of Directors and Stockholders

#### Amerada Hess Corporation

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Amerada Hess Corporation and consolidated subsidiaries maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Amerada Hess Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Amerada Hess Corporation and consolidated subsidiaries maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Amerada Hess Corporation and consolidated subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheet of Amerada Hess Corporation and consolidated subsidiaries as of December 31, 2004 and 2003, and the related statements of consolidated income, retained earnings, cash flows, changes in preferred stock, common stock and capital in excess of par value and comprehensive income for each of the three years in the period ended December 31, 2004, and our report dated February 21, 2005 expressed an unqualified opinion on these statements.

*Ernst + Young LLP*

New York, NY  
February 21, 2005

## Report of Independent Registered Public Accounting Firm

### 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, 2004 and 2003, and the related statements of consolidated income, retained earnings, cash flows, changes in preferred stock, common stock and capital in excess of par value and comprehensive income for each of the three years in the period ended December 31, 2004. Our audits also included the Financial Statement Schedule listed in the Index at Item 8. These financial statements and schedule are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related Financial Statement Schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Corporation adopted Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations, effective January 1, 2003.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Amerada Hess Corporation's internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 21, 2005 expressed an unqualified opinion thereon.

*Ernst + Young LLP*

New York, NY  
February 21, 2005

**AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**

	At December 31	
	2004	2003
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 877	\$ 518
Accounts receivable		
Trade	2,185	1,717
Other	182	185
Inventories	596	579
Other current assets	495	187
Total current assets	<u>4,335</u>	<u>3,186</u>
<b>INVESTMENTS AND ADVANCES</b>		
HOVENSA L.L.C.	1,116	960
Other	138	135
Total investments and advances	<u>1,254</u>	<u>1,095</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Exploration and production	16,095	14,614
Refining and marketing	1,537	1,486
Total — at cost	<u>17,632</u>	<u>16,100</u>
Less reserves for depreciation, depletion, amortization and lease impairment	9,127	8,122
Property, plant and equipment — net	<u>8,505</u>	<u>7,978</u>
<b>NOTES RECEIVABLE</b>		
	212	302
<b>GOODWILL</b>		
	977	977
<b>DEFERRED INCOME TAXES</b>		
	834	306
<b>OTHER ASSETS</b>		
	195	139
<b>TOTAL ASSETS</b>	<u>\$ 16,312</u>	<u>\$ 13,983</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,280	\$ 1,542
Accrued liabilities	920	855
Taxes payable	447	199
Current maturities of long-term debt	50	73
Total current liabilities	<u>4,697</u>	<u>2,669</u>
<b>LONG-TERM DEBT</b>		
	<u>3,785</u>	<u>3,868</u>
<b>DEFERRED LIABILITIES AND CREDITS</b>		
Deferred income taxes	1,184	1,144
Asset retirement obligations	511	462
Other	538	500
Total deferred liabilities and credits	<u>2,233</u>	<u>2,106</u>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, par value \$1.00, 20,000 shares authorized		
7% cumulative mandatory convertible series		
Authorized — 13,500 shares		
Issued — 13,500 shares in 2004 and 2003 (\$675 million liquidation preference)	14	14
3% cumulative convertible series		
Authorized — 330 shares		
Issued — 327 shares in 2004 and 2003 (\$16 million liquidation preference)	—	—
Common stock, par value \$1.00		
Authorized — 200,000 shares		
Issued — 91,715 shares in 2004; 89,868 shares in 2003	92	90
Capital in excess of par value	1,727	1,603
Retained earnings	4,831	4,011
Accumulated other comprehensive income (loss)	(1,024)	(350)
Deferred compensation	(43)	(28)
Total stockholders' equity	<u>5,597</u>	<u>5,340</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 16,312</u>	<u>\$ 13,983</u>

The consolidated financial statements reflect the successful efforts method of accounting for oil and gas exploration and production activities. See accompanying notes to consolidated financial statements.

## AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

## STATEMENT OF CONSOLIDATED INCOME

	For the Years Ended December 31		
	2004	2003	2002
	(Millions of dollars, except per share data)		
<b>REVENUES AND NON-OPERATING INCOME</b>			
Sales (excluding excise taxes) and other operating revenues	\$ 16,733	\$ 14,311	\$ 11,551
Non-operating income (expense)			
Gain on asset sales	55	39	143
Equity in income (loss) of HOVENSA L.L.C.	244	117	(47)
Other	94	13	85
Total revenues and non-operating income	<u>17,126</u>	<u>14,480</u>	<u>11,732</u>
<b>COSTS AND EXPENSES</b>			
Cost of products sold	11,971	9,947	7,226
Production expenses	825	796	736
Marketing expenses	737	709	703
Exploration expenses, including dry holes and lease impairment	287	369	316
Other operating expenses	195	192	165
General and administrative expenses	342	340	253
Interest expense	241	293	256
Depreciation, depletion and amortization	970	1,053	1,118
Asset impairments	—	—	1,024
Total costs and expenses	<u>15,568</u>	<u>13,699</u>	<u>11,797</u>
Income (loss) from continuing operations before income taxes	1,558	781	(65)
Provision for income taxes	588	314	180
Income (loss) from continuing operations	970	467	(245)
Discontinued operations			
Net gain from asset sales	—	116	—
Income from operations	7	53	27
Cumulative effect of change in accounting principle	—	7	—
<b>NET INCOME (LOSS)</b>	<u>\$ 977</u>	<u>\$ 643</u>	<u>\$ (218)</u>
Less preferred stock dividends	48	5	—
<b>NET INCOME (LOSS) APPLICABLE TO COMMON SHAREHOLDERS</b>	<u>\$ 929</u>	<u>\$ 638</u>	<u>\$ (218)</u>
<b>BASIC EARNINGS (LOSS) PER SHARE</b>			
Continuing operations	\$ 10.30	\$ 5.21	\$ (2.78)
Net income (loss)	10.38	7.19	(2.48)
<b>DILUTED EARNINGS (LOSS) PER SHARE</b>			
Continuing operations	\$ 9.50	\$ 5.17	\$ (2.78)
Net income (loss)	9.57	7.11	(2.48)

See accompanying notes to consolidated financial statements.

## AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

## STATEMENT OF CONSOLIDATED RETAINED EARNINGS

	For the Years Ended December 31		
	2004	2003	2002
		(Millions of dollars, except per share data)	
<b>BALANCE AT BEGINNING OF YEAR</b>	<b>\$ 4,011</b>	<b>\$ 3,482</b>	<b>\$ 3,807</b>
Net income (loss)	977	643	(218)
Dividends declared on common stock (\$1.20 per share in 2004, 2003 and 2002)	(109)	(109)	(107)
Dividends on preferred stock (\$3.50 per share in 2004 and \$.34 per share in 2003)	(48)	(5)	—
<b>BALANCE AT END OF YEAR</b>	<b>\$ 4,831</b>	<b>\$ 4,011</b>	<b>\$ 3,482</b>

See accompanying notes to consolidated financial statements.

**AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**
**STATEMENT OF CONSOLIDATED CASH FLOWS**

	For the Years Ended December 31		
	2004	2003	2002
	(Millions of dollars)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income (loss)	\$ 977	\$ 643	\$ (218)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation, depletion and amortization	970	1,053	1,118
Asset impairments	—	—	1,024
Exploratory dry hole costs	81	162	157
Lease impairment	77	65	41
Pre-tax gain on asset sales	(55)	(245)	(117)
Provision (benefit) for deferred income taxes	(211)	107	(258)
Undistributed earnings of HOVENSA L.L.C.	(156)	(117)	47
Non-cash effect of discontinued operations	(7)	46	280
Changes in other operating assets and liabilities			
(Increase) decrease in accounts receivable	(519)	47	(104)
(Increase) decrease in inventories	(16)	(107)	51
Increase (decrease) in accounts payable and accrued liabilities	783	18	(217)
Increase (decrease) in taxes payable	131	(39)	50
Changes in prepaid expenses and other	(152)	(52)	111
Net cash provided by operating activities	<u>1,903</u>	<u>1,581</u>	<u>1,965</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures			
Exploration and production	(1,434)	(1,286)	(1,404)
Refining and marketing	(87)	(72)	(130)
Total capital expenditures	<u>(1,521)</u>	<u>(1,358)</u>	<u>(1,534)</u>
Proceeds from asset sales	57	545	412
Payment received on notes receivable	90	61	48
Other	3	(25)	(22)
Net cash used in investing activities	<u>(1,371)</u>	<u>(777)</u>	<u>(1,096)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in debt with maturities of 90 days or less	—	(2)	(581)
Debt with maturities of greater than 90 days			
Borrowings	25	—	637
Repayments	(131)	(1,026)	(686)
Proceeds from issuance of preferred stock	—	653	—
Cash dividends paid	(157)	(108)	(107)
Stock options exercised	90	—	28
Net cash used in financing activities	<u>(173)</u>	<u>(483)</u>	<u>(709)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>359</b>	<b>321</b>	<b>160</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>518</b>	<b>197</b>	<b>37</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 877</b>	<b>\$ 518</b>	<b>\$ 197</b>

See accompanying notes to consolidated financial statements.

AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

	Preferred Stock		Common Stock		Capital in Excess of Par Value
	Number of Shares	Amount	Number of Shares	Amount	
	(Millions of dollars; thousands of shares)				
<b>BALANCE AT JANUARY 1, 2002</b>	327	\$ —	88,757	\$ 89	\$ 903
Cancellations of nonvested common stock awards (net)	—	—	(55)	—	(3)
Employee stock options exercised	—	—	491	—	32
<b>BALANCE AT DECEMBER 31, 2002</b>	327	—	89,193	89	932
Issuance of preferred stock	13,500	14	—	—	639
Distributions to trustee of nonvested common stock awards (net)	—	—	675	1	32
<b>BALANCE AT DECEMBER 31, 2003</b>	13,827	14	89,868	90	1,603
Distributions to trustee of nonvested common stock awards (net)	—	—	309	—	24
Employee stock options exercised	—	—	1,538	2	100
<b>BALANCE AT DECEMBER 31, 2004</b>	<u>13,827</u>	<u>\$ 14</u>	<u>91,715</u>	<u>\$ 92</u>	<u>\$ 1,727</u>

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

	For the Years Ended December 31		
	2004	2003	2002
	(Millions of dollars)		
<b>COMPONENTS OF COMPREHENSIVE INCOME (LOSS)</b>			
Net income (loss)	\$ 977	\$ 643	\$ (218)
Change in foreign currency translation adjustment	36	13	34
Additional minimum pension liability, after tax	(25)	(1)	(71)
Deferred gains (losses) on oil and gas cash flow hedges, after tax			
Reclassification of deferred hedging to income	511	203	(56)
Net change in fair value of cash flow hedges	(1,196)	(311)	(269)
<b>COMPREHENSIVE INCOME (LOSS)</b>	<u>\$ 303</u>	<u>\$ 547</u>	<u>\$ (580)</u>

See accompanying notes to consolidated financial statements.



AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 in the United States, United Kingdom, Norway, Denmark, Equatorial Guinea, Algeria, Azerbaijan, Gabon, Indonesia, Malaysia, Thailand and other countries. In addition, the Corporation manufactures, purchases, transports, trades and markets refined petroleum and other energy products. The Corporation owns 50% of HOVENSA L.L.C., a refinery joint venture in the United States Virgin Islands. An additional refining facility, terminals and retail gasoline stations are located 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, asset valuations, depreciable lives, pension liabilities, environmental obligations, dismantlement costs and income taxes.

Certain information in the financial statements and notes has been reclassified to conform to current period presentation.

**Principles of Consolidation:** The consolidated financial statements include the accounts of Amerada Hess Corporation and entities in which the Corporation owns more than a 50% voting interest or entities that the Corporation controls. The Corporation's undivided interests in unincorporated oil and gas exploration and production ventures are proportionately consolidated.

Investments in affiliated companies, 20% to 50% owned, including HOVENSA but excluding a trading partnership, 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 income in the income statement. The Corporation consolidates the trading partnership in which it owns a 50% voting interest and over which it exercises control.

Intercompany transactions and accounts are eliminated in consolidation.

**Revenue Recognition:** The Corporation recognizes revenues from the sale of crude oil, natural gas, petroleum products and other merchandise when title passes to the customer. The Corporation recognizes revenues from the production of natural gas properties based on sales to customers. Differences between natural gas volumes sold and the Corporation's share of natural gas production are not material.

In its exploration and production activities, the Corporation enters into buy-sell arrangements for crude oil that involve linked sale and purchase transactions for the primary purpose of changing location or quality. These arrangements are reported net in the income statement. In its refining and marketing activities, the Corporation exchanges refined products with other oil companies and enters into buy-sell arrangements that involve linked sale and purchase transactions with the same counterparty for the purpose of changing location and quality. These arrangements are reported net in the income statement. The amount of netted buy-sell transactions is less than 10% of sales in each year in the three year period ended December 31, 2004.

Derivatives (futures, forwards, options and swaps) used in energy trading activities are marked to market, with net gains and losses recorded in operating revenue. Gains or losses from the sale of physical products are recorded at the time of sale.

**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 when acquired.

**Inventories:** Crude oil and refined product inventories are valued at the lower of average cost or market. For inventories valued at cost, the Corporation uses principally the last-in, first-out (LIFO) inventory method.

AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Inventories of merchandise, materials and supplies are valued at the lower of average cost or market.

**Exploration and Development Costs:** Oil and gas exploration and production activities are accounted for using the successful efforts method. Costs of acquiring unproved and proved oil and gas leasehold acreage, including lease bonuses, brokers' fees and other related costs, are capitalized. Annual lease rentals, exploration expenses and exploratory dry hole costs are expensed as incurred. Costs of drilling and equipping productive wells, including development dry holes, and related production facilities are capitalized.

The costs of exploratory wells that find oil and gas reserves are capitalized pending determination of whether proved reserves have been found. In an area requiring a major capital expenditure before production can begin, an exploration well is carried as an asset if sufficient reserves are discovered to justify its completion as a production well, and additional exploration drilling is underway or firmly planned. The Corporation does not capitalize the cost of other exploratory wells for more than one year unless proved reserves are found.

**Depreciation, Depletion and Amortization:** The Corporation calculates depletion expense for acquisition costs of proved properties using the units of production method over proved oil and gas reserves. Depreciation and depletion expense for oil and gas production equipment and wells is calculated using the units of production method over proved developed oil and gas reserves. Depreciation of all other plant and equipment is determined on the straight-line method based on estimated useful lives. Provisions for impairment of undeveloped oil and gas leases are based on periodic evaluations and other factors.

**Asset Retirement Obligations:** On January 1, 2003, the Corporation changed its method of accounting for asset retirement obligations as required by FAS No. 143, *Accounting for Asset Retirement Obligations*. Previously, the Corporation had accrued the estimated costs of dismantlement, restoration and abandonment, less estimated salvage values, of offshore oil and gas production platforms and pipelines using the units-of-production method. This cost was reported as a component of depreciation expense and accumulated depreciation. Using the new accounting method required by FAS No. 143, the Corporation recognizes a liability for the fair value of legally required asset retirement obligations associated with long-lived assets in the period in which the retirement obligations are incurred. The Corporation capitalizes the associated asset retirement costs as part of the carrying amount of the long-lived assets. The cumulative effect of this change on prior years resulted in a credit to income of \$7 million or \$.07 per share, basic and diluted. The cumulative effect is included in income for the year ended December 31, 2003. The effect of the change on the year 2003 was to increase income before the cumulative effect of the accounting change by \$3 million, after-tax (\$.03 per share diluted).

**Impairment of Long-Lived Assets:** The Corporation reviews long-lived assets, including oil and gas properties at a field level, for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recovered. If the carrying amounts are not expected to be recovered by undiscounted future cash flows, the assets are impaired and an impairment loss is recorded. The amount of impairment is based on the estimated fair value of the assets determined by discounting anticipated future net cash flows. In the case of oil and gas fields, the net present value of future cash flows is based on management's best estimate of future prices, which is determined with reference to recent historical prices and published forward prices, applied to projected production volumes of individual fields and discounted at a rate commensurate with the risks involved. The projected production volumes represent reserves, including probable reserves, expected to be produced based on a stipulated amount of capital expenditures. The production volumes, prices and timing of production are consistent with internal projections and other externally reported information. Oil and gas prices used for determining asset impairments will generally differ from the year-end prices used in the standardized measure of discounted future net cash flows.

**Impairment of Equity Investees:** The Corporation reviews equity method investments for impairment whenever events or changes in circumstances indicate that an other than temporary decline in value has

AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

occurred. The amount of the impairment is based on quoted market prices, where available, or other valuation techniques, including discounted cash flows.

**Impairment of Goodwill:** In accordance with FAS No. 142, *Goodwill and Other Intangible Assets*, goodwill cannot be amortized; however, it must be tested annually for impairment. This impairment test is calculated at the reporting unit level, which is the exploration and production segment for the Corporation's goodwill. The Corporation identifies potential impairments by comparing the fair value of the reporting unit to its book value, including goodwill. If the fair value of the reporting unit exceeds the carrying amount, goodwill is not impaired. If the carrying value exceeds the fair value, the Corporation calculates the possible impairment loss by comparing the implied fair value of goodwill with the carrying amount. If the implied fair value of goodwill is less than the carrying amount, an impairment would be recorded.

**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 expensed as incurred. Capital improvements are recorded as additions to property, plant and equipment.

**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 environmental expenses to remediate existing conditions related to past operations when the future costs are probable and reasonably estimable.

**Stock-Based Compensation:** The Corporation records compensation expense for restricted common stock awards ratably over the vesting period. 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 (see Note 9). The following pro forma financial information presents the effect on net income and earnings per share as if the Corporation used the fair value method for stock options.

	2004	2003	2002
	(Millions of dollars, except per share data)		
Net income (loss)	\$ 977	\$ 643	\$ (218)
Add stock-based employee compensation expense included in net income, net of taxes	11	7	5
Less total stock-based employee compensation expense determined using the fair value method, net of taxes	(18)	(8)	(19)
Pro forma net income (loss)	<u>\$ 970</u>	<u>\$ 642</u>	<u>\$ (232)</u>
Net income (loss) per share as reported			
Basic	\$ 10.38	\$ 7.19	\$ (2.48)
Diluted	9.57	7.11	(2.48)
Pro forma net income (loss) per share			
Basic	\$ 10.31	\$ 7.19	\$ (2.63)
Diluted	9.50	7.11	(2.63)

**Foreign Currency Translation:** The U.S. dollar is the functional currency (primary currency in which business is conducted) for most foreign operations. For these operations, adjustments resulting from translating foreign currency assets and liabilities into U.S. dollars are recorded in income. For operations that use the local currency as the functional currency, adjustments resulting from translating foreign functional currency assets and liabilities into U.S. dollars are recorded in a separate component of stockholders' equity

AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

entitled accumulated other comprehensive income. Gains or losses resulting from transactions in other than the functional currency are reflected in net income.

**Hedging:** The Corporation may use futures, forwards, options and swaps, individually or in combination, to reduce the effects of fluctuations in crude oil, natural gas and refined product selling prices. Related hedge gains or losses are an integral part of the selling or purchase prices. Generally, these derivatives are designated as hedges of expected future cash flows or forecasted transactions (cash flow hedges), and the changes in fair value are recorded in accumulated other comprehensive income. These transactions meet the requirements for hedge accounting, including correlation. The Corporation reclassifies hedging gains and losses included in accumulated other comprehensive income to earnings at the time the hedged transactions are recognized. The ineffective portion of hedges is included in current earnings. The Corporation's remaining derivatives, including foreign currency contracts, are not designated as hedges and the change in fair value is included in income currently.

**Income Taxes:** Deferred income taxes are determined using the liability method. The Corporation regularly assesses the realizability of deferred tax assets, based on estimates of future taxable income, the availability of tax planning strategies, the existence of appreciated assets, the available carryforward periods for net operating losses and other factors. The Corporation does not provide for deferred U.S. income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations.

**Accounting Change:** The Corporation has adopted Emerging Issues Task Force abstract 02-3, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities*. In accordance with EITF 02-3, the Corporation began accounting for trading inventory purchased after October 25, 2002 at the lower of cost or market. Inventory purchased prior to this date was marked-to-market with changes reflected in income currently. Beginning January 1, 2003, the Corporation accounted for all trading inventory at the lower of cost or market. This accounting change did not have a material effect on the Corporation's income or financial position.

2. Items Affecting Income from Continuing Operations

The following items are included in income from continuing operations:

	Items Affecting Income Before Taxes		
	2004	2003	2002
	(Millions of dollars, income (expense))		
Gains from asset sales	\$ 55	\$ 38	\$ 143
Corporate insurance accrual	(20)	—	—
LIFO inventory liquidation	20	—	—
Accrued severance and office costs	(15)	(53)	—
Premium on bonds repurchased	—	(58)	(15)
Asset impairments	—	—	(1,024)
Reduction in carrying value of refining and marketing intangibles and severance	—	—	(35)
	<u>\$ 40</u>	<u>\$ (73)</u>	<u>\$ (931)</u>
	Items Affecting Income Taxes		
	2004	2003	2002
Income tax adjustments	<u>\$ 32</u>	<u>\$ 30</u>	<u>\$ (43)</u>

**AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

2004: Earnings from exploration and production operations included gains totaling \$55 million from the sales of an office building in Aberdeen, Scotland, a non-producing property in Malaysia and two mature Gulf of Mexico properties. Exploration and production results also reflected an additional accrual of \$15 million for vacated office lease costs. Exploration and production earnings also included foreign income tax adjustments of \$19 million resulting from a tax law change and a tax settlement.

Refining and marketing results include \$20 million of income from the liquidation of LIFO inventories. Corporate expenses include \$20 million of insurance costs related to retrospective premium increases and a \$13 million income tax benefit arising from the settlement of a federal tax audit.

2003: The Corporation recorded a charge of \$58 million for premiums paid on the repurchase of bonds. This charge is reflected in non-operating income (expense) in the income statement.

Exploration and production results included expenses of \$53 million for accrued severance and vacated office costs. Of this amount, \$32 million relates to leased office space and the remainder relates to severance for positions that were eliminated in London, Aberdeen and Houston. The 2003 expense is reflected principally in general and administrative expense in the income statement. At December 31, 2003, the Corporation had a related accrual of \$38 million for severance and vacated office costs. During 2004, the Corporation accrued \$17 million of additional costs and reduced the accrual by \$16 million for severance payments and lease costs. At December 31, 2004, the accrual for severance and vacated office space was \$39 million.

Exploration and production earnings in 2003 included income tax benefits of \$30 million reflecting the recognition of certain prior year foreign exploration expenses for United States income tax purposes. In addition, the Corporation recorded a gain of \$47 million from the sale of its 1.5% interest in the Trans-Alaska Pipeline System. A loss of \$9 million was recorded in refining and marketing earnings due to the sale of a shipping joint venture.

2002: The Corporation recorded an impairment charge of \$706 million relating to the Ceiba field in Equatorial Guinea. The charge resulted from a reduction in probable reserves of approximately 12% of total field reserves, as well as the additional development costs of producing these reserves over a longer field life. Fair value was determined by discounting anticipated future net cash flows. The Corporation also recorded an impairment charge of \$318 million to reduce the carrying value of oil and gas properties located primarily in the Main Pass/Breton Sound area of the Gulf of Mexico. Most of these properties were obtained in the 2001 LLOG acquisition and consisted of producing oil and gas fields with proved and probable reserves and exploration acreage. This charge principally reflects reduced reserve estimates on these fields resulting from unfavorable production performance. The fair values of producing properties were determined by using discounted cash flows. Exploration properties were evaluated by using results of drilling and production data from nearby fields and seismic data for these and other properties in the area. These charges were recorded in the caption asset impairments in the income statement.

During 2002, the Corporation completed the sale of six United States flag vessels in its refining and marketing segment for \$161 million in cash and a note for \$29 million. The sale resulted in a gain of \$102 million. The Corporation agreed to support the buyer's charter rate for these vessels for up to five years. A gain of \$50 million was deferred as part of the sale transaction to reflect potential obligations of the support agreement. The support agreement requires that, if the actual contracted rate for the charter of a vessel is less than the stipulated charter rate in the agreement, the Corporation pays to the buyer the difference between the contracted rate and the stipulated rate. If the actual contracted rate exceeds the stipulated rate, the buyer must apply such amount to reimburse the Corporation for any payments made by the Corporation up to that date. At January 1, 2004, the charter support reserve was \$32 million. During 2004, the Corporation paid \$4 million of charter support. Based on contractual long-term charter rates and estimates of future charter

**AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

rates, the Corporation lowered the estimated charter support reserve by \$18 million. At December 31, 2004, the remaining balance in the charter support reserve was \$10 million.

Gains of \$41 million were recorded during 2002 from sales of oil and gas producing properties in the United States, United Kingdom and Azerbaijan and the Corporation's energy marketing business in the United Kingdom.

In 2002, the Corporation recorded a charge of \$22 million for the write-off of intangible assets in its U.S. energy marketing business. In addition, accrued severance of \$13 million was recorded for cost reduction initiatives in refining and marketing, principally in energy marketing.

The United Kingdom government enacted a 10% supplementary tax on profits from oil and gas production in 2002. Because of this tax law change, the Corporation recorded a one-time provision for deferred taxes of \$43 million to increase the deferred tax liability on its balance sheet.

### 3. Discontinued Operations

In 2003, the Corporation exchanged its crude oil producing properties in Colombia (acquired in 2001 as part of the Triton acquisition), plus \$10 million in cash, for an additional 25% interest in natural gas reserves in the joint development area of Malaysia and Thailand. The exchange resulted in a charge to income of \$51 million before income taxes, which the Corporation reported as a loss from discontinued operations. The loss on this exchange included a \$43 million adjustment of the book value of the Colombian assets to fair value resulting primarily from a revision in crude oil reserves. The loss also included a \$26 million charge from the recognition in earnings of the value of related hedge contracts at the time of the exchange. These items were partially offset by earnings of \$18 million in Colombia prior to the exchange. Income from discontinued operations of \$7 million in 2004 reflects the settlement of a previously accrued contingency relating to the exchanged Colombian assets.

In 2003, the Corporation sold producing properties in the Gulf of Mexico shelf, the Jabung Field in Indonesia and several small United Kingdom fields. The aggregate proceeds from these sales were \$445 million and the after-tax gain from disposition was \$176 million.

Sales and other operating revenues (net of intercompany sales) from discontinued operations were \$97 million in 2003 and \$381 million in 2002. Pretax operating profit for the same periods was \$82 million and \$14 million, respectively. Income tax expense (benefit) was \$29 million and \$(13) million for the same periods. The net production from fields accounted for as discontinued operations in 2003 at the time of disposition was approximately 45,000 barrels of oil equivalent per day.

### 4. Inventories

Inventories at December 31 are as follows:

	2004	2003
	(Millions of dollars)	
Crude oil and other charge stocks	\$ 174	\$ 138
Refined and other finished products	700	567
Less: LIFO adjustment	(446)	(293)
	428	412
Merchandise, materials and supplies	168	167
Total	\$ 596	\$ 579

## AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

During 2004, the Corporation reduced LIFO inventories, which are carried at lower costs than current inventory costs. The effect of the LIFO inventory liquidation was to decrease cost of products sold by approximately \$20 million.

**5. Refining Joint Venture**

The Corporation has an investment in HOVENSA L.L.C., a 50% joint venture with Petroleos de Venezuela, S.A. (PDVSA). HOVENSA owns and operates a refinery in the Virgin Islands.

The Corporation accounts for its investment in HOVENSA using the equity method. Summarized financial information for HOVENSA as of December 31, 2004, 2003 and 2002 and for the years then ended follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	(Millions of dollars)		
<b>Summarized Balance Sheet</b>			
At December 31			
Cash and cash equivalents	\$ 518	\$ 341	\$ 11
Other current assets	675	541	509
Net fixed assets	1,843	1,818	1,895
Other assets	36	37	40
Current liabilities	(606)	(441)	(335)
Long-term debt	(252)	(392)	(467)
Deferred liabilities and credits	(48)	(56)	(45)
Partners' equity	<u>\$ 2,166</u>	<u>\$ 1,848</u>	<u>\$ 1,608</u>
<b>Summarized Income Statement</b>			
For the years ended December 31			
Total revenues	\$ 7,776	\$ 5,451	\$ 3,783
Costs and expenses	(7,282)	(5,212)	(3,872)
Net income (loss)	<u>\$ 494</u>	<u>\$ 239</u>	<u>\$ (89)</u>
Amerada Hess Corporation's share(a)	<u>\$ 244</u>	<u>\$ 117</u>	<u>\$ (47)</u>

(a) Before Virgin Islands income taxes, which were recorded by the Corporation.

During 2004, the Corporation received a cash distribution of \$88 million from HOVENSA. The Corporation's share of HOVENSA's undistributed income at December 31, 2004 aggregated \$398 million.

The Corporation has agreed to purchase 50% of HOVENSA's production of refined products at market prices, after sales by HOVENSA to unaffiliated parties. Such purchases amounted to approximately \$2,940 million during 2004, \$2,040 million during 2003 and \$1,280 million during 2002. The Corporation sold crude oil to HOVENSA for approximately \$35 million during 2004, \$410 million during 2003 and \$80 million during 2002. In addition, the Corporation billed HOVENSA freight charter costs of \$75 million during 2004, \$59 million during 2003 and \$20 million during 2002.

The Corporation guarantees the payment of up to 50% of the value of HOVENSA's crude oil purchases from suppliers other than PDVSA. At December 31, 2004, the guarantee amounted to \$97 million. This amount fluctuates based on the volume of crude oil purchased and the related crude oil prices. In addition, the

AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Corporation has agreed to provide funding up to a maximum of \$40 million to the extent HOVENSA does not have funds to meet its senior debt obligations.

At formation of the joint venture, 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 \$62.5 million in cash and a 10-year note from PDVSA V.I. for \$562.5 million bearing interest at 8.46% per annum and requiring principal payments over its term. At December 31, 2004 and 2003, the principal balance of the note was \$273 million and \$334 million, respectively.

**6. Property, Plant and Equipment**

Property, plant and equipment at December 31 consists of the following:

	<u>2004</u>	<u>2003</u>
	(Millions of dollars)	
Exploration and production		
Unproved properties	\$ 450	\$ 950
Proved properties	3,267	2,732
Wells, equipment and related facilities	12,378	10,932
Refining and marketing	<u>1,537</u>	<u>1,486</u>
Total — at cost	17,632	16,100
Less reserves for depreciation, depletion, amortization and lease impairment	<u>9,127</u>	<u>8,122</u>
Property, plant and equipment, net	<u>\$ 8,505</u>	<u>\$ 7,978</u>

During 2003, the Corporation recorded non-cash additions to fixed assets of \$1,340 million. Of this total, \$485 million related to assets that were previously accounted for as an equity investment in a company that holds natural gas reserves in Malaysia and Thailand. The remaining \$855 million resulted from asset exchanges. The Corporation also recorded deferred income tax liabilities of \$105 million related to the asset exchanges. The assets and liabilities relinquished in these exchanges included fixed assets of approximately \$770 million, an additional equity investment of \$145 million and deferred income tax liabilities of \$145 million.

The following table discloses the amount of capitalized exploratory well costs pending determination of proved reserves at December 31, 2004, 2003 and 2002 and the changes therein:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	(Millions of dollars)		
Beginning balance at January 1	\$ 225	\$ 211	\$ 156
Additions to capitalized exploratory well costs pending the determination of proved reserves	150	78	168
Reclassifications to wells, facilities, and equipment based on the determination of proved reserves	(149)	(1)	(34)
Capitalized exploratory well costs charged to expense	(6)	(41)	(37)
Sales, exchanges or disposals (includes discontinued operations)	—	(22)	(42)
Ending balance at December 31	<u>\$ 220</u>	<u>\$ 225</u>	<u>\$ 211</u>
Number of wells at end of year	<u>15</u>	<u>26</u>	<u>26</u>



## AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The preceding table excludes exploratory dry hole costs of \$75 million, \$121 million and \$120 million in 2004, 2003 and 2002, respectively, relating to wells that were drilled and expensed in the same year. At December 31, 2004 and 2003, the capitalized costs relate to wells in process of drilling and capitalized successful wells in the United States Gulf of Mexico and planned developments in Equatorial Guinea, Indonesia and Thailand. The Financial Accounting Standards Board has issued a proposed FASB Staff Position (FSP) which would further define the criteria for capitalizing exploration wells. If this FSP is issued in final form, no material effect on the Corporation's results of operations or financial position is anticipated.

**7. Asset Retirement Obligations**

The following table describes changes to the Corporation's asset retirement obligations:

	2004	2003
	(Millions of dollars)	
Asset retirement obligations at January 1	\$ 462	\$ 556
Liabilities incurred	2	15
Liabilities settled or disposed of	(40)	(173)
Accretion expense	24	28
Revisions	49	25
Foreign currency translation	14	11
Asset retirement obligations at December 31	<u>\$ 511</u>	<u>\$ 462</u>

**8. Long-Term Debt**

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

	2004	2003
	(Millions of dollars)	
Fixed rate debentures, weighted average rate 7.3%, due through 2033	\$ 3,160	\$ 3,222
Pollution Control Revenue Bonds, weighted average rate 5.9%, due through 2034	53	53
Fixed rate notes, payable principally to insurance companies, weighted average rate 8.4%, due through 2014	446	450
Project lease financing, weighted average rate 5.1%, due through 2014	166	164
Other loans, weighted average rate 6.4%, due through 2019	10	52
	<u>3,835</u>	<u>3,941</u>
Less amount included in current maturities	50	73
Total	<u>\$ 3,785</u>	<u>\$ 3,868</u>

The aggregate long-term debt maturing during the next five years is as follows (in millions): 2005 — \$50 (included in current liabilities); 2006 — \$78; 2007 — \$192; 2008 — \$129 and 2009 — \$338.

At December 31, 2004, the Corporation's public fixed rate debentures have a face value of \$3,176 million (\$3,160 million net of unamortized discount). Interest rates on the debentures range from 5.9% to 8% and have a weighted average rate of 7.3%. During 2003, the Corporation repurchased \$1,015 million of fixed rate debentures.

**AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

In 2004, the Corporation entered into a new \$2.5 billion syndicated, revolving credit facility expiring in December 2009, which can be used for borrowings and letters of credit. At December 31, 2004, the Corporation has used \$570 million of this facility for letters of credit. Borrowings under the facility currently would bear interest at .80% above the London Interbank Offered Rate. A facility fee of .20% per annum is currently payable on the amount of the credit line. The interest rate and facility fee are subject to adjustment if the Corporation's credit rating changes.

The Corporation's long-term debt agreements contain restrictions on the amount of total borrowings and cash dividends allowed. At December 31, 2004, the Corporation is permitted to borrow an additional \$5.5 billion for the construction or acquisition of assets. At year-end, the amount that can be borrowed for the payment of dividends or stock repurchases is \$2.0 billion. Under the Corporation's revolving credit agreement, if two stated credit rating agencies classify the Corporation's public debt below investment grade, an additional covenant becomes effective requiring that the Corporation's ratio of total consolidated debt to consolidated EBITDA, as defined, shall not exceed 3.5. The Corporation would have been in compliance with this covenant had it been in effect for the year ended December 31, 2004. This covenant shall be deleted from the credit agreement if both credit rating agencies' ratings are simultaneously investment grade.

In 2004, 2003 and 2002, the Corporation capitalized interest of \$54 million, \$41 million and \$101 million, respectively, on major development projects. The total amount of interest paid (net of amounts capitalized), principally on short-term and long-term debt, in 2004, 2003 and 2002 was \$243 million, \$313 million and \$274 million, respectively.

**9. Stock-Based Compensation Plans**

The Corporation has outstanding restricted stock and stock options under its Amended and Restated 1995 Long-Term Incentive Plan. Generally, stock options vest from one to three years from the date of grant and the exercise price equals or exceeds the market price on the date of grant. Outstanding restricted common stock generally vests three to five years from the date of grant.

**AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The Corporation's stock option activity in 2004, 2003 and 2002 consisted of the following:

	<u>Options</u> (Thousands)	<u>Weighted-Average Exercise Price per Share</u>
Outstanding at January 1, 2002	4,874	\$ 58.87
Granted	46	66.45
Exercised	(492)	57.81
Forfeited	(53)	59.79
Outstanding at December 31, 2002	4,375	59.06
Granted	65	47.07
Forfeited	(283)	64.08
Outstanding at December 31, 2003	4,157	58.54
Granted	1,198	72.79
Exercised	(1,538)	58.53
Forfeited	(30)	65.93
Outstanding at December 31, 2004	3,787	\$ 62.99
Exercisable at December 31, 2002	4,329	\$ 58.99
Exercisable at December 31, 2003	4,092	58.72
Exercisable at December 31, 2004	2,607	58.55

Exercise prices for employee stock options at December 31, 2004 ranged from \$45.81 to \$89.90 per share. The weighted-average remaining contractual life of employee stock options is 7 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 2004, 2003 and 2002, respectively: risk-free interest rates of 4.3%, 3.6% and 4.2%; expected stock price volatility of .293, .288 and .262; dividend yield of 1.7%, 2.6% and 1.9%; and an expected life of seven years. The weighted-average fair values per share of options granted for which the exercise price equaled the market price on the date of grant were \$23.75 in 2004, \$12.60 in 2003 and \$19.63 in 2002. The Corporation's net income would have been reduced by approximately \$7 million in 2004, \$1 million in 2003 and \$14 million in 2002 if option expenses were recorded using the fair value method.

Total compensation expense for restricted common stock was \$17 million in 2004, \$11 million in 2003 and \$7 million in 2002. Awards of restricted common stock were as follows:

	<u>Shares of Restricted Common Stock Awarded</u> (Thousands)	<u>Weighted-Average Price on Date of Grant</u>
Granted in 2002	21	\$ 66.29
Granted in 2003	765	46.73
Granted in 2004	423	72.97

**AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

At December 31, 2004, the number of common shares reserved for issuance under the 1995 Long-Term Incentive Plan is as follows (in thousands):

Future awards	6,502
Stock options outstanding	3,787
Total	<u>10,289</u>

In 2004, the Financial Accounting Standards Board reissued Statement No. 123, *Share-Based Payment* (FAS 123R). This new standard requires that compensation expense for all stock-based payments to employees, including grants of employee stock options, be recognized in the income statement based on fair values. Had the Corporation adopted FAS 123R in prior periods, the impact would have approximated the additional expenses disclosed above and in the table under Stock-Based Compensation in Note 1. The Corporation must adopt FAS 123R no later than July 1, 2005.

**10. Foreign Currency Translation**

Foreign currency gains (losses) from continuing operations before income taxes amounted to \$29 million in 2004, \$(6) million in 2003 and \$26 million in 2002. The balances in accumulated other comprehensive income related to foreign currency translation were reductions in stockholders' equity of \$58 million at December 31, 2004 and \$94 million at December 31, 2003.

**11. Pension Plans**

The Corporation has funded noncontributory defined benefit pension plans for substantially all of its employees. In addition, the Corporation has an unfunded supplemental pension plan covering certain employees. The unfunded 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 plans, were it not for limitations imposed by income tax regulations. The plans provide defined benefits based on years of service and final average salary. The Corporation uses December 31 as the measurement date for its plans.

**AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The following table reconciles the projected benefit obligation and the fair value of plan assets and shows the funded status of the pension plans:

	Funded Pension Plans		Unfunded Pension Plan	
	2004	2003	2004	2003
	(Millions of dollars)			
<b>Reconciliation of projected benefit obligation</b>				
Balance at January 1	\$ 817	\$ 721	\$ 65	\$ 61
Service cost	23	24	3	3
Interest cost	50	47	4	4
Actuarial loss	67	57	25	3
Benefit payments	(32)	(32)	(20)	(6)
Balance at December 31	<u>925</u>	<u>817</u>	<u>77</u>	<u>65</u>
<b>Reconciliation of fair value of plan assets</b>				
Balance at January 1	626	487	—	—
Actual return on plan assets	74	104	—	—
Employer contributions	82	67	20	6
Benefit payments	(32)	(32)	(20)	(6)
Balance at December 31	<u>750</u>	<u>626</u>	<u>—</u>	<u>—</u>
Funded status (plan assets less than benefit obligations)	<u>(175)</u>	<u>(191)</u>	<u>(77)*</u>	<u>(65)*</u>
Unrecognized net actuarial loss	230	190	34	18
Unrecognized prior service cost	2	3	4	3
Net amount recognized	<u>\$ 57</u>	<u>\$ 2</u>	<u>\$ (39)</u>	<u>\$ (44)</u>

\* The trust established by the Corporation to fund the supplemental plan held assets valued at \$44 million at December 31, 2004 and \$40 million at December 31, 2003.

Amounts recognized in the consolidated balance sheet at December 31 consist of the following:

	Funded Pension Plans		Unfunded Pension Plan	
	2004	2003	2004	2003
	(Millions of dollars)			
Accrued benefit liability	\$ (80)	\$ (106)	\$ (61)	\$ (53)
Intangible assets	2	3	4	3
Accumulated other comprehensive income*	135	105	18	6
Net amount recognized	<u>\$ 57</u>	<u>\$ 2</u>	<u>\$ (39)</u>	<u>\$ (44)</u>

\* The amounts included in accumulated other comprehensive income after income taxes was \$98 million at December 31, 2004 and \$73 million at December 31, 2003.

The accumulated benefit obligation for the funded defined benefit pension plans was \$830 million at December 31, 2004 and \$733 million at December 31, 2003. The accumulated benefit obligation for the unfunded defined benefit pension plan was \$61 million at December 31, 2004 and \$53 million at December 31, 2003.

**AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

All pension plans had accumulated benefit obligations in excess of plan assets at December 31, 2004 and 2003.

Components of pension expense for funded and unfunded plans consisted of the following:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	(Millions of dollars)		
Service cost	\$ 26	\$ 27	\$ 25
Interest cost	54	51	49
Expected return on plan assets	(56)	(44)	(44)
Amortization of prior service cost	2	2	2
Amortization of net loss	16	19	5
Settlement loss	6	—	—
Net periodic benefit cost	<u>\$ 48</u>	<u>\$ 55</u>	<u>\$ 37</u>
Increase in minimum liability included in other comprehensive income	<u>\$ 41</u>	<u>\$ 1</u>	<u>\$ 110</u>

Prior service costs and gains and losses in excess of 10% of the greater of the benefit obligation or 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 funded and unfunded pension plans were as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Weighted-average assumptions used to determine benefit obligations at December 31			
Discount rate	5.8%	6.2%	6.6%
Rate of compensation increase	4.5	4.5	4.4
Weighted-average assumptions used to determine net cost for years ended December 31			
Discount rate	6.2	6.6	7.0
Expected return on plan assets	8.5	8.5	9.0
Rate of compensation increase	4.5	4.4	4.5

The assumed long-term rate of return on assets is based on historical, long-term returns of the plan, adjusted to reflect lower prevailing interest rates. Effective January 1, 2005, the Corporation lowered the assumed long-term rate of return on plan assets to 7.5%.

The Corporation's funded pension plan assets by asset category are as follows:

Asset Category	At December 31	
	<u>2004</u>	<u>2003</u>
Equity securities	56%	57%
Debt securities	44	43
Total	<u>100%</u>	<u>100%</u>

For 2004 and 2003, the target investment allocations for the plan assets were 55% equity securities and 45% debt securities. Asset allocations are rebalanced on a regular basis throughout the year to bring assets to within a 2-3% range of target levels. Target allocations take into account analyses performed to optimize long-

**AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

term risk and return relationships. All assets are highly liquid and can be readily adjusted to provide liquidity for current benefit payment requirements.

The Corporation has budgeted contributions of approximately \$46 million to its funded pension plans in 2005. The Corporation also has budgeted contributions of approximately \$12 million to the trust established for the unfunded plan.

Estimated future pension benefit payments for the funded and unfunded plans, which reflect expected future service, are as follows:

	(Millions of dollars)
2005	\$ 44
2006	40
2007	43
2008	45
2009	48
Years 2010 to 2014	309

**12. Provision for Income Taxes**

The provision for income taxes on income from continuing operations consisted of:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	(Millions of dollars)		
United States Federal			
Current	\$ —	\$ (180)	\$ 30
Deferred	(162)	78	(158)
State	(23)	(13)	5
	<u>(185)</u>	<u>(115)</u>	<u>(123)</u>
Foreign			
Current	801	431	401
Deferred	(28)	(2)	(141)
	<u>773</u>	<u>429</u>	<u>260</u>
Adjustment of deferred tax liability for foreign income tax rate change	—	—	43
Total provision for income taxes on continuing operations*	<u>\$ 588</u>	<u>\$ 314</u>	<u>\$ 180</u>

\* See Note 2 for items affecting comparability of income taxes between years.

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

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	(Millions of dollars)		
United States(a)	\$ (411)	\$ (245)	\$ (378)
Foreign(b)	1,969	1,026	313
Total income from continuing operations	<u>\$ 1,558</u>	<u>\$ 781</u>	<u>\$ (65)</u>

(a) Includes substantially all of the Corporation's interest expense and the results of hedging activities.

(b) Foreign income includes the Corporation's Virgin Islands and other operations located outside of the United States.

**AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

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

	2004	2003
	(Millions of dollars)	
<b>Deferred tax liabilities</b>		
Fixed assets and investments	\$ 1,455	\$ 1,391
Foreign petroleum taxes	311	281
Other	215	226
<b>Total deferred tax liabilities</b>	<b>1,981</b>	<b>1,898</b>
<b>Deferred tax assets</b>		
Net operating loss carryforwards	1,043	602
Accrued liabilities	417	209
Dismantlement liability	157	169
Tax credit carryforwards	178	155
Other	97	64
<b>Total deferred tax assets</b>	<b>1,892</b>	<b>1,199</b>
Valuation allowance	(107)	(144)
<b>Net deferred tax assets</b>	<b>1,785</b>	<b>1,055</b>
<b>Net deferred tax liabilities</b>	<b>\$ 196</b>	<b>\$ 843</b>

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

	2004	2003	2002
United States statutory rate	35.0%	35.0%	(35.0)%
Effect of foreign operations	5.0	4.6	321.5*
Loss on repurchase of bonds	—	(0.6)	(15.4)
State income taxes, net of Federal income tax	(0.9)	(1.1)	8.1
Prior year adjustments	0.3	2.8	(1.5)
Federal audit settlement	(0.9)	—	—
Other	(0.7)	(0.4)	(0.1)
<b>Total</b>	<b>37.8%</b>	<b>40.3%</b>	<b>277.6%</b>

\* Reflects high effective tax rates in certain foreign jurisdictions, including special taxes in the United Kingdom and Norway, and losses in other jurisdictions that were benefited at lower rates.

The Corporation has not recorded deferred income taxes applicable to undistributed earnings of foreign subsidiaries that are expected to be indefinitely reinvested in foreign operations. The Corporation had undistributed earnings from foreign subsidiaries of approximately \$4 billion at December 31, 2004. On October 22, 2004, the President signed the American Jobs Creation Act (the Act) that effectively provides for a one-time reduction of the income tax rate to 5.25% on eligible dividends from foreign subsidiaries to a U.S.



## AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

parent. Subsequent to December 31, 2004, the Corporation decided to repatriate approximately \$1.3 billion of unremitted foreign earnings. As a result, the Corporation expects to record a tax provision of approximately \$41 million in the first quarter of 2005. Had the additional taxes been recorded at the end of 2004, net income would have been \$936 million (\$9.93 per share basic and \$9.17 per share diluted). The Corporation is reviewing the possibility of additional repatriations during 2005. The maximum additional amount eligible for repatriation under the Act is approximately \$600 million. The Corporation estimates that an additional tax provision of up to \$32 million would be recorded, depending on the incremental amount distributed, if any. If the earnings of foreign subsidiaries, in excess of the amounts eligible for repatriation under the Act were not indefinitely reinvested, a deferred tax liability of approximately \$230 million would be required, assuming utilization of available foreign tax credits.

For income tax reporting at December 31, 2004, the Corporation has alternative minimum tax credit carryforwards of approximately \$128 million, which can be carried forward indefinitely. The Corporation also has approximately \$40 million of general business credits. At December 31, 2004, the Corporation has net operating loss carryforwards in the United States of approximately \$1.9 billion, substantially all of which expire in 2022 through 2024. At December 31, 2004, a Virgin Islands net operating loss carryforward of approximately \$190 million, which expires in 2017 through 2022, is also available to offset the Corporation's share of HOVENSA joint venture income and to reduce taxes on interest income from the PDVSA note. In addition, a foreign exploration and production subsidiary has a net operating loss carryforward of approximately \$670 million, which can be carried forward indefinitely.

Income taxes paid (net of refunds) in 2004, 2003 and 2002 amounted to \$632 million, \$361 million and \$410 million, respectively.

### 13. Stockholders' Equity and Net Income Per Share

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

	<u>2004</u>	<u>2003</u>	<u>2002</u>
		(Thousands of shares)	
Common shares — basic	89,452	88,618	88,187
Effect of dilutive securities			
Convertible preferred stock	11,659	1,425	—
Nonvested common stock	605	290	—
Stock options	370	9	—
Common shares — diluted	<u>102,086</u>	<u>90,342</u>	<u>88,187</u>

The table above excludes the effect of out-of-the-money options on 861,000 shares, 4,170,000 shares and 633,000 shares in 2004, 2003 and 2002, respectively. In 2002, the table also excludes the antidilutive effect of 461,000 restricted common shares, 424,000 stock options and 205,000 shares of convertible preferred stock.

**AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Earnings per share are as follows:

	2004	2003	2002
<b>Basic</b>			
Continuing operations	\$ 10.30	\$ 5.21	\$ (2.78)
Discontinued operations	.08	1.91	.30
Cumulative effect of change in accounting	—	.07	—
Net income (loss)	<u>\$ 10.38</u>	<u>\$ 7.19</u>	<u>\$ (2.48)</u>
<b>Diluted</b>			
Continuing operations	\$ 9.50	\$ 5.17	\$ (2.78)
Discontinued operations	.07	1.87	.30
Cumulative effect of change in accounting	—	.07	—
Net income (loss)	<u>\$ 9.57</u>	<u>\$ 7.11</u>	<u>\$ (2.48)</u>

In 2003, the Corporation issued 13,500,000 shares of 7% cumulative mandatory convertible preferred stock. Dividends are payable on March 1, June 1, September 1 and December 1 of each year. The cumulative mandatory convertible preferred shares have a liquidation preference of \$675 million (\$50 per share). Each cumulative mandatory convertible preferred share will automatically convert on December 1, 2006 into .8305 to 1.0299 shares of common stock, depending on the average closing price of the Corporation's common stock over a 20-day period before conversion. The Corporation has reserved 13,903,650 shares of common stock for the conversion of these preferred shares. Holders of the cumulative mandatory convertible preferred stock have the right to convert their shares at any time prior to December 1, 2006 at the rate of .8305 share of common stock for each preferred share converted. The cumulative mandatory convertible preferred shares do not have voting rights, except in certain limited circumstances.

#### 14. Leased Assets

The Corporation and certain of its subsidiaries lease gasoline stations, tankers, floating production systems, drilling rigs, office space and other assets for varying periods. At December 31, 2004, future minimum rental payments applicable to noncancelable leases with remaining terms of one year or more (other than oil and gas property leases) are as follows:

	Operating Leases (Millions of dollars)
2005	\$ 79
2006	80
2007	78
2008	77
2009	80
Remaining years	1,051
Total minimum lease payments	<u>1,445</u>
Less: Income from subleases	30
Net minimum lease payments	<u>\$ 1,415</u>

**AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Certain operating leases provide an option to purchase the related property at fixed prices.

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

	<u>2004</u>	<u>2003</u>	<u>2002</u>
		(Millions of dollars)	
Total rental expense	\$ 238	\$ 190	\$ 160
Less income from subleases	58	52	34
Net rental expense	<u>\$ 180</u>	<u>\$ 138</u>	<u>\$ 126</u>

**15. Financial Instruments, Non-trading and Trading Activities**

**Non-Trading:** FAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, requires that the Corporation recognize all derivatives on the balance sheet at fair value and establishes criteria for using derivatives as hedges. The Corporation reclassifies hedging gains and losses from accumulated other comprehensive income to earnings at the time the hedged transactions are recognized. Hedging decreased exploration and production results by \$935 million before income taxes in 2004 and \$418 million in 2003. Hedging increased exploration and production results before income taxes by \$82 million in 2002. The amount of hedge ineffectiveness reflected in income was not material during the years ended December 31, 2004, 2003 and 2002. The pre-tax amount of all deferred hedge losses is reflected in accounts payable and the related income tax benefits are recorded as deferred tax assets on the balance sheet.

The Corporation produced 90 million barrels of crude oil and natural gas liquids and 210 million Mcf of natural gas in 2004. The Corporation's crude oil and natural gas hedging activities included commodity futures and swap contracts. At December 31, 2004, crude oil hedges maturing in 2005 cover 52 million barrels of crude oil production (93 million barrels of crude oil at December 31, 2003). The Corporation also has hedged approximately 9 million barrels per year of Brent related production from 2006 through 2012. The Corporation has no natural gas hedges at December 31, 2004 (18 million Mcf of natural gas at December 31, 2003). At December 31, 2004, net after tax deferred losses in accumulated other comprehensive income from the Corporation's crude oil hedging contracts were \$875 million (\$1,374 million before income taxes), including \$195 million of realized losses and \$680 million of unrealized losses. Realized losses in accumulated other comprehensive income represent losses on closed contracts that are deferred until the underlying barrels are sold. Approximately \$52 million of the realized loss will reduce earnings in the first quarter of 2005 and the remainder will reduce earnings during the balance of 2005. Of the net after-tax deferred loss, \$493 million matures during 2005. At December 31, 2003, net after-tax deferred losses were \$229 million (\$352 million before income taxes), including \$196 million of unrealized losses.

**Commodity Trading:** The Corporation, principally through a consolidated partnership, trades energy commodities, including futures, forwards, options, swaps and energy commodity linked securities, based on expectations of future market conditions. The Corporation's income before income taxes from trading activities, including its share of the earnings of the trading partnership amounted to \$72 million in 2004, \$30 million in 2003 and \$6 million in 2002.

**Other Financial Instruments:** Foreign currency contracts are used to protect the Corporation from fluctuations in exchange rates. The Corporation enters into foreign currency contracts, which are not designated as hedges, and the change in fair value is included in income currently. The Corporation has \$476 million of notional value foreign currency forward contracts maturing in 2005 (\$384 million at December 31, 2003). 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. The fair values of the

AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

foreign currency forward contracts recorded by the Corporation were receivables of \$49 million at December 31, 2004 and \$40 million at December 31, 2003.

The Corporation also has \$1,487 million in letters of credit outstanding at December 31, 2004 (\$229 million at December 31, 2003). Of the total letters of credit outstanding at December 31, 2004, \$72 million relates to contingent liabilities; the remaining \$1,415 million relates to liabilities recorded on the balance sheet.

**Fair Value Disclosure:** The Corporation estimates the fair value of its fixed-rate notes receivable and debt generally using discounted cash flow analysis based on current interest rates for instruments with similar maturities. 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 where applicable. In the absence of quoted market prices, the Corporation values contracts at fair value considering time value, volatility of the underlying commodities and other factors.

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

	Fair Value at December 31,	
	2004	2003
	(Millions of dollars, asset (liability))	
Futures and forwards		
Assets	\$ 404	\$ 219
Liabilities	(392)	(218)
Options		
Held	1,624	975
Written	(1,721)	(948)
Swaps		
Assets	2,310	1,157
Liabilities (including hedging contracts)	(3,466)	(1,384)

The carrying amounts of the Corporation's financial instruments and commodity contracts, including those used in the Corporation's non-trading and trading activities, generally approximate their fair values at December 31, 2004 and 2003, except as follows:

	2004		2003	
	Balance Sheet Amount	Fair Value	Balance Sheet Amount	Fair Value
	(Millions of dollars, asset (liability))			
Fixed-rate debt	\$ (3,822)	\$ (4,314)	\$ (3,935)	\$ (4,434)

**Credit Risks:** The Corporation's financial instruments expose it to credit risks and may at times be concentrated with certain counterparties or groups of counterparties. The credit worthiness of counterparties is subject to continuing review and full performance is anticipated. The Corporation reduces its risk related to certain counterparties by using master netting agreements and requiring collateral, generally cash or letters of credit.

In its trading activities the Corporation has net receivables of \$380 million at December 31, 2004, which are concentrated with counterparties as follows: domestic and foreign trading companies — 52%, banks and major financial institutions — 25%, gas and power companies — 10% and integrated energy companies — 6%.

**AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**16. Guarantees and Contingencies**

In the normal course of business, the Corporation provides guarantees for investees of the Corporation. These guarantees are contingent commitments that ensure performance for repayment of borrowings and other arrangements. The Corporation's guarantees include \$40 million of HOVENSA's senior debt obligation and \$97 million of HOVENSA's crude oil purchases (see Note 5). The remainder relates principally to loan guarantees, \$55 million for a natural gas pipeline in which the Corporation owns a 5% interest and \$45 million for an oil pipeline in which the Corporation owns a 2.36% interest. The guarantee of the natural gas pipeline debt declines over its term. The guarantee of the crude oil pipeline will be in place through the end of pipeline construction, which the Corporation expects to be in 2005. In addition, the Corporation has \$72 million in letters of credit for which it is contingently liable. The maximum potential amount of future payments that the Corporation could be required to make under its guarantees at December 31, 2004 is \$309 million (\$233 million at December 31, 2003).

The Corporation is also subject to contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings. The Corporation considers these routine and incidental to its business and not material to its financial position or results of operations. The Corporation accrues liabilities when the future costs are probable and reasonably estimable.

**17. Segment Information**

The Corporation has two operating segments that comprise the structure used by senior management to make key operating decisions and assess performance. These are (1) exploration and production and (2) refining and marketing. Operating segments have not been aggregated. Exploration and production operations include the exploration for and the production, purchase, transportation and sale of crude oil and natural gas. Refining and marketing operations include the manufacture, purchase, transportation, trading and marketing of petroleum and other energy products.

The following table presents financial data by operating segment for each of the three years ended December 31, 2004:

	<u>Exploration and Production</u>	<u>Refining and Marketing</u>	<u>Corporate and Interest</u>	<u>Consolidated*</u>
	(Millions of dollars)			
<b>2004</b>				
Operating revenues				
Total operating revenues	\$ 3,586	\$ 13,448	\$ 1	
Less: Transfers between affiliates	302	—	—	
Operating revenues from unaffiliated customers	<u>\$ 3,284</u>	<u>\$ 13,448</u>	<u>\$ 1</u>	<u>\$ 16,733</u>
Income (loss) from continuing operations	\$ 755	\$ 451	\$ (236)	\$ 970
Discontinued operations	7	—	—	7
Net income (loss)	<u>\$ 762</u>	<u>\$ 451</u>	<u>\$ (236)</u>	<u>\$ 977</u>
Equity in income of HOVENSA L.L.C.	\$ —	\$ 244	\$ —	\$ 244
Interest income	17	32	1	50
Interest expense	—	—	241	241
Depreciation, depletion, amortization and lease impairment	995	50	2	1,047
Provision (benefit) for income taxes	571	158	(141)	588
Investments in equity affiliates	—	1,226	—	1,226
Identifiable assets	10,407	4,850	1,055	16,312
Capital employed	7,603	2,402	(573)	9,432
Capital expenditures	1,434	85	2	1,521

**AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

	<u>Exploration and Production</u>	<u>Refining and Marketing</u>	<u>Corporate and Interest</u>	<u>Consolidated*</u>
	(Millions of dollars)			
<b>2003</b>				
Operating revenues				
Total operating revenues	\$ 3,153	\$ 11,473	\$ 1	
Less: Transfers between affiliates	316	—	—	
Operating revenues from unaffiliated customers	<u>\$ 2,837</u>	<u>\$ 11,473</u>	<u>\$ 1</u>	<u>\$ 14,311</u>
Income (loss) from continuing operations	\$ 414	\$ 327	\$ (274)	\$ 467
Discontinued operations	170	—	(1)	169
Income from cumulative effect of accounting change	7	—	—	7
Net income (loss)	<u>\$ 591</u>	<u>\$ 327</u>	<u>\$ (275)</u>	<u>\$ 643</u>
Equity in income of HOVENSA L.L.C.	\$ —	\$ 117	\$ —	\$ 117
Interest income	10	34	2	46
Interest expense	—	—	293	293
Depreciation, depletion, amortization and lease impairment	1,063	54	1	1,118
Provision (benefit) for income taxes	363	126	(175)	314
Investments in equity affiliates	—	1,055	—	1,055
Identifiable assets	9,149	4,267	567	13,983
Capital employed	6,689	2,620	(28)	9,281
Capital expenditures	1,286	66	6	1,358
<b>2002</b>				
Operating revenues				
Total operating revenues	\$ 3,735	\$ 8,351	\$ 1	
Less: Transfers between affiliates	536	—	—	
Operating revenues from unaffiliated customers	<u>\$ 3,199</u>	<u>\$ 8,351</u>	<u>\$ 1</u>	<u>\$ 11,551</u>
Income (loss) from continuing operations	\$ (102)	\$ 85	\$ (228)	\$ (245)
Discontinued operations	40	—	(13)	27
Net income (loss)	<u>\$ (62)</u>	<u>\$ 85</u>	<u>\$ (241)</u>	<u>\$ (218)</u>
Equity in income (loss) of HOVENSA L.L.C.	\$ —	\$ (47)	\$ —	\$ (47)
Interest income	5	38	1	44
Interest expense	—	—	256	256
Depreciation, depletion, amortization and lease impairment	1,103	55	1	1,159
Asset impairments	1,024	—	—	1,024
Provision (benefit) for income taxes	265	47	(132)	180
Investments in equity affiliates	617	1,001	—	1,618
Identifiable assets	8,392	4,218	652	13,262
Capital employed	6,561	2,566	113	9,240
Capital expenditures	1,404	123	7	1,534

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

**AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Financial information by major geographic area for each of the three years ended December 31, 2004 follows:

	<u>United States</u>	<u>Europe</u>	<u>Africa</u> (Millions of dollars)	<u>Asia and other</u>	<u>Consolidated</u>
<b>2004</b>					
Operating revenues	\$ 14,254	\$ 1,705	\$ 548	\$ 226	\$ 16,733
Property, plant and equipment (net)	1,880	2,591	2,293	1,741	8,505
<b>2003</b>					
Operating revenues	\$ 12,019	\$ 1,694	\$ 450	\$ 148	\$ 14,311
Property, plant and equipment (net)	1,705	2,538	2,043	1,692	7,978
<b>2002</b>					
Operating revenues	\$ 8,684	\$ 2,185	\$ 558	\$ 124	\$ 11,551
Property, plant and equipment (net)	1,770	2,327	1,805	1,130	7,032

## AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

## SUPPLEMENTARY OIL AND GAS DATA

(Unaudited)

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/or natural gas in the United States, Europe, Equatorial Guinea, Algeria, Gabon, Indonesia, Thailand and Azerbaijan. Exploration activities are also conducted, or are planned, in additional countries.

During 2004, the development plan for the Okume Complex was approved by the government of Equatorial Guinea and most of the major contracts for construction were authorized. Production is expected to commence in 2007. Additional gas sales were negotiated covering Block A-18 in the joint development area of Malaysia and Thailand (JDA). First production from the JDA commenced in 2005 under the original gas sales contract. During 2004, the Ujung Pangkah gas sales agreement was approved.

During 2003, the Corporation exchanged its interests in producing oil and gas fields in the United Kingdom for an increased interest in a Gulf of Mexico field. The Corporation sold producing properties in the Gulf of Mexico Shelf, the Jabung Field in Indonesia and several small United Kingdom fields. The Corporation also exchanged producing properties in Colombia for an additional 25% interest in the JDA. Because of this exchange, the Corporation has consolidated its oil and gas interests in the JDA. In 2003, the Corporation also exchanged its 25% equity investment in Premier Oil plc for an interest in a producing field in Indonesia.

## Costs Incurred in Oil and Gas Producing Activities

For the Years Ended December 31	Total	United States	Europe (Millions of dollars)	Africa	Asia and Other
<b>2004</b>					
Property acquisitions					
Unproved	\$ 62	\$ 62	\$ —	\$ —	\$ —
Exploration	297	194	22	35	46
Production and development	1,207	190	421	505	91
<b>2003</b>					
Property acquisitions					
Unproved	\$ 16	\$ 16	\$ —	\$ —	\$ —
Proved	23	—	—	—	23
Exploration	321	143	49	96	33
Production and development	1,082	118	501	395	68
<b>2002</b>					
Property acquisitions					
Unproved	\$ 23	\$ 22	\$ —	\$ 1	\$ —
Proved	70	—	—	—	70
Exploration	335	120	53	83	79
Production and development	1,095	146	509	355	85
Share of equity investees' costs incurred	39	—	25	—	14



**Capitalized Costs Relating to Oil and Gas Producing Activities**

	At December 31	
	2004	2003
	(Millions of dollars)	
Unproved properties	\$ 450	\$ 950
Proved properties	3,267	2,732
Wells, equipment and related facilities	12,378	10,932
Total costs	16,095	14,614
Less: Reserve for depreciation, depletion, amortization and lease impairment	8,469	7,512
Net capitalized costs	\$ 7,626	\$ 7,102

**Results of Operations for Oil and Gas Producing Activities**

The results of operations for oil and gas producing activities shown below exclude non-operating income (including gains on sales of oil and gas properties), interest expense and gains and losses resulting from foreign exchange transactions. Therefore, these results are on a different basis than the net income from exploration and production operations reported in management's discussion and analysis of results of operations and in Note 17 to the financial statements.

For the Years Ended December 31	Total	United States	Europe (Millions of dollars)	Africa	Asia and Other
<b>2004</b>					
Sales and other operating revenues					
Unaffiliated customers	\$ 3,114	\$ 607	\$ 1,753	\$ 568	\$ 186
Inter-company	302	302	—	—	—
Total revenues	3,416	909	1,753	568	186
Costs and expenses					
Production expenses, including related taxes	825	198	415	171	41
Exploration expenses, including dry holes and lease impairment	287	135	28	78	46
General, administrative and other expenses*	150	57	31	25	37
Depreciation, depletion and amortization	918	147	497	215	59
Total costs and expenses	2,180	537	971	489	183
Results of continuing operations before income taxes	1,236	372	782	79	3
Provision for income taxes	543	132	381	36	(6)
Results of continuing operations	693	240	401	43	9
Discontinued operations	7	—	—	—	7
Results of operations	\$ 700	\$ 240	\$ 401	\$ 43	\$ 16

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For the Years Ended December 31	Total	United States	Europe (Millions of dollars)	Africa	Asia and Other
<b>2003</b>					
Sales and other operating revenues					
Unaffiliated customers	\$ 2,771	\$ 469	\$ 1,716	\$ 469	\$ 117
Inter-company	316	316	—	—	—
Total revenues	<u>3,087</u>	<u>785</u>	<u>1,716</u>	<u>469</u>	<u>117</u>
Costs and expenses					
Production expenses, including related taxes	796	194	408	170	24
Exploration expenses, including dry holes and lease impairment	369	147	60	116	46
General, administrative and other expenses*	168	65	63	13	27
Depreciation, depletion and amortization	998	260	553	153	32
Total costs and expenses	<u>2,331</u>	<u>666</u>	<u>1,084</u>	<u>452</u>	<u>129</u>
Results of continuing operations before income taxes	756	119	632	17	(12)
Provision for income taxes	358	42	291	32	(7)
Results of continuing operations	398	77	341	(15)	(5)
Discontinued operations	42	25	4	—	13
Results of operations	<u>\$ 440</u>	<u>\$ 102</u>	<u>\$ 345</u>	<u>\$ (15)</u>	<u>\$ 8</u>
<b>2002</b>					
Sales and other operating revenues					
Unaffiliated customers	\$ 2,766	\$ 365	\$ 1,768	\$ 541	\$ 92
Inter-company	568	536	32	—	—
Total revenues	<u>3,334</u>	<u>901</u>	<u>1,800</u>	<u>541</u>	<u>92</u>
Costs and expenses					
Production expenses, including related taxes	736	208	387	121	20
Exploration expenses, including dry holes and lease impairment	316	85	94	70	67
General, administrative and other expenses	105	45	16	5	39
Depreciation, depletion and amortization	1,061	345	518	178	20
Asset impairment	1,024	318	—	706	—
Total costs and expenses	<u>3,242</u>	<u>1,001</u>	<u>1,015</u>	<u>1,080</u>	<u>146</u>
Results of continuing operations before income taxes	92	(100)	785	(539)	(54)
Provision for income taxes	225	(33)	376	(120)	2
Results of continuing operations	(133)	(67)	409	(419)	(56)
Discontinued operations	52	(51)	14	—	89
Results of operations	<u>\$ (81)</u>	<u>\$ (118)</u>	<u>\$ 423</u>	<u>\$ (419)</u>	<u>\$ 33</u>
Share of equity investees' results of operations	<u>\$ 8</u>	<u>\$ —</u>	<u>\$ (3)</u>	<u>\$ —</u>	<u>\$ 11</u>

\* Includes accrued severance and costs for vacated office space of approximately \$15 million and \$40 million in 2004 and 2003, respectively.

**Oil and Gas Reserves**

The Corporation's oil and gas reserves are calculated in accordance with SEC regulations and interpretations and the requirements of the Financial Accounting Standards Board. For reserves to be booked as proved they must be commercially producible; government approvals must be obtained and depending on the amount of the project cost, senior management or the board of directors must commit to fund the project. The Corporation's oil and gas reserve estimation and reporting process involves an annual independent third party reserve determination as well as internal technical appraisals of reserves. The Corporation maintains its own internal reserve estimates that are calculated by technical staff that work directly with the oil and gas properties. The Corporation's technical staff updates reserve estimates throughout the year based on evaluations of new wells, performance reviews, new technical data and other studies. To provide consistency throughout the Corporation, standard reserve estimation guidelines, definitions, reporting reviews and approval practices are used. The internal reserve estimates are subject to internal technical audits and senior management reviews the estimates.

The oil and gas reserve estimates reported below are determined independently by the consulting firm of DeGolyer and MacNaughton (D&M) and are consistent with internal estimates. Annually, the Corporation provides D&M with engineering, geological and geophysical data, actual production histories and other information necessary for the reserve determination. The Corporation's and D&M's technical staffs meet to review and discuss the information provided. Senior management and the Board of Directors review the final reserve estimates issued by D&M.

	Crude Oil, Condensate and Natural Gas Liquids					Natural Gas					
	United States	Europe	Africa	Asia and Other	Total	Equity Investees	United States	Europe	Africa, Asia and Other	Total	Equity Investees
			(Millions of barrels)						(Millions of Mcf)		
<b>Net Proved Developed and Undeveloped Reserves</b>											
At January 1, 2002	162	408	178	186	934	21	717	1,011	326	2,054	827
Revisions of previous estimates(a)	(10)	7	(28)	(45)	(76)	(5)	(82)	(16)	8	(90)	(81)
Extensions, discoveries and other additions	13	11	11	4	39	—	69	24	31	124	3
Sales of minerals in place	(3)	(1)	(1)	(5)	(10)	—	(29)	(43)	—	(72)	—
Production	(24)	(61)	(22)	(12)	(119)	(2)	(136)	(124)	(15)	(275)	(13)
At December 31, 2002	138	364	138	128	768	14	539	852	350	1,741	736
Revisions of previous estimates(a)	8	8	12	21	49	—	(8)	14	(25)	(19)	—
Extensions, discoveries and other additions	1	6	4	—	11	—	3	81	4	88	—
Purchase of minerals in place(c)	8	—	—	14	22	(6)	21	—	1,023(b)	1,044	(405)(b)
Sales of minerals in place(c)	(8)	(20)	—	(81)	(109)	(7)	(103)	(13)	(157)	(273)	(316)
Production	(20)	(53)	(19)	(3)	(95)	(1)	(92)	(134)	(23)	(249)	(15)
At December 31, 2003	127	305	135	79	646	—	360	800	1,172	2,332	—
Revisions of previous estimates(a)	15	20	8	(14)	29	—	(1)	75	(76)	(2)	—
Extensions, discoveries and other additions	3	3	53	3	62	—	13	2	287	302	—
Purchase of minerals in place	—	—	—	—	—	—	1	—	—	1	—
Sales of minerals in place	(1)	—	—	—	(1)	—	(6)	—	—	(6)	—
Production	(20)	(46)	(22)	(2)	(90)	—	(67)	(126)	(34)	(227)	—
At December 31, 2004(d)	124	282	174	66	646	—	300(e)	751	1,349	2,400	—

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	Crude Oil, Condensate and Natural Gas Liquids					Natural Gas					
	United States	Europe	Africa (Millions of barrels)	Asia and Other (Millions of barrels)	Total	Equity Investees	United States	Europe	Africa, Asia and Other (Millions of Mcf)	Total	Equity Investees
Net Proved Developed Reserves											
At January 1, 2002	144	318	105	91	658	7	580	709	111	1,400	220
At December 31, 2002	113	294	85	55	547	8	450	631	154	1,235	221
At December 31, 2003	105	249	95	16	465	—	297	518	633	1,448	—
At December 31, 2004	<b>110</b>	<b>234</b>	<b>80</b>	<b>12</b>	<b>436</b>	<b>—</b>	<b>260</b>	<b>528</b>	<b>471</b>	<b>1,259</b>	<b>—</b>

- (a) Includes the impact of changes in selling prices on production sharing contracts with cost recovery provisions and stipulated rates of return. In 2004, revisions included reductions of approximately 23 million barrels of crude oil and 52 million Mcf of natural gas relating to higher selling prices. In 2003, such revisions were immaterial. In 2002, revisions included reductions of approximately 44 million barrels of crude oil and 26 million Mcf of natural gas relating to higher selling prices. In 2002, revisions also reflected reductions in reserves on fields acquired in the LLOG and Triton acquisitions.
- (b) Includes the reclassification of reserves to Africa, Asia and other from Equity Investees as a result of the consolidation of the Corporation's interest in the JDA.
- (c) Includes additions and reductions to reserves from asset exchanges.
- (d) Includes 37% of crude oil reserves and 52% of natural gas reserves held under production sharing contracts. These reserves are located outside of the United States and are subject to different political and economic risks.
- (e) Excludes 438 million Mcf of carbon dioxide gas for sale or use in company operations.

### Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves

Future net cash flows are calculated by applying year-end oil and gas selling prices (adjusted for price changes provided by contractual arrangements) to estimated future production of proved oil and gas reserves, less estimated future development and production costs, which are based on year-end costs and existing economic assumptions. Future income tax expenses are computed by applying the appropriate year-end statutory tax rates to the pre-tax net cash flows relating to the Corporation's proved oil and gas reserves. Future net cash flows are discounted at the prescribed rate of 10%. The discounted future net cash flow estimates required by FAS No. 69 do not include exploration expenses, interest expense or corporate general and administrative expenses. The selling prices of crude oil and natural gas are highly volatile. The year-end prices, which are required to be used for the discounted future net cash flows and do not include the effects of hedges, may not be representative of future selling prices. The future net cash flow estimates could be materially different if other assumptions were used.

At December 31,	Total	United States	Europe (Millions of dollars)	Africa	Asia and other
<b>2004</b>					
Future revenues	\$ 34,425	\$ 6,542	\$ 14,743	\$ 6,161	\$ 6,979
Less:					
Future development and production costs	11,989	1,623	5,007	2,939	2,420
Future income tax expenses	8,168	1,641	5,190	485	852
	<u>20,157</u>	<u>3,264</u>	<u>10,197</u>	<u>3,424</u>	<u>3,272</u>
Future net cash flows	14,268	3,278	4,546	2,737	3,707
Less: Discount at 10% annual rate	5,091	1,138	1,450	887	1,616
Standardized measure of discounted future net cash flows	<u>\$ 9,177</u>	<u>\$ 2,140</u>	<u>\$ 3,096</u>	<u>\$ 1,850</u>	<u>\$ 2,091</u>

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At December 31,	Total	United States	Europe (Millions of dollars)	Africa	Asia and other
2003					
Future revenues	\$ 27,823	\$ 5,742	\$ 12,417	\$ 3,922	\$ 5,742
Less:					
Future development and production costs	10,065	1,546	5,181	1,697	1,641
Future income tax expenses	6,022	1,299	3,496	370	857
	<u>16,087</u>	<u>2,845</u>	<u>8,677</u>	<u>2,067</u>	<u>2,498</u>
Future net cash flows	11,736	2,897	3,740	1,855	3,244
Less: Discount at 10% annual rate	4,719	1,062	1,333	553	1,771
Standardized measure of discounted future net cash flows	<u>\$ 7,017</u>	<u>\$ 1,835</u>	<u>\$ 2,407</u>	<u>\$ 1,302</u>	<u>\$ 1,473</u>
2002					
Future revenues	\$ 28,208	\$ 6,219	\$ 13,203	\$ 4,109	\$ 4,677
Less:					
Future development and production costs	10,133	1,843	4,863	2,130	1,297
Future income tax expenses	6,875	1,228	4,042	423	1,182
	<u>17,008</u>	<u>3,071</u>	<u>8,905</u>	<u>2,553</u>	<u>2,479</u>
Future net cash flows	11,200	3,148	4,298	1,556	2,198
Less: Discount at 10% annual rate	4,115	1,178	1,441	586	910
Standardized measure of discounted future net cash flows	<u>\$ 7,085</u>	<u>\$ 1,970</u>	<u>\$ 2,857</u>	<u>\$ 970</u>	<u>\$ 1,288</u>
Share of equity investees' standardized measure	<u>\$ 587</u>	<u>\$ —</u>	<u>\$ 23</u>	<u>\$ —</u>	<u>\$ 564</u>

**Changes in Standardized Measure of Discounted Future Net Cash Flows  
Relating to Proved Oil and Gas Reserves**

<u>For the years ended December 31,</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
		(Millions of dollars)	
Standardized measure of discounted future net cash flows at beginning of year	<u>\$ 7,017</u>	<u>\$ 7,085</u>	<u>\$ 5,056</u>
Changes during the year			
Sales and transfers of oil and gas produced during year, net of production costs	(2,591)	(2,291)	(2,964)
Development costs incurred during year	1,207	1,082	1,095
Net changes in prices and production costs applicable to future production	3,683	774	5,767
Net change in estimated future development costs	(1,564)	(726)	(546)
Extensions and discoveries (including improved recovery) of oil and gas reserves, less related costs	997	265	287
Revisions of previous oil and gas reserve estimates	578	632	(939)
Sales of minerals in-place, net	(29)	(469)	(247)
Accretion of discount	1,057	960	796
Net change in income taxes	(1,463)	112	(1,701)
Revision in rate or timing of future production and other changes	285	(407)	481
Total	<u>2,160</u>	<u>(68)</u>	<u>2,029</u>
Standardized measure of discounted future net cash flows at end of year	<u>\$ 9,177</u>	<u>\$ 7,017</u>	<u>\$ 7,085</u>

AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

QUARTERLY FINANCIAL DATA  
(Unaudited)

Quarterly results of operations for the years ended December 31, 2004 and 2003 follow:

	Sales and Other Operating Revenues	Gross Profit(a) <small>(Million of dollars, except per share data)</small>	Net Income(b)	Net Income per Share
<b>2004</b>				
First	\$ 4,488	\$ 562	\$ 281(c)	\$ 2.77
Second	3,803	528	288(d)	2.84
Third	3,830	418	179	1.74
Fourth	4,612	527	229(e)	2.22
<b>2003</b>				
First	\$ 4,254	\$ 477	\$ 177(f)	\$ 1.98
Second	3,199	382	252(g)	2.83
Third	3,230	361	146(h)	1.64
Fourth	3,628	394	68(g)(i)	0.71

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

(b) Includes net income (loss) from discontinued operations, as follows:

Quarter	2004	2003
First	\$ —	\$ (20)
Second	7	189

(c) Includes a net gain of \$19 million from an asset sale and an income tax benefit of \$13 million resulting from the completion of a prior year United States income tax audit.

(d) Includes an after-tax gain of \$15 million (\$3 million before income taxes) from the sale of a non-producing asset. Also includes an after-tax charge of \$6 million (\$10 million before income taxes) for accrued severance and costs of vacated office space.

(e) Includes an after-tax gain of \$21 million (\$32 million before income taxes) resulting from the disposal of two Gulf of Mexico properties and tax benefits of \$19 million from a change in tax law and a tax settlement. Also included is an after-tax gain of \$12 million (\$20 million before income taxes) from a partial liquidation of prior year LIFO inventories, and an after-tax loss of \$13 million (\$20 million before income taxes) from a Corporate insurance accrual.

(f) Includes income of \$7 million from the cumulative effect of the adoption of FAS No. 143, Accounting for Asset Retirement Obligations. Also includes income of \$31 million (\$47 million before income taxes) from asset sales.

(g) Includes after-tax charges of \$23 million (\$38 million before income taxes) in the second quarter and \$9 million (\$15 million before income taxes) in the fourth quarter for accrued severance and costs of vacated office space. Also includes a net loss in the second quarter of \$20 million (\$9 million before income taxes) from the sale of a shipping joint venture.

(h) Includes a U.S. income tax benefit of \$30 million for the recognition of certain prior year foreign exploration expenses.

(i) Includes \$19 million after-tax (\$31 million before income taxes) for premiums paid on repurchase of bonds.

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

**Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

**Item 9A. *Controls and Procedures***

Based upon their evaluation of the Corporation's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2004, John B. Hess, Chief Executive Officer, and John P. Rielly, Chief Financial Officer, concluded that these disclosure controls and procedures were effective as of December 31, 2004.

There have been no significant changes in the Corporation's internal controls or in other factors that could significantly affect internal controls after December 31, 2004.

**Item 9B. *Other Information***

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 4, 2005.

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 4, 2005.

**Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

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 4, 2005.

See "Equity Compensation Plans" in Item 5.

**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 4, 2005.

**Item 14. *Principal Accounting Fees and Services***

Information relating to this item is incorporated by reference to "Ratification of Selection of Independent Auditors" from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on May 4, 2005.

Ernst & Young LLP (EY), the Corporation's independent auditor, recently informed the Corporation and the Corporation's Audit Committee that certain non-audit work has raised questions regarding EY's independence. An affiliate of EY in Indonesia held de minimis tax-related funds and made payment of such



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funds to taxing authorities in connection with tax compliance services provided by EY to certain expatriate employees of the Corporation. The amount of funds handled by EY over the three-year period was approximately \$3,500. The services provided by the EY affiliate have been discontinued. Custody of the assets of an audit client is not permitted under the auditor independence rules in Regulation S-X of the Securities Exchange Commission.

The Corporation's Audit Committee and EY have considered the impact that these actions may have on EY's independence with respect to the Corporation and have concluded that there has been no impairment of EY's independence. In making this determination, the Audit Committee considered the de minimis amount of the funds involved and the ministerial nature of the actions. In addition, the Corporation's subsidiary involved is not material to the Corporation's consolidated financial statements.

## PART IV

### Item 15. *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 in Item 8, "Financial Statements and Supplementary Data."

#### 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 of Form 10-Q of Registrant for the three months ended June 30, 2002.
- 4(1) Certificate of designations, preferences and rights of 3% cumulative convertible preferred stock of Registrant incorporated by reference to Exhibit 4 of Form 10-Q of Registrant for the three months ended June 30, 2000.
- 4(2) Certificate of designation, preferences and relative, optional and other special rights and qualifications, limitations and restrictions of 7% mandatory convertible preferred stock of Registrant, incorporated by reference to Exhibit 3 of Form 8-K of Registrant dated November 19, 2003.
- 4(3) Revolving Credit Agreement dated as of December 10, 2004 among Amerada Hess Corporation, the lenders party thereto and JP Morgan Chase Bank (formerly, The Chase Manhattan Bank, N.A.), as Administrative Agent.
- 4(4) Indenture dated as of October 1, 1999 between Registrant and The Chase Manhattan Bank, as Trustee, incorporated by reference to Exhibit 4(1) of Form 10-Q of Registrant for the three months ended September 30, 1999.
- 4(5) First Supplemental Indenture dated as of October 1, 1999 between Registrant and The Chase Manhattan Bank, as Trustee, relating to Registrant's 7<sup>3</sup>/<sub>8</sub>% Notes due 2009 and 7<sup>7</sup>/<sub>8</sub>% Notes due 2029, incorporated by reference to Exhibit 4(2) to Form 10-Q of Registrant for the three months ended September 30, 1999.
- 4(6) Prospectus Supplement dated August 8, 2001 to Prospectus dated July 27, 2001 relating to Registrant's 5.30% Notes due 2004, 5.90% Notes due 2006, 6.65% Notes due 2011 and 7.30% Notes due 2031, incorporated by reference to Registrant's prospectus filed pursuant to Rule 424(b)(2) under the Securities Act of 1933 on August 9, 2001.
- 4(7) Prospectus Supplement dated February 28, 2002 to Prospectus dated July 27, 2001 relating to Registrant's 7.125% Notes due 2033, incorporated by reference to Registrant's prospectus filed pursuant to Rule 424(b)(2) under the Securities Act of 1933 on February 28, 2002. 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.

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- 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 incorporated by reference to Exhibit 10(4) of Form 10-K of Registrant for the fiscal year ended December 31, 1998.
- 10(5)\* Incentive Cash Bonus Plan description incorporated by reference to Item 1.01 of Form 8-K of Registrant dated February 2, 2005.
- 10(6)\* Financial Counseling Program description.
- 10(7)\* Amerada Hess Corporation Savings and Stock Bonus Plan, incorporated by reference to Exhibit 10(7) of Form 10-K of Registrant for the fiscal year ended December 31, 2002.
- 10(8)\* Amerada Hess Corporation Savings and Stock Bonus Plan for Retail Operations Employees, incorporated by reference to Exhibit 10(8) of Form 10-K of Registrant for the fiscal year ended December 31, 2002.
- 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 May 17, 2001 between Registrant and John P. Rielly relating to Mr. Rielly's participation in the Amerada Hess Corporation Pension Restoration Plan, incorporated by reference to Exhibit 10(18) of Form 10-K of Registrant for the fiscal year ended December 31, 2002.
- 10(11) \* Second Amended and Restated 1995 Long-Term Incentive Plan, including forms of awards thereunder.
- 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) \* Amendment to Stock Award Program for Non-Employee Directors dated August 6, 1997 incorporated by reference to Exhibit 10(13) of Form 10-K of Registrant for the fiscal year ended December 31, 2003.
- 10(14) \* Compensation program description for non-employee directors, incorporated by reference to Item 1.01 of Form 8-K Registrant dated January 1, 2005.
- 10(15) \* Change of Control Termination Benefits Agreement dated as of September 1, 1999 between Registrant and John B. Hess, incorporated by reference to Exhibit 10(1) of Form 10-Q of Registrant for the three months ended September 30, 1999. Substantially identical agreements (differing only in the signatories thereto) were entered into between Registrant and J. Barclay Collins, John J. O'Connor, and F. Borden Walker.
- 10(16) \* Change of Control Termination Benefits Agreement dated as of September 1, 1999 between Registrant and John A. Gartman incorporated by reference to Exhibit 10(14) of Form 10-K of Registrant for the fiscal year ended December 31, 2001. Substantially identical agreements (differing only in the signatories thereto) were entered into between Registrant and other executive officers (other than the named executive officers referred to in Exhibit 10(15)).
- 10(17) \* Letter Agreement dated March 18, 2002 between Registrant and John J. O'Connor relating to Mr. O'Connor's participation in the Amerada Hess Corporation Pension Restoration Plan incorporated by reference to Exhibit 10(15) of Form 10-K of Registrant for the fiscal year ended December 31, 2001.

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10(18)	* Letter Agreement dated March 18, 2002 between Registrant and F. Borden Walker relating to Mr. Walker's participation in the Amerada Hess Corporation Pension Restoration Plan incorporated by reference to Exhibit 10(16) of Form 10-K of Registrant for the fiscal year ended December 31, 2001.
10(19)	* Deferred Compensation Plan of Registrant dated December 1, 1999 incorporated by reference to Exhibit 10(16) of Form 10-K of Registrant for the fiscal year ended December 31, 1999.
10(20)	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(21)	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.
21	Subsidiaries of Registrant.
23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm, dated March 11, 2005, to the incorporation by reference in Registrant's Registration Statements (Forms S-8, Nos. 333-115844, 333-94851, 333-43569 and 333-43571, and Form S-3, No. 333-110294), of its reports relating to Registrant's financial statements, which consent appears on page F-1 herein.
31(1)	Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)).
31(2)	Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)).
32(1)	Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).
32(2)	Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).

\* These exhibits relate to executive compensation plans and arrangements.

### **(b) Reports on Form 8-K**

During the three months ended December 31, 2004, Registrant filed or furnished the following reports on Form 8-K:

1. Filing dated October 27, 2004 reporting under Items 2.02 and 9.01 a news release dated October 27, 2004 reporting results for the third quarter of 2004.
2. Filing dated December 10, 2004 reporting under Items 1.01 and 2.03 that the Registrant entered into a revolving credit agreement.
3. Filing dated December 23, 2004 reporting under Items 8.01 and 9.01 a news release on an agreement relating to future natural gas sales from Block A-18 of the Malaysia-Thailand Joint Development Area.



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<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ John P. Rielly</u> <b>(John P. Rielly)</b>	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 11, 2005
<u>/s/ Ernst H. von Metzsch</u> <b>(Ernst H. von Metzsch)</b>	Director	March 11, 2005
<u>/s/ F. Borden Walker</u> <b>(F. Borden Walker)</b>	Director	March 11, 2005
<u>/s/ Robert N. Wilson</u> <b>(Robert N. Wilson)</b>	Director	March 11, 2005

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in Registration Statements (Form S-8, Nos. 333-115844, 333-94851, 333-43569, and 333-43571, and Form S-3, No. 333-110294) pertaining to the Second Amended and Restated 1995 Long-Term Incentive Plan, the Amended and Restated 1995 Long-Term Incentive Plan, and the Amerada Hess Corporation Employees' Savings and Stock Bonus Plan, Amerada Hess Corporation Savings and Stock Bonus Plan for Retail Operations Employees, and the Amerada Hess Corporation Registration Statement of our reports dated February 21, 2005, with respect to i) the consolidated financial statements of Amerada Hess Corporation and the financial statement schedule, and ii) Amerada Hess Corporation management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Amerada Hess Corporation, which reports are included in the Amerada Hess Corporation Annual Report (Form 10-K), for the year ended December 31, 2004, and our report dated February 21, 2005, with respect to the financial statements of HOVENSA L.L.C. included in the Amerada Hess Corporation Annual Report (Form 10-K) for the year ended December 31, 2004.

*Ernst + Young LLP*

New York, NY  
March 11, 2005

**AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**VALUATION AND QUALIFYING ACCOUNTS**  
**For the Years Ended December 31, 2004, 2003 and 2002**

Description	Balance January 1	Additions		Deductions from Reserves	Balance December 31
		Charged to Costs and Expenses	Charged to Other Accounts (In millions)		
<b>2004</b>					
Losses on receivables	\$ 18	\$ 2	\$ 2	\$ 5	\$ 17
Deferred income tax valuation	\$ 144	\$ 14	\$ 20	\$ 71	\$ 107
Major maintenance	\$ 23	\$ 14	\$ —	\$ 12	\$ 25
<b>2003</b>					
Losses on receivables	\$ 13	\$ 7	\$ —	\$ 2	\$ 18
Deferred income tax valuation*	\$ 146	\$ 34	\$ —	\$ 36	\$ 144
Major maintenance	\$ 20	\$ 11	\$ —	\$ 8	\$ 23
<b>2002</b>					
Losses on receivables	\$ 15	\$ 7	\$ 4	\$ 13	\$ 13
Deferred income tax valuation*	\$ 126	\$ 10	\$ 10	\$ —	\$ 146
Major maintenance	\$ 19	\$ 19	\$ —	\$ 18	\$ 20

\* Certain prior-year amounts have been reclassified.

**Report of Independent Registered Public Accounting Firm**

Executive Committee and Members  
HOVENSA L.L.C.

We have audited the accompanying balance sheet of HOVENSA L.L.C. (the "Company") as of December 31, 2004 and 2003, and the related statements of income and retained earnings, cash flows and comprehensive income (loss) for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 financial position of HOVENSA L.L.C. at December 31, 2004 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

*Ernst + Young LLP*

February 21, 2005  
New York, N.Y.



**HOVENSA L.L.C.**  
**BALANCE SHEET**  
**at December 31,**  
**(Thousands of dollars)**

	2004	2003
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 518,302	\$ 341,169
Short term investments	38,841	—
Debt service reserve fund	11,954	15,984
Accounts receivable		
Members and affiliates	223,063	136,163
Trade	72,610	61,973
Other	711	884
Inventories	310,219	277,355
Deposits and prepaid expenses	17,665	48,222
<b>TOTAL CURRENT ASSETS</b>	<b>1,193,365</b>	<b>881,750</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	19,315	19,315
Refinery facilities	2,077,465	2,071,668
Other	43,244	42,956
Construction in progress	149,060	28,890
Total — at cost	2,289,084	2,162,829
Less accumulated depreciation	(446,523)	(344,701)
<b>PROPERTY, PLANT AND EQUIPMENT — NET</b>	<b>1,842,561</b>	<b>1,818,128</b>
<b>OTHER ASSETS</b>	<b>36,272</b>	<b>36,743</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,072,198</b>	<b>\$ 2,736,621</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable		
Members and affiliates	\$ 317,902	\$ 223,664
Trade	187,779	154,982
Accrued liabilities	98,333	61,050
Taxes payable	1,775	1,229
<b>TOTAL CURRENT LIABILITIES</b>	<b>605,789</b>	<b>440,925</b>
<b>LONG-TERM DEBT</b>	<b>251,588</b>	<b>391,928</b>
<b>OTHER LIABILITIES</b>	<b>48,533</b>	<b>56,215</b>
<b>MEMBERS' EQUITY</b>		
Members' initial investment	1,343,429	1,343,429
Retained earnings	822,859	504,124
<b>TOTAL MEMBERS' EQUITY</b>	<b>2,166,288</b>	<b>1,847,553</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 3,072,198</b>	<b>\$ 2,736,621</b>

See accompanying notes to financial statements.

**HOVENSA L.L.C.**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**For the Years Ended December 31,**  
**(Thousands of dollars)**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>SALES</b>	<b>\$ 7,776,254</b>	<b>\$ 5,451,330</b>	<b>\$ 3,783,348</b>
<b>COST OF SALES</b>			
Product costs	6,750,756	4,697,426	3,453,026
Operating expenses	406,528	385,254	359,939
Depreciation	104,281	99,174	65,345
<b>TOTAL COST OF SALES</b>	<b>7,261,565</b>	<b>5,181,854</b>	<b>3,878,310</b>
<b>MARGIN</b>	<b>514,689</b>	<b>269,476</b>	<b>(94,962)</b>
<b>OTHER</b>			
Interest expense	(18,757)	(23,050)	(8,951)
Other income (expense)	(1,899)	(7,006)	15,111
<b>NET INCOME (LOSS)</b>	<b>\$ 494,033</b>	<b>\$ 239,420</b>	<b>\$ (88,802)</b>
<b>RETAINED EARNINGS</b>			
Opening balance	\$ 504,124	\$ 264,704	\$ 353,506
Net income (loss)	494,033	239,420	(88,802)
Distribution to members	(175,298)	—	—
Closing balance	<b>\$ 822,859</b>	<b>\$ 504,124</b>	<b>\$ 264,704</b>

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the Years Ended December 31,**  
**(Thousands of dollars)**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>COMPONENTS OF COMPREHENSIVE INCOME (LOSS)</b>			
Net Income (loss)	\$ 494,033	\$ 239,420	\$ (88,802)
Reclassification of cash flow hedges to income	—	—	6,955
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ 494,033</b>	<b>\$ 239,420</b>	<b>\$ (81,847)</b>

See accompanying notes to financial statements.

**HOVENSA L.L.C.**  
**STATEMENT OF CASH FLOWS**  
**For the Years Ended December 31,**  
**(Thousands of dollars)**

	2004	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income (loss)	\$ 494,033	\$ 239,420	\$ (88,802)
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	104,281	99,174	65,345
Increase in accounts receivable	(97,364)	(42,590)	(33,259)
(Increase) decrease in inventories	(32,864)	(27,006)	73,399
(Increase) decrease in deposits and prepaid expenses	30,557	1,325	(41,243)
(Increase) decrease in other assets	471	3,610	(5,391)
Increase in accounts payable and accrued liabilities	164,318	146,016	37,893
Increase (decrease) in taxes payable	546	(49)	188
Increase (decrease) in other liabilities	(7,682)	10,634	22,329
Net cash provided by operating activities	<u>656,296</u>	<u>430,534</u>	<u>30,459</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures			
Low sulfur projects	(43,346)	(1,720)	(5,823)
Coker	(406)	(6,743)	(85,960)
FCC expander project	(33,672)	(433)	—
All other	(51,290)	(13,420)	(22,051)
Total capital expenditures	<u>(128,714)</u>	<u>(22,316)</u>	<u>(113,834)</u>
Short term investments	(38,841)	—	—
Net cash used in investment activities	<u>(167,555)</u>	<u>(22,316)</u>	<u>(113,834)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term borrowing	50,660	74,175	226,753
Repayment of long-term debt	(191,000)	(189,000)	(115,000)
(Increase) decrease in restricted cash	4,030	36,673	(42,155)
Distribution to Members	(175,298)	—	—
Net cash provided by (used in) financing activities	<u>(311,608)</u>	<u>(78,152)</u>	<u>69,598</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	177,133	330,066	(13,777)
CASH AND CASH EQUIVALENTS — BEGINNING OF THE YEAR	341,169	11,103	24,880
CASH AND CASH EQUIVALENTS — END OF THE YEAR	<u>\$ 518,302</u>	<u>\$ 341,169</u>	<u>\$ 11,103</u>

See accompanying notes to financial statements.

## HOVENSA L.L.C.

NOTES TO THE FINANCIAL STATEMENTS  
(Thousands of Dollars)**Note 1: Basis of Financial Statements and Significant Accounting Policies**

*Nature of Business:* HOVENSA L.L.C. (Company) was formed as a joint venture between Petroleos de Venezuela, SA. (PDVSA) and Amerada Hess Corporation (AHC) to own and operate the Company's refinery. The Company purchases crude oil from PDVSA, AHC and third parties. It manufactures and sells petroleum products primarily to PDVSA and AHC. 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 statement of income. Actual results could differ from those estimates. Estimates made by management include: inventory and other asset valuations, environmental obligations, depreciable lives and turnaround accruals.

The Company is jointly owned by PDVSA V.I., Inc. (PDVSA V.I.), a subsidiary of PDVSA, and Hess Oil Virgin Islands Corp. (HOVIC), a subsidiary of AHC.

A summary of all material transactions between the Company, its members and affiliates follows:

	2004	2003	2002
Sale of petroleum products:			
AHC	\$ 2,940,204	\$ 2,036,641	\$ 1,283,433
PDVSA	2,883,284	2,031,295	1,346,879
Purchases of crude oil and products:			
AHC	35,134	412,587	78,582
PDVSA	3,556,714	2,274,860	2,046,769
Freight expenses paid to AHC	74,683	58,944	20,036
Administrative service agreement fee paid to AHC	6,957	7,358	7,829
Marine revenues received from PDVSA and AHC	1,515	1,758	1,416
Bareboat charter of tugs and barges paid to HOVIC	3,451	3,442	3,442

The Company has a product sales agreement with AHC and Petroleum Marketing International (Petromar), a subsidiary of PDVSA. After any sales of refined products by HOVENSA to third parties, Petromar and AHC each must purchase 50% of HOVENSA's gasoline, distillate, residual fuel and other products at market prices. The Company also has long-term crude oil supply agreements with Petromar, by which Petromar agrees to sell to HOVENSA a monthly average of 155,000 barrels per day of Mesa crude oil and 115,000 barrels per day of Merey crude oil.

PDVSA and AHC each guarantee the payment of up to 50% of the value of the crude oil purchases from third parties. In addition, PDVSA and AHC have agreed to provide funding (50% each) to the extent that the Company does not have funds to meet its senior debt obligations up to \$40,000 each, until completion of construction required to meet final low sulfur fuel regulations, after which the amount becomes \$15,000 each.

*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 when acquired.

*Short Term Investments:* Instruments with an original maturity to the Company of over 90 days. At December 31, 2004 this balance was \$38,841. The Company intends and has the ability to hold these investments to maturity.

*Debt Service Reserve Fund:* Cash held by the Trustee for debt service that is not available for general corporate purposes.

## HOVENSA L.L.C.

## NOTES TO THE FINANCIAL STATEMENTS — (Continued)

(Thousands of Dollars)

*Inventories:* Inventories of crude oil and refined products are valued at the lower of last-in, first-out (LIFO) cost or market. During 2004 and 2003, a reduction of inventory quantities in a LIFO pool resulted in a liquidation of LIFO inventories carried at below market costs, which increased net income by approximately \$600 and \$9,000, respectively. At December 31, 2004, LIFO inventory cost was \$331,967 lower than it would have been using the average cost method.

Inventories of materials and supplies are valued at the lower of average cost or market.

*Revenue Recognition:* The Company recognizes revenues from the sale of petroleum products when title passes to the customer.

*Depreciation:* Depreciation of refinery facilities is determined principally on the units-of-production method based on estimated production volumes. Depreciation of all other equipment is determined on the straight-line method based on estimated useful lives.

*Maintenance and Repairs:* The estimated cost of major maintenance (turnarounds) is 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 Policy:* The Company capitalizes environmental expenditures that increase the life of property or that reduce or prevent environmental contamination. The Company accrues environmental expenses resulting from existing conditions that relate to past operations when the future costs are probable and reasonably estimable.

*Income Taxes:* The Company is a limited liability company and, as a result, income taxes are the responsibility of the members.

*Interest Hedges:* In 2001, under the terms of its bank credit agreement, the Company was required to use interest rate collars to reduce the effects of fluctuations in interest expense related to long-term debt. These derivatives were designated as hedges of future cash flow (cash flow hedges) and the gains or losses were recorded in other comprehensive income until the related transactions were expensed in 2002. The company's obligation to maintain these hedges was completed in 2002.

**Note 2: Inventories**

Inventories as of December 31 were as follows:

	2004	2003
Crude oil	\$ 225,031	\$ 140,171
Refined and other finished products	357,651	264,933
Less: LIFO adjustment	<u>(331,967)</u>	<u>(185,192)</u>
	250,715	219,912
Materials and supplies	59,504	57,443
Total	<u>\$ 310,219</u>	<u>\$ 277,355</u>

## HOVENSA L.L.C.

NOTES TO THE FINANCIAL STATEMENTS — (Continued)  
(Thousands of Dollars)**Note 3: Other Income and Expense**

Other income and expense in the income statement included the following:

	2004	2003	2002
Insurance settlement — 2002 outage at the FCC	\$ 700	\$ 4,000	\$ 19,000
Interest income	7,685	—	—
V.I. gross receipts tax and export fee	(6,734)	(5,548)	(4,626)
Write off of finance costs upon prepayment of debt	(4,997)	(2,540)	—
Insurance settlement — 2001 fire at platformer no. 4	—	—	4,100
Settlement of crude quality claims	—	—	13,400
Repairs related to 2002 FCC outage	—	—	(14,320)
Other	1,447	(2,918)	(2,443)
Total other income (expense)	<u>\$ (1,899)</u>	<u>\$ (7,006)</u>	<u>\$ 15,111</u>

**Note 4: Long-term Debt**

Long-term debt at December 31 was as follows:

	2004	2003
Tax-exempt revenue bonds (issued in 2002) at a rate of 6.50%	\$ 126,753	\$ 126,753
Tax-exempt revenue bonds (issued in 2003) at a rate of 6.125%	74,175	74,175
Tax-exempt revenue bonds (issued in 2004) at a rate of 5.875%	50,660	—
Term loan facility with banks	—	191,000
	<u>251,588</u>	<u>391,928</u>
Less amount included in current maturities	—	—
	<u>\$ 251,588</u>	<u>\$ 391,928</u>

The Company retired the existing term loan facility and the \$150,000 general purpose revolver on November 12, 2004. Another general purpose revolver was established on the same day for \$400,000, expiring in November 2008. This new facility remained undrawn at December 31, 2004. Borrowings under this agreement currently would bear interest at 2.5% above the London Interbank Offered Rate. A facility fee of .625% per annum is payable on the undrawn portion of the credit line. The interest rate and facility fee are subject to adjustment if the Company's credit rating changes. The agreement is collateralized by the physical assets and certain material contracts of the Company.

In November 2002, the Company issued \$126,753 of Senior Secured Tax-Exempt Revenue Bonds under the authority of the Government of the U.S. Virgin Islands and the Virgin Islands Public Finance Authority. The principal payments on the Bonds commence in 2014 and will be fully paid by July 1, 2021.

In December 2003, the Company issued \$74,175 of Senior Secured Tax-Exempt Revenue Bonds under the authority of the Virgin Islands Public Finance Authority. The principal payments on the Bonds commence in 2015 and will be fully paid by July 1, 2022. The proceeds from this issue were used to pre-pay principal installments under the bank term loan facility.

In April 2004, the Company issued \$50,660 of Senior Secured Tax-Exempt Revenue Bonds under the authority of the Virgin Islands Public Finance Authority. The principal payments on the Bonds commence in

## HOVENSA L.L.C.

NOTES TO THE FINANCIAL STATEMENTS — (Continued)  
(Thousands of Dollars)

2015 and will be fully paid by July 1, 2022. The proceeds from this issue were used to pre-pay principal installments under the bank term loan facility.

The debt agreements contain various restrictions and conditions with respect to incurrence of additional debt as well as cash distributions. Cash distributions are restricted based on cash flow coverage ratio covenants until such time as the Company completes the construction required to meet final low sulfur fuel regulations.

The Company capitalized interest of \$2,958 in 2004 and \$18,901 in 2002. The interest paid (net of amounts capitalized) was \$18,757 in 2004, \$24,584 in 2003 and \$8,619 in 2002.

**Note 5: Pension Plan**

The Company has a noncontributory, defined benefit pension plan for substantially all of its employees. The plan provides defined benefits based on years of service and final average salary. The Company uses December 31 as the measurement date for its plan.

The following table reconciles the benefit obligation and fair value of plan assets and shows the funded status of the pension plan:

	<u>2004</u>	<u>2003</u>
Reconciliation of pension benefit obligation		
Benefit obligation at January 1	\$ 22,475	\$ 15,721
Service costs	3,948	3,649
Interest costs	1,359	1,085
Actuarial loss	1,625	2,150
Benefit payments	(202)	(130)
Pension benefit obligation at December 31	<u>29,205</u>	<u>22,475</u>
Reconciliation of fair value of plan assets		
Fair value of plan assets at December 31	13,355	8,296
Actual return on plan assets	1,695	1,887
Employer contributions	7,439	3,302
Benefit payments	(202)	(130)
Fair value of plan assets at December 31	<u>22,287</u>	<u>13,355</u>
Funded status (plan assets less than benefit obligations)	<u>(6,918)</u>	<u>(9,120)</u>
Unrecognized net actuarial loss	6,496	5,489
Net amount recognized	<u>\$ (422)</u>	<u>\$ (3,631)</u>

The accumulated benefit obligation was \$22,784 at December 31, 2004 and \$17,309 at December 31, 2003.

## HOVENSA L.L.C.

NOTES TO THE FINANCIAL STATEMENTS — (Continued)  
(Thousands of Dollars)

Components of funded pension expense consist of the following:

	2004	2003	2002
Service cost	\$ 3,948	\$ 3,649	\$ 3,293
Interest cost	1,359	1,085	756
Expected return on plan assets	(1,407)	(854)	(709)
Amortization of net loss	330	452	136
Net periodic benefit cost	<u>\$ 4,230</u>	<u>\$ 4,332</u>	<u>\$ 3,476</u>

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

The actuarial assumptions used in the Company's pension plan were as follows:

	2004	2003	2002
Assumptions used to determine benefit obligations at December 31			
Discount rate	5.75%	6.25%	6.75%
Rate of compensation increase	4.50	4.50	4.50
Assumptions used to determine net costs for years ended December 31			
Discount rate	6.25%	6.75%	7.25%
Expected return on plan assets	8.50	8.50	9.00
Rate of compensation increase	4.50	4.50	4.50

The pension plan's assumed long-term rate of return is consistent with the long-term rate of return on plan assets of Amerada Hess Corporation's plan with a similar asset allocation. The member's long-term rate of return is based on historical long-term returns, adjusted slightly to reflect lower prevailing interest rates. Effective January 1, 2005, the Company lowered the assumed long-term rate of return on plan assets to 7.5%.

The Company's pension plan assets by category are as follows:

Asset Category	2004	2003
Equity securities	57%	56%
Debt securities	43	44
Total	<u>100%</u>	<u>100%</u>

The target investment allocations for the plan assets are 55% equity securities and 45% debt securities. Asset allocations are rebalanced on a regular basis throughout the year to bring assets to within 2-3% range of target levels. Target allocations take into account analyses performed by the Company's pension consultant to optimize long term risk/ return relationships. All assets are highly liquid and may be readily adjusted to provide liquidity for current benefit payment requirements.

The Company expects to contribute approximately \$4,000 to its pension plan in 2005.



## HOVENSA L.L.C.

NOTES TO THE FINANCIAL STATEMENTS — (Continued)  
(Thousands of Dollars)

Estimated future pension benefit payments, which reflect expected future service, are as follows:

2005	\$	435
2006		616
2007		818
2008		1,060
2009		1,348
Years 2010 to 2014		11,244

**Note 6: Interest Hedges**

The Company used interest rate collars to reduce the effects of fluctuations in interest expense related to long-term debt. The interest rate collars and the hedged transactions matured in 2002. These interest rate collars were designated as hedges of expected future cash flows (cash flow hedges), and the losses were recorded in other comprehensive income until the hedged interest was recognized. At December 31, 2001, deferred losses from interest hedging were \$6,955.

The Company reclassified hedging gains and losses on interest rate collars from accumulated other comprehensive income to interest expense (portions of which were capitalized) over the period hedged. Hedging increased interest expense in 2002 by \$6,955. The ineffective portion of hedges was included in earnings. The amount of hedge ineffectiveness was not material.

**Note 7: Environmental Requirements**

In December 1999, the United States Environmental Protection Agency (EPA) adopted rules that phase in limitations on the sulfur content of gasoline beginning in 2004. In December 2000, the EPA adopted regulations to reduce substantially the allowable sulfur content of diesel fuel by 2006. The EPA is also considering restriction or a prohibition on the use of MTBE (New York and Connecticut have banned it effective January 1, 2004), a gasoline additive that the Company produces and uses to meet United States regulations requiring oxygenation of reformulated gasoline.

The Company is reviewing options to determine the most cost effective compliance strategies for these new fuel regulations. The costs to comply will depend on a variety of factors, including the availability of suitable technology and contractors and whether the minimum oxygen content requirement for reformulated gasoline remains in place if MTBE is banned. Capital expenditures necessary to comply with the low sulfur gasoline and diesel fuel requirements are estimated to be \$400,000 (including approximately \$50,000 already spent). Remaining capital expenditures are expected to be \$350,000 over the next two years.

**Note 8: Contingencies**

The Company is party to litigation arising out of the normal course of its business. In the opinion of management, all matters are adequately covered by insurance or reserves or, if not covered or reserved for, are not likely to have a material adverse effect on the financial position of the Company.

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
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 of Form 10-Q of Registrant for the three months ended June 30, 2002.
4(1)	Certificate of designations, preferences and rights of 3% cumulative convertible preferred stock of Registrant incorporated by reference to Exhibit 4 of Form 10-Q of Registrant for the three months ended June 30, 2000.
4(2)	Certificate of designation, preferences and relative, optional and other special rights and qualifications, limitations and restrictions of 7% mandatory convertible preferred stock of Registrant, incorporated by reference to Exhibit 3 of Form 8-K of Registrant dated November 19, 2003.
4(3)	Revolving Credit Agreement dated as of December 10, 2004 among Amerada Hess Corporation, the lenders party thereto and JP Morgan Chase Bank (formerly, The Chase Manhattan Bank, N.A.), as Administrative Agent.
4(4)	Indenture dated as of October 1, 1999 between Registrant and The Chase Manhattan Bank, as Trustee, incorporated by reference to Exhibit 4(1) of Form 10-Q of Registrant for the three months ended September 30, 1999.
4(5)	First Supplemental Indenture dated as of October 1, 1999 between Registrant and The Chase Manhattan Bank, as Trustee, relating to Registrant's 7 <sup>3</sup> / <sub>8</sub> % Notes due 2009 and 7 <sup>7</sup> / <sub>8</sub> % Notes due 2029, incorporated by reference to Exhibit 4(2) to Form 10-Q of Registrant for the three months ended September 30, 1999.
4(6)	Prospectus Supplement dated August 8, 2001 to Prospectus dated July 27, 2001 relating to Registrant's 5.30% Notes due 2004, 5.90% Notes due 2006, 6.65% Notes due 2011 and 7.30% Notes due 2031, incorporated by reference to Registrant's prospectus filed pursuant to Rule 424(b)(2) under the Securities Act of 1933 on August 9, 2001.
4(7)	Prospectus Supplement dated February 28, 2002 to Prospectus dated July 27, 2001 relating to Registrant's 7.125% Notes due 2033, incorporated by reference to Registrant's prospectus filed pursuant to Rule 424(b)(2) under the Securities Act of 1933 on February 28, 2002. 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 incorporated by reference to Exhibit 10(4) of Form 10-K of Registrant for the fiscal year ended December 31, 1998.
10(5)*	Incentive Cash Bonus Plan description incorporated by reference to Item 1.01 of Form 8-K of Registrant dated February 2, 2005.
10(6)*	Financial Counseling Program description.

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<b>Exhibit Number</b>	<b>Description</b>
10(7)*	Amerada Hess Corporation Savings and Stock Bonus Plan, incorporated by reference to Exhibit 10(7) of Form 10-K of Registrant for the fiscal year ended December 31, 2002.
10(8)*	Amerada Hess Corporation Savings and Stock Bonus Plan for Retail Operations Employees, incorporated by reference to Exhibit 10(8) of Form 10-K of Registrant for the fiscal year ended December 31, 2002.
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 May 17, 2001 between Registrant and John P. Rielly relating to Mr. Rielly's participation in the Amerada Hess Corporation Pension Restoration Plan, incorporated by reference to Exhibit 10(18) of Form 10-K of Registrant for the fiscal year ended December 31, 2002.
10(11)*	Second Amended and Restated 1995 Long-Term Incentive Plan, including forms of awards thereunder.
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)*	Amendment to Stock Award Program for Non-Employee Directors dated August 6, 1997 incorporated by reference to Exhibit 10(13) of Form 10-K of Registrant for the fiscal year ended December 31, 2003.
10(14)*	Compensation program description for non-employee directors, incorporated by reference to Item 1.01 of Form 8-K Registrant dated January 1, 2005.
10(15)*	Change of Control Termination Benefits Agreement dated as of September 1, 1999 between Registrant and John B. Hess, incorporated by reference to Exhibit 10(1) of Form 10-Q of Registrant for the three months ended September 30, 1999. Substantially identical agreements (differing only in the signatories thereto) were entered into between Registrant and J. Barclay Collins, John J. O'Connor, and F. Borden Walker.
10(16)*	Change of Control Termination Benefits Agreement dated as of September 1, 1999 between Registrant and John A. Gartman incorporated by reference to Exhibit 10(14) of Form 10-K of Registrant for the fiscal year ended December 31, 2001. Substantially identical agreements (differing only in the signatories thereto) were entered into between Registrant and other executive officers (other than the named executive officers referred to in Exhibit 10(15)).
10(17)*	Letter Agreement dated March 18, 2002 between Registrant and John J. O'Connor relating to Mr. O'Connor's participation in the Amerada Hess Corporation Pension Restoration Plan incorporated by reference to Exhibit 10(15) of Form 10-K of Registrant for the fiscal year ended December 31, 2001.
10(18)*	Letter Agreement dated March 18, 2002 between Registrant and F. Borden Walker relating to Mr. Walker's participation in the Amerada Hess Corporation Pension Restoration Plan incorporated by reference to Exhibit 10(16) of Form 10-K of Registrant for the fiscal year ended December 31, 2001.
10(19)*	Deferred Compensation Plan of Registrant dated December 1, 1999 incorporated by reference to Exhibit 10(16) of Form 10-K of Registrant for the fiscal year ended December 31, 1999.
10(20)	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(21)	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.
21	Subsidiaries of Registrant.
23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm, dated March 11, 2005, to the incorporation by reference in Registrant's Registration Statements (Forms S-8, Nos. 333-115844, 333-94851, 333-43569 and 333-43571, and Form S-3, No. 333-110294), of its reports relating to Registrant's financial statements, which consent appears on page F-1 herein.

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<u>Exhibit Number</u>	<u>Description</u>
31(1)	Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)).
31(2)	Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)).
32(1)	Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).
32(2)	Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).

\* These exhibits relate to executive compensation plans and arrangements.

=====

EXECUTION COPY

FIVE-YEAR CREDIT AGREEMENT

dated as of December 10, 2004

among

AMERADA HESS CORPORATION,

THE LENDERS PARTY HERETO,

JPMORGAN CHASE BANK, N.A.,  
as Administrative Agent,

Bank of America, N.A., Barclays Bank, Citibank, N.A. and The Royal Bank of  
Scotland plc,  
as Co-Syndication Agents

and

Bank of Tokyo-Mitsubishi, Ltd., Bayerische Landesbank, BNP Paribas and The Bank  
of Nova Scotia  
as Co-Documentation Agents

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J.P. MORGAN SECURITIES INC.,  
as Sole Lead Arranger and Sole Bookrunner

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\$2,500,000,000 REVOLVING CREDIT FACILITY

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Exhibit B	Form of Notes
Exhibit C	Form of Opinion of Counsel to the Company
Exhibit D	Form of Notice of LC Activity
Exhibit E	Form of Notice of LC Request



FIVE-YEAR CREDIT AGREEMENT, dated as of December 10, 2004 (the "Agreement"), among AMERADA HESS CORPORATION, a Delaware corporation (the "Company"), the LENDERS party hereto (the "Lenders"), JPMORGAN CHASE BANK, N.A. ("JPMCB"), as Administrative Agent (in such capacity the "Administrative Agent"), Bank of America, N.A., Barclays Bank, Citibank, N.A. and The Royal Bank of Scotland plc, as Co-Syndication Agents and Bank of Tokyo-Mitsubishi, Ltd., Bayerische Landesbank, BNP Paribas and The Bank of Nova Scotia, as Co-Documentation Agents.

The Company has requested the Lenders to extend credit to enable it to borrow on a revolving credit basis on and after the date hereof and at any time and from time to time prior to the Maturity Date (such term and each other capitalized term used and not otherwise defined herein having the meaning assigned to it in Article I) a principal amount not in excess of \$2,500,000,000 at any time outstanding. The Company has also requested the Lenders to establish procedures pursuant to which the Company may invite the Lenders to bid on an uncommitted basis on borrowings by the Company maturing on or prior to the Maturity Date. The Company has further requested the Issuing Banks to issue Letters of Credit to support payment obligations of the Company and its Subsidiaries. The proceeds of borrowings hereunder are to be used for general corporate purposes of the Company and its Subsidiaries, including the financing of working capital requirements and the payment of maturing commercial paper, and the Letters of Credit are to be used for general corporate purposes of the Company and its Subsidiaries.

The Lenders are willing to extend such credit to the Company on the terms and subject to the conditions herein set forth.

Accordingly, the parties hereto agree as follows:

#### ARTICLE I

##### Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, means that such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Accommodation Guaranty Indebtedness" shall have the meaning ascribed to it in Article VII(e).

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" has the meaning ascribed to it in the preamble to this Agreement.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agents" means the Administrative Agent, the Co-Syndication Agents and the Co-Documentation Agents.

"Alternate Base Rate" means, for any day, a rate per annum equal to the higher of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Applicable Facility Fee Rate" means, for any day, with respect to Facility Fees payable hereunder, the applicable rate per annum set forth below based upon the Public Debt Ratings as set forth below:

Public Debt Rating S&P/Moody's -----	Applicable Facility Fee Rate -----
Level I > or = BBB+ / Baa1	0.100%
Level II BBB / Baa2	0.150%
Level III BBB- / Baa3	0.200%
Level IV BB+ / Ba1	0.250%



"Borrowing" means (a) Revolving Loans of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect or (b) a Competitive Loan or group of Competitive Loans of the same Type made on the same date and as to which a single Interest Period is in effect.

"Borrowing Request" means a request by the Company for Revolving Loans in accordance with Section 2.03.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that the term "Business Day" shall also exclude, when used in connection with a Eurodollar Loan, any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Lease" means, with respect to any Person which is the lessee thereunder, any lease or charter of property, real or personal, which would, in accordance with GAAP, be recorded as an asset under a capital lease on a balance sheet of such Person.

"Capitalized Lease Obligation" means, with respect to any Person on any date, the amount which would, in accordance with GAAP, be recorded as an obligation under a Capital Lease on a balance sheet of such Person as lessee under such Capital Lease as at such date. For all purposes of this Agreement, Capitalized Lease Obligations shall be deemed to be Debt secured by a Lien.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender (or, for purposes of Section 2.14(b), by any lending office of such Lender or by such Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans or Competitive Loans.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Co-Documentation Agents" shall have the meaning ascribed to it in the preamble to this Agreement.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Revolving Loans and acquire participations in Letters of Credit, as such commitment may be (a) reduced from time to time pursuant to Section 2.08 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender

pursuant to Section 9.04. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable.

"Company" means Amerada Hess Corporation, a Delaware corporation.

"Company Capitalization Ratio" means, on any date, the ratio, expressed as a percentage, of (i) Total Consolidated Debt of the Company and its Consolidated Subsidiaries on such date to (ii) Total Capitalization of the Company and its Consolidated Subsidiaries on such date.

"Competitive", when used in reference to any Loan or Borrowing, means that such Loan, or the Loans comprising such Borrowing, are being made in accordance with Section 2.04.

"Competitive Bid" means an offer by a Lender to make a Competitive Loan in accordance with Section 2.04.

"Competitive Bid Rate" means, with respect to any Competitive Bid, the Margin or the Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

"Competitive Bid Request" means a request by the Company for Competitive Bids in accordance with Section 2.04.

"Consolidated Current Liabilities" means, with respect to any Person on any date, all amounts which, in conformity with GAAP, would be classified as current liabilities on a consolidated balance sheet of such Person and its Consolidated Subsidiaries as at such date.

"Consolidated EBITDA" means, for any Person and for any period, Consolidated Net Income of such person for such period, plus (a) without duplication and to the extent deducted in determining such Consolidated Net Income, the sum of (i) consolidated interest expense for such period, (ii) consolidated income tax expense for such period, (iii) all amounts attributable to depreciation and amortization (including without limitation impairment of oil and gas reserves, properties and leases) for such period and (iv) any extraordinary non-cash charges for such period, and minus (b) without duplication and to the extent included in determining such Consolidated Net Income, any extraordinary gains for such period, all determined on a consolidated basis in accordance with GAAP.

"Consolidated Intangibles" means, with respect to any Person on any date, all assets of such Person and its Consolidated Subsidiaries, determined on a consolidated basis, that would, in conformity with GAAP, be classified as intangible assets on a consolidated balance sheet of such Person and its Consolidated Subsidiaries as at such date, including, without limitation, unamortized debt discount and expense, unamortized organization and reorganization expense, costs in excess of the fair market value of acquired companies, patents, trade or service marks, franchises, trade names, goodwill

and the amount of all write-ups in the book value of assets resulting from any revaluation thereof (other than revaluations arising out of foreign currency valuations in conformity with GAAP).

"Consolidated Net Income" means, for any period, the net income (or net deficit) of the Company and its Consolidated Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Tangible Assets" means, with respect to any Person on any date, the amount equal to (a) the amount that would, in conformity with GAAP, be included as assets on the consolidated balance sheet of such Person and its Consolidated Subsidiaries as at such date minus (b) the sum of (i) Consolidated Intangibles of such Person at such date and (ii) Consolidated Current Liabilities of such Person at such date.

"Consolidated Subsidiaries" means, with respect to any Person on any date, all Subsidiaries and other entities whose accounts are consolidated with the accounts of such Person as of such date in accordance with the principles of consolidation reflected in the audited financial statements of such Person as of such date delivered in accordance with Section 5.01.

"Continuing Directors" has the meaning ascribed to it in Article VII.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Co-Syndication Agents" has the meaning ascribed to it in the preamble to this Agreement.

"Credit Event" means each Borrowing and each issuance, renewal, extension or increase of a Letter of Credit.

"Debt" means with respect to any Person (i) indebtedness for borrowed money (including, without limitation, indebtedness evidenced by debt securities); (ii) obligations to pay the deferred purchase price of property or services, except trade accounts payable in the ordinary course of business; (iii) Capitalized Lease Obligations, in the case of each of the foregoing clauses (i) through (iii), for which such Person or any of its Consolidated Subsidiaries shall be liable as primary obligor or under any Guaranty of any such indebtedness or other such obligations of an entity not included in such Person's consolidated financial statements and (iv) any such indebtedness or other such obligations of any entity not included in such Person's consolidated financial statements secured in any manner by any Lien upon any assets of such Person or any of its Consolidated Subsidiaries; provided that for purposes of the computation of any Debt

under this Agreement there shall be no duplication of any item of primary or other indebtedness or other obligation referred to herein above, whether such item reflects the indebtedness or other obligation of such Person or any of its Consolidated Subsidiaries or of any entity not included in such Person's consolidated financial statements; and provided, further, that when computing Debt of the Company under this Agreement the first \$100,000,000 in the aggregate for which the Company and its Consolidated Subsidiaries shall be liable under any Guaranty of any such indebtedness or other such obligations of an entity not included in the Company's consolidated financial statements shall be excluded from the computation of Debt of the Company.

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"dollars" or "\$" refers to lawful money of the United States of America.

"Effective Date" means the date on which the conditions set forth in Section 4.01 are satisfied.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or the release of any materials into the environment.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Company or any of its Consolidated Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurodollar", when used in reference to any Loan or Borrowing, means that such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate (or, in the case of a Competitive Loan, the LIBO Rate).

"Event of Default" has the meaning assigned to such term in Article VII.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, any Issuing Bank, or any other recipient of any payment to be made by or on account of any obligation of the Company hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the

jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Company is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Company under Section 2.18(b)) or any foreign branch or Affiliate of a Lender caused by such Lender to make a Loan under Section 2.02(b), any withholding tax that is imposed by the United States of America on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement or such foreign branch or Affiliate is caused to make such a Loan or is attributable to such Foreign Lender's or such foreign branch's or Affiliate's failure or inability to comply with Section 2.16(e), except to the extent that such Foreign Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Company with respect to such withholding tax pursuant to Section 2.16(a).

"Existing Credit Agreement" means the Company's \$1,500,000,000 Third Amended and Restated Revolving Credit Agreement - Facility B dated as of January 23, 2001 among the Company, the lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent, as amended and in effect immediately prior to the Effective Date.

"Existing Letters of Credit" means each letter of credit previously issued for the account of the Company pursuant to the Existing Credit Agreement that (a) is outstanding on the Effective Date and (b) is listed on Schedule 2.05.

"Facility Fee" has meaning ascribed to it in Section 2.11(a).

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means, with respect to the Company, the chief financial officer, principal accounting officer, treasurer or controller of the Company.

"Fixed Rate" means, with respect to any Competitive Loan (other than a Eurodollar Competitive Loan), the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

"Fixed Rate Loan" means a Competitive Loan bearing interest at a Fixed Rate.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Company is located. For purposes of this



definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"GAAP" means generally accepted accounting principles in the United States of America.

"Governmental Authority" means the government of the United States of America, or any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guaranty" by any Person means any direct or indirect undertaking to assume, guaranty, endorse, contingently agree to purchase or to provide funds for the payment of, or otherwise become liable in respect of, any obligation of any other Person, excluding endorsements for collection or deposit in the ordinary course of business.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnitee" shall have the meaning ascribed to it in Section 9.03.

"Information" shall have the meaning ascribed to it in Section 9.13.

"Interest Election Request" means a request by the Company to convert or continue a Revolving Borrowing in accordance with Section 2.07.

"Interest Payment Date" means (a) with respect to any ABR Loan, the last day of each March, June, September and December, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day during such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period, and (c) with respect to any Fixed Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Fixed Rate Borrowing with an Interest Period of more than 90 days' duration (unless otherwise specified in the applicable Competitive Bid Request), each day prior to the last day of such Interest Period that occurs at intervals of 90 days' duration after the first day of such Interest Period, and any other dates that are specified in the applicable Competitive Bid Request as Interest Payment Dates with respect to such Borrowing.

"Interest Period" means (a) with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically

corresponding day in the calendar month that is 7 days (if generally available), or one, two, three or six months thereafter, as the Company may elect and (b) with respect to any Fixed Rate Borrowing, the period (which shall not be less than 7 days or more than 360 days) commencing on the date of such Borrowing and ending on the date specified in the applicable Competitive Bid Request; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, (ii) any Interest Period of one month or more pertaining to a Eurodollar Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period and (iii) except with respect to any Lender which otherwise agrees, any Interest Period that otherwise would extend beyond the Maturity Date applicable to any Lender shall end on the Maturity Date applicable to such Lender. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Issuing Banks" means each of the Lenders listed on Schedule 2.05 and such other Lenders, if any, that shall have become an Issuing Bank hereunder as provided in Section 2.05(k), each in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.05(i). Each Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of such Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"Issuing Bank Agreement" shall have the meaning assigned to such term in Section 2.05(k).

"LC Commitment" means, with respect to any Issuing Bank, the maximum permitted amount of the LC Exposure that may be attributable to Letters of Credit that, subject to the terms and conditions hereof, are required to be issued by such Issuing Bank. The initial amount of each Issuing Bank's LC Commitment is set forth on Schedule 2.05 or, if such Issuing Bank is not listed on such Schedule, as provided for in Section 2.05(k).

"LC Disbursement" means a payment made by any Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Company at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

"LC Participation Fee" has the meaning assigned to such term in Section 2.11(b).

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance.

"Letter of Credit" means any letter of credit issued pursuant to this Agreement.

"Leverage Ratio" means, on any date, the ratio of (a) Total Consolidated Debt as of such date to (b) Consolidated EBITDA for the most recent period of four fiscal quarters for which financial statements of the Company shall be available as of such date.

"LIBO Rate" means, with respect to each Interest Period pertaining to a Eurodollar Loan, the rate per annum determined by the Administrative Agent to be the offered rate for deposits in dollars with a term comparable to such Interest Period that appears on the Telerate Page at approximately 11:00 a.m., London time, two Business Days prior to the beginning of such Interest Period; provided, however, that if at any time for any reason such offered rate does not appear on the Telerate Page, "LIBO Rate" shall mean, with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum equal to the average (rounded upward to the nearest 1/100 of 1%) of the respective rates notified to the Administrative Agent by the Reference Bank, as the rate, at which such Reference Banks are offered deposits in dollars at or about 11:00 a.m., London time, two Business Days prior to the beginning of such Interest Period in the London interbank market for delivery on the first day of such Interest Period for the number of days comprised therein.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing), any conditional sale or other title retention agreement, or any lease in the nature thereof.

"Loan Documents" means, collectively, this Agreement and all other agreements, instruments and documents executed in connection herewith and therewith, in each case as the same may be amended, restated, modified or otherwise supplemented from time to time.

"Loans" means the loans made by the Lenders to the Company pursuant to this Agreement.

"Margin" means, with respect to any Competitive Loan bearing interest at a rate based on the LIBO Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBO Rate to determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

"Margin Stock" shall have the meaning provided in Regulation U of the Board.

"Material Adverse Effect" means (a) when used in any representation and warranty or covenant of the Company on and as of the date hereof, any event, development or circumstance that has had or could reasonably be expected to have a material adverse effect on (i) the business, assets, property or financial condition of the Company and its Consolidated Subsidiaries taken as a whole, or (ii) the validity or enforceability of this Agreement or the rights and remedies of the Administrative Agent, the Issuing Banks or the Lenders hereunder and (b) when used in any representation and warranty or covenant of the Company on any date after the date hereof, any change in the consolidated financial condition or operations of the Company and its Consolidated Subsidiaries from that set forth in the consolidated balance sheet of the Company dated as of December 31, 2003, that is likely to materially and adversely affect the Company's ability to comply with Section 6.05 or 6.06 or to perform its other obligations to the Lenders under this Agreement.

"Material Indebtedness" means Debt (other than the Loans and Letters of Credit) of the Company in an aggregate principal amount exceeding \$10,000,000.

"Maturity Date" means December 10, 2009.

"Moody's" means Moody's Investors Service, Inc.

"Note" has the meaning ascribed to it in Section 2.09(e)

"Notice of LC Activity" means a notice substantially in the form of Exhibit D hereto delivered by an Issuing Bank to the Company and the Administrative Agent pursuant to Section 2.05(b) with respect to the issuance, amendment, renewal, extension or expiry of, or a drawing under, a Letter of Credit.

"Notice of LC Request" means a notice substantially in the form of Exhibit E hereto delivered by the Company to an Issuing Bank and the Administrative Agent pursuant to Section 2.05(b) with respect to a proposed Letter of Credit.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"Participant" has the meaning ascribed to it in Section 9.04.

"Permitted Encumbrances" means:

(a) Liens imposed by law for taxes that are not yet due or are being contested in good faith by appropriate proceedings and as to which appropriate reserves have been set aside in accordance with GAAP;

(b) carriers', warehousemen's, mechanics', materialmen's, and repairmen's Liens, Liens for crew's wages or salvage (or making deposits to release such Liens) and other like Liens imposed by law, arising in the ordinary

course of business and securing obligations that are not overdue by more than 30 days or are being contested in good faith by appropriate proceedings and as to which appropriate reserves have been set aside in accordance with GAAP;

(c) Liens on standard industry terms imposed by charter parties or under contracts of affreightment;

(d) Liens arising out of judgments or awards against the Company or any of its Consolidated Subsidiaries with respect to which the Company or such Subsidiary at the time shall currently be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review;

(e) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(f) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds or performance bonds, margin posted to secure payment or performance under futures, forwards or Swap Agreements, and other obligations of a like nature, in each case in the ordinary course of business;

(g) easements, zoning restrictions, rights-of-way and similar encumbrances on real property and imperfections of titles imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Company or any of its Consolidated Subsidiaries;

(h) Liens on any oil and/or gas properties or other mineral interests of the Company or any of its Consolidated Subsidiaries, whether developed or undeveloped, arising as security for the Company's or such Subsidiary's costs and expenses incurred by it in connection with the exploration, development or operation of such properties, in favor of a person who is conducting the exploration, development or operation of such properties, or in connection with farmout, dry hole, bottom hole, communitization, unitization, pooling and operating agreements and/or other agreements of like general nature incident to the acquisition, exploration, development and operation of such properties or as required by regulatory agencies having jurisdiction in the premises; and

(i) overriding royalties, royalties, production payments, net profits interests or like interests to be paid out of production from oil and/or gas properties or other mineral interests of the Company or any of its Consolidated Subsidiaries, or to be paid out of the proceeds from the sale of any such production;

provided that the term "Permitted Encumbrances" shall not include any Lien securing Debt.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank, N.A., as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Public Debt Ratings" means the ratings assigned by S&P and Moody's to Company's senior unsecured non-credit enhanced long term debt. For purposes of the foregoing, (a) if only one of S&P and Moody's shall have in effect a Public Debt Rating, the Applicable Facility Fee Rate and the Applicable Margin shall be determined by reference to the available rating; (b) if neither S&P nor Moody's shall have in effect a Public Debt Rating, the Applicable Facility Fee Rate and the Applicable Margin will be set in accordance with Level V under the definition of "Applicable Facility Fee Rate" or "Applicable Margin", as the case may be; (c) if the ratings established by S&P and Moody's shall fall within different levels, the Applicable Facility Fee Rate and the Applicable Margin shall be based upon the higher of such ratings, provided that if the lower of such ratings is more than one level below the higher of such ratings, the Applicable Facility Fee Rate and the Applicable Margin shall be determined by reference to the level that is one level above such lower rating, provided, further, that if either of the ratings established by S&P or Moody's shall fall within Level V under the definition of "Applicable Facility Fee Rate" or "Applicable Margin", as the case may be, the Applicable Facility Fee Rate and the Applicable Margin will be set in accordance with such Level V; (d) if any rating established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; and (e) if S&P or Moody's shall change the basis on which ratings are established, each reference to the Public Debt Rating announced by S&P or Moody's, as the case may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be.

"Reference Banks" means JPMorgan Chase Bank, N.A, or such other bank or banks as may from time to time be designated by the Company and approved by the Administrative Agent.

"Register" has the meaning ascribed to it in Section 9.04.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, (a) at any time prior to the termination of the Commitments pursuant to Article VII, Lenders having Revolving Credit Exposures and

unused Commitments representing at least 51% of the aggregate Revolving Credit Exposures and unused Commitments at such time (provided that, for purposes of declaring the Loans to be due and payable pursuant to Article VII, the outstanding Competitive Loans of the Lenders shall be included in their respective Revolving Credit Exposures in determining the Required Lenders) and (b) for all purposes after the termination of the Commitments pursuant to Article VII, Lenders having outstanding Loans and LC Exposures representing at least 51% of the aggregate outstanding principal amount of Loans and LC Exposures.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans and its LC Exposure at such time.

"Revolving Loan" means a Loan made pursuant to Section 2.03.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., or any successor thereto.

"SEC" shall mean the Securities and Exchange Commission.

"Scheduled Debt" has the meaning ascribed to it in Section 3.10.

"Significant Subsidiary" shall mean, with respect to any Person on any date, a Consolidated Subsidiary of such Person that as of such time satisfies the definition of a "significant subsidiary" contained as of the date hereof in Regulation S-X of the SEC.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more Subsidiaries of the parent or by the parent and one or more Subsidiaries of the parent.

"Swap Agreement" means any interest rate, currency or commodity swap agreement or other interest rate, currency or commodity price protection agreement capable of financial settlement only.

"Swap Payment Obligation" means, with respect to any Person, an obligation of such Person to pay money, either in respect of a periodic payment or upon termination, to a counterparty under a Swap Agreement, after giving effect to any netting arrangements between such Person and such counterparty and such Person's rights of set-off in respect of such obligation provided for in such Swap Agreement.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Telerate Page" means the display designated as Page 3750 on the Dow Jones Markets System (or such other page as may replace such page on such service for the purpose of displaying the rates at which dollar deposits are offered by leading banks in the London interbank deposit market).

"Total Capitalization" of any Person on any date means the sum of (i) Total Consolidated Debt of such Person on such date and (ii) shareholders' equity of such Person on such date, determined on a consolidated basis in accordance with GAAP.

"Total Consolidated Debt" of any Person on any date means all Debt of such Person and its Consolidated Subsidiaries on such date, determined on a consolidated basis in accordance with GAAP.

"Total Exposure" means, with respect to any Lender at any time, the sum of (i) the Revolving Credit Exposure of such Lender and (ii) the aggregate outstanding principal amount of such Lender's Competitive Loans.

"Transactions" means each of the execution, delivery and performance by the Company of this Agreement and the borrowing of Loans hereunder.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate, the Alternate Base Rate or, in the case of a Competitive Loan or Borrowing, the LIBO Rate or a Fixed Rate.

"USA Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving Borrowing").



SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's permitted successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Company notifies the Administrative Agent that the Company requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Company that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision is amended in accordance herewith.

## ARTICLE II

### The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Company from time to time during the Availability Period in an aggregate principal amount not exceeding the amount of such Lender's Commitment; provided, that after giving effect to each Revolving Credit Loan (a) no Lender's Revolving Credit Exposure shall exceed such Lender's Commitment, and (b) the sum of the Total Exposures of all the Lenders shall not exceed the sum of the Commitments of all Lenders. Within the foregoing limits and subject to the terms and conditions set forth herein, the Company may borrow, prepay and reborrow Revolving Loans.

SECTION 2.02. Loans and Borrowings. (a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders, ratably in accordance with their respective Commitments. Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.04. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments and Competitive Bids of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.13, (i) each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Company may request in accordance herewith and shall be in dollars and (ii) each Competitive Borrowing shall be comprised entirely of Eurodollar Loans or Fixed Rate Loans as the Company may request in accordance herewith and shall be in dollars. Each Lender at its option may make any Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Company to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$10,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$10,000,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.05(e). Each Competitive Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$10,000,000. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of 10 outstanding Eurodollar Revolving Borrowings.

SECTION 2.03. Requests for Revolving Borrowings. To request a Revolving Borrowing, the Company shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of any ABR Borrowing, not later than 11:00 a.m., New York City time, on the Business Day of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent at its office set forth in Section 9.01 of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Company. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

- (i) the aggregate amount of the requested Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of the Company's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.06.

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing, then the Company shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. Bid Procedure for Competitive Loans. (a) Subject to the terms and conditions set forth herein, from time to time during the Availability Period the Company may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans; provided, that after giving effect to each Competitive Loan the sum of the Total Exposures of all the Lenders shall not exceed the sum of the Commitments of all Lenders. To request Competitive Bids, the Company shall notify the Administrative Agent at its office set forth in Section 9.01 of such request by telephone, (i) in the case of a Eurodollar Competitive Borrowing, not later than 11:00 a.m., New York City time, four Business Days before the date of the proposed Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or teletype to the Administrative Agent of a written Competitive Bid Request in a form approved by the Administrative Agent and signed by the Company. Each such telephonic and written Competitive Bid Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be a Eurodollar Borrowing or a Fixed Rate Borrowing;

(iv) the Interest Period to be applicable to such Borrowing, which shall be a period contemplated by the definition of the term "Interest Period";

(v) the maturity date of such Borrowing, which shall be no less than seven and no more than 360 days from the requested drawdown date of such Borrowing; and

(vi) the location and number of the Company's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.06.

Promptly following receipt of a Competitive Bid Request in accordance with this Section, the Administrative Agent shall notify the Lenders of the details thereof by telecopy, inviting the Lenders to submit Competitive Bids.

(b) Each Lender may (but shall not have any obligation to) make one or more Competitive Bids to the Company in response to a Competitive Bid Request. Each Competitive Bid by a Lender must be in a form approved by the Administrative Agent and must be received by the Administrative Agent at its office set forth in Section 9.01 by telecopy, (i) in the case of a Eurodollar Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before the date of the proposed Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform substantially to the form approved by the Administrative Agent may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender of such rejection as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be a minimum of \$5,000,000 and an integral multiple of \$1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Company) of the Competitive Loan or Loans that the Lender is willing to make, (ii) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) and (iii) the Interest Period applicable to each such Loan and the last day thereof.

(c) The Administrative Agent shall promptly notify the Company by telecopy of the Competitive Bid Rate and the principal amount specified in each Competitive Bid and the identity of the Lender that shall have made such Competitive Bid.

(d) Subject only to the provisions of this paragraph, the Company may accept or reject any Competitive Bid. The Company shall notify the Administrative Agent by telephone, confirmed by telecopy in a form approved by the Administrative Agent, whether and to what extent it has decided to accept or reject each Competitive Bid, (i) in the case of a Eurodollar Competitive Borrowing, not later than 10:30 a.m., New York City time, three Business Days before the date of the proposed Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, on the proposed date of such Competitive Borrowing; provided that (i) the failure of the Company to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Company shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Company rejects a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Company shall not exceed the aggregate amount of the requested Competitive Borrowing specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with clause (iii) of this proviso, the Company may accept Competitive Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such

Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of \$5,000,000 and an integral multiple of \$1,000,000; provided further that if a Competitive Loan must be in an amount less than \$5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of \$1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of \$1,000,000 in a manner determined by the Company. A notice given by the Company pursuant to this paragraph shall be irrevocable.

(e) The Administrative Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, the amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Company at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) of this Section.

SECTION 2.05. Letters of Credit. (a) General. Subject to the terms and conditions set forth herein, the Company, at its option, may request any Issuing Bank or Issuing Banks to issue for the Company's account Letters of Credit denominated in dollars, in form reasonably acceptable to the Administrative Agent and the applicable Issuing Banks, at any time and from time to time during the Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Company to, or entered into by the Company with, any Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control. An Issuing Bank shall not be under any obligation to issue any Letter of Credit if any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the Issuing Bank from issuing such Letter of Credit, or any law, rule, regulation or orders of any Governmental Authority applicable to the Issuing Bank or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the Issuing Bank shall prohibit, or request that the Issuing Bank refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the Issuing Bank with respect to such Letter of Credit any restriction, reserve or capital requirement (for which the Issuing Bank is not otherwise compensated hereunder) not in effect on the Effective Date, or shall impose upon the Issuing Bank any unreimbursed loss, cost or expense which was not applicable on the Effective Date and which the Issuing Bank in good faith deems material to it.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Company shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the applicable Issuing Bank) to an Issuing Bank and the Administrative Agent (at least one Business Day in advance of the requested date of issuance, amendment, renewal or extension) a Notice of LC Request requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Company also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Company shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the aggregate LC Exposure shall not exceed the aggregate Commitments, (ii) the portion of the LC Exposure attributable to Letters of Credit issued by any Issuing Bank shall not exceed the LC Commitment of such Issuing Bank (unless otherwise agreed by such Issuing Bank) and (iii) the Total Exposures shall not exceed the total Commitments. Each Issuing Bank shall promptly (and in any event within one Business Day) notify the Administrative Agent of each issuance, amendment, renewal, extension or expiry of, and of each drawing under, each Letter of Credit issued by it, and shall provide to the Administrative Agent such other information as the Administrative Agent shall reasonably request as to the Letters of Credit issued by such Issuing Bank. Without limiting the foregoing, each Issuing Bank shall deliver a Notice of LC Activity to the Administrative Agent and the Company within one Business Day of the issuance, amendment, renewal, extension or expiry of, and of each drawing under, a Letter of Credit. Such Notice of LC Activity shall include, to the extent applicable, (i) a copy of the applicable Letter of Credit (or, if applicable, any amendment thereof), (ii) information with respect to the stated amount, beneficiary and expiration date of such Letter of Credit and (iii) information with respect to the amendment, renewal, extension or expiry of, or drawing under, such Letter of Credit.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is thirty Business Days prior to the Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Lenders, each Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from such Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available

to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of such Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by such Issuing Bank and not reimbursed by the Company on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Company for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If an Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Company shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 12:00 noon, New York City time, not later than the next Business Day following the date that such LC Disbursement is made, if the Company shall have received notice of such LC Disbursement prior to 2:00 p.m., New York City time, on the date such LC Disbursement is made, or, if such notice has not been received by the Company prior to such time on such date, then not later than 12:00 noon, New York City time, on the Business Day next following the date on which the Company receives such notice by such time; provided that the Company may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 that such payment be financed with an ABR Revolving Borrowing in an equivalent amount and, to the extent so financed, the Company's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing. If the Company fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Company in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Company, in the same manner as provided in Section 2.06 with respect to Loans made by such Lender (and Section 2.06 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the applicable Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Company pursuant to this paragraph, the Administrative Agent shall distribute such payment to the applicable Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse such Issuing Bank, then to such Lenders and such Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse any Issuing Bank for any LC Disbursement (other than the funding of ABR Revolving Loans as contemplated above) shall not constitute a Loan and shall not relieve the Company of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. The Company's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the

terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by an Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Company's obligations hereunder. None of the Administrative Agent, the Lenders or the Issuing Banks, or any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Banks; provided that the foregoing shall not be construed to excuse any Issuing Bank from liability to the Company to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Company to the extent permitted by applicable law) suffered by the Company that are caused by such Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or wilful misconduct on the part of an Issuing Bank (as finally determined by a court of competent jurisdiction), such Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, an Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. Each Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. Each Issuing Bank shall promptly notify the Administrative Agent and the Company by telephone (confirmed by telecopy) of such demand for payment and whether such Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Company of its obligation to reimburse such Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If an Issuing Bank shall make any LC Disbursement, then, unless the Company shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day



from and including the date such LC Disbursement is made to but excluding the date that the Company reimburses such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans; provided that, if the Company fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.12(d) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the applicable Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of the Issuing Bank. Any Issuing Bank may be replaced at any time by written agreement among the Company, the Administrative Agent and the successor Issuing Bank, and consented to by the replaced Issuing Bank (such agreements and consent not to be unreasonably delayed or withheld). The Administrative Agent shall notify the Lenders of any such replacement of an Issuing Bank. At the time any such replacement shall become effective, the Company shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.11(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the replaced Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Company receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Revolving Lenders with LC Exposures representing greater than 50% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, the Company shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Company described in clause (g) or (h) of Article VII. Each such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Company under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Company's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse any Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied,

shall be held for the satisfaction of the reimbursement obligations of the Company for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Revolving Lenders with LC Exposures representing greater than 50% of the total LC Exposure), be applied to satisfy other obligations of the Company under this Agreement. If the Company is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Company within three Business Days after all Events of Default have been cured or waived.

(k) Designation of Additional Issuing Banks. From time to time, the Company may by notice to the Administrative Agent and the Lenders designate as additional Issuing Banks one or more Lenders that agree to serve in such capacity as provided below. The acceptance by a Lender of any appointment as an Issuing Bank hereunder shall be evidenced by an agreement (an "Issuing Bank Agreement"), which shall be in a form satisfactory to the Company and the Administrative Agent, shall set forth the LC Commitment of such Lender and shall be executed by such Lender, the Company and the Administrative Agent and, from and after the effective date of such agreement, (i) such Lender shall have all the rights and obligations of an Issuing Bank under this Agreement and the other Loan Documents and (ii) references herein and in the other Loan Documents to the term "Issuing Bank" shall be deemed to include such Lender in its capacity as an Issuing Bank.

(l) Existing Letters of Credit. As of the Effective Date, each Existing Letter of Credit shall be deemed, for the purposes of this Agreement, to be a Letter of Credit issued under this Section.

SECTION 2.06. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders; such transfers shall be made by (x) 12:00 Noon, New York City time in the case of Borrowings other than ABR Borrowings and (y) 2:00 p.m., New York City time in the case of ABR Borrowings on the date such Loan is made. The Administrative Agent will make such amounts available to the Company by promptly crediting the amounts so received, in like funds, to an account of the Company designated by the Company in the applicable Borrowing Request or Competitive Bid Request; provided that ABR Revolving Loans made to refinance the reimbursement of an LC Disbursement as provided in Section 2.05(e) shall be remitted by the Administrative Agent to the applicable Issuing Bank.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed time of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Company a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Company severally agree to

pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Company to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the Federal Funds Effective Rate or (ii) in the case of the Company, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.07. Interest Elections. (a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Company may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Company may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Competitive Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the Company shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Company were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Company.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Company shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Company fails to deliver a timely Interest Election Request with respect to a Eurodollar Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Company, then, so long as an Event of Default is continuing (i) no outstanding Revolving Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Revolving Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.08. Termination of Commitments; Reduction of Commitments.

(a) Unless previously terminated, the Commitments and the LC Commitments shall terminate on the Maturity Date.

(b) The Company may at any time terminate, or from time to time reduce, the aggregate amount of the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of \$10,000,000 and not less than \$50,000,000 and (ii) the Company shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.10, the sum of the Total Exposures of all the Lenders would exceed the total Commitments.

(c) The Company shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Company pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Company may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Company (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders based on their respective Commitments.

SECTION 2.09. Repayment of Loans; Evidence of Debt. (a) The

Company hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan made

to the Company on the Maturity Date and (ii) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Competitive Loan made by such Lender to the Company on the last day of the Interest Period applicable to such Loan.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Company to such Lender resulting from each Loan made by such Lender to the Company, including the amounts of principal and interest payable and paid to such Lender by the Company from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Company to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall, absent manifest error, be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Company to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Company shall prepare, execute and deliver to such Lender a nonnegotiable promissory note substantially in the form attached as Exhibit B (a "Note") payable to the order of such Lender (or, if requested by such Lender, to such Lender and its permitted registered assigns). Thereafter, the Loans evidenced by such Note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more Notes payable to the order of the payee named therein (or, if such Note is a registered Note, to such payee and its permitted registered assigns).

SECTION 2.10. Prepayment of Loans. (a) The Company shall have the right at any time and from time to time to prepay any Borrowing made by it in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section; provided that the Company shall not have the right to prepay any Competitive Loan without the prior consent of the Lender thereof.

(b) The Company shall notify the Administrative Agent by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Revolving Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment and (ii) in the case of prepayment of an ABR Revolving Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion

thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.08, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.08. Promptly following receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.12.

SECTION 2.11. Fees. (a) The Company agrees to pay to the Administrative Agent for the account of each Lender a facility fee, (the "Facility Fee") which shall accrue at the Applicable Facility Fee Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the date hereof to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such Facility Fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued Facility Fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any Facility Fees accruing after the date on which the Commitments terminate shall be payable on demand. All Facility Fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Company agrees to pay to the Administrative Agent (i) for the account of each Lender a participation fee with respect to its participations in Letters of Credit (an "LC Participation Fee"), which shall accrue at the Applicable Margin used to determine interest on Eurodollar Revolving Loans on the daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the date hereof but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) for the account of each Issuing Bank a fronting fee, which shall accrue at the rate of 0.125% per annum on the average daily amount of the LC Exposure attributable to the Letters of Credit issued by such Issuing Bank (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any LC Exposure, as well as such Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the 15th day of the month following such last day (or, if such 15th day is not a Business day, on the next succeeding Business Day), commencing on the first such date to occur

after the date hereof; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any other fees payable to an Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Company agrees to pay to the Administrative Agent and each of the Lenders, for their own accounts, fees payable in the amounts and at the times separately agreed upon between the Company and such other parties.

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the Lenders, in the case of fees payable to them) for distribution, in the case of Facility Fees, to the Lenders. Absent manifest error, fees paid shall not be refundable under any circumstances.

(e) Within 10 days after the end of each fiscal quarter (commencing with the fiscal quarter ending December 31, 2004), the Company shall deliver to the Administrative Agent a schedule (i) stating the aggregate amount of participation fees due and payable with respect to such fiscal quarter and (ii) stating the aggregate amount of fronting fees due and payable to each Issuing Bank with respect to such fiscal quarter. Promptly after receipt of each such schedule, (x) the Administrative Agent shall compare such amounts with its own calculations of the participation and fronting fees due and payable with respect to such fiscal quarter and (y) the Administrative Agent and the Company shall discuss the amounts set forth in each such schedule and shall, subject to the next sentence, agree on the amount of such fees to be paid by the Company for such fiscal quarter. Neither the failure of the Company to deliver any such schedule, nor the inaccuracy of any such schedule, shall relieve the Company of its obligations to pay such fees hereunder, but no such failure or inaccuracy shall constitute a Default or an Event of Default. In the event the Company pays any such fees based on any such schedule or any such agreement by the Administrative Agent and the amount so paid by the Company is insufficient to satisfy the Company's actual payment obligations under Section 2.11(a) and (b) above, then the Company shall remain liable for any such deficiency and the Company shall pay to the Administrative Agent (for its account, the account of the applicable Issuing Banks and/or the account of the Lenders, as applicable) the amount of any such deficiency within two Business Days of demand thereof.

SECTION 2.12. Interest. (a) The Loans comprising each ABR Borrowing shall bear interest at a rate per annum equal to the Alternate Base Rate plus the Applicable Margin.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at a rate per annum equal to (i) in the case of a Eurodollar Revolving Loan, the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin or (ii) in the case of a Eurodollar Competitive Loan, the LIBO Rate for the

Interest Period in effect for such Borrowing plus (or minus, as applicable) the Margin applicable to such Loan.

(c) Each Fixed Rate Loan shall bear interest at a rate per annum equal to the Fixed Rate applicable to such Loan.

(d) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Company hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided above or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided above.

(e) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan; provided that (i) interest accrued pursuant to paragraph (d) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment, (iii) in the event of any conversion of any Eurodollar Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion and (iv) all accrued interest shall be payable upon termination of the Commitments.

(f) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.13. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders (or, in the case of a Eurodollar Competitive Loan, the Lender that is required to make such Loan) that because of a change in circumstances affecting the eurodollar market generally the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders



(or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Company and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Company and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurodollar Borrowing shall be ineffective, (ii) if any Borrowing Request requests a Eurodollar Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing and (iii) any request by the Company for a Eurodollar Competitive Borrowing shall be ineffective; provided that (A) if the circumstances giving rise to such notice do not affect all the Lenders, then requests by the Company for Eurodollar Competitive Borrowings may be made to Lenders that are not affected thereby and (B) if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

SECTION 2.14. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or any Issuing Bank; or

(ii) impose on any Lender or any Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans or Fixed Rate Loans made by such Lender or any Letter of Credit or participations therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan or Fixed Rate Loan (or of maintaining its obligation to make any such Loan) or to increase the cost of such Lender or such Issuing Bank of participating in, issuing or maintaining any Letter of Credit or reduce the amount of any sum received or receivable by such Lender or such Issuing bank hereunder (whether of principal, interest or otherwise), then the Company will pay to such Lender or such Issuing Bank such additional amount or amounts as will compensate such Lender or such Issuing Bank for such additional costs incurred or reduction suffered.

(b) If any Lender or Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or Issuing Bank's capital or on the capital of such Lender's or such Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made or Letters of Credit issued hereunder, to a level below that which such Lender or such Issuing Bank or such Lender's or such Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or Issuing Bank's policies and the policies of such Lender's or Issuing Bank's holding company with respect to capital adequacy), then from time to time the Company will pay to such Lender or such Issuing Bank such additional amount or amounts as will

compensate such Lender or such Issuing Bank or such Lender's or Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or such Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Company and shall be conclusive absent manifest error. The Company shall pay such Lender or such Issuing Bank the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or any Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or such Issuing Bank's right to demand such compensation; provided that the Company shall not be required to compensate a Lender or an Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than three months prior to the date that such Lender or such Issuing Bank notifies the Company of the Change in Law giving rise to such increased costs or reductions and of such Lender's or such Issuing Bank's intention to claim compensation therefor; provided, further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the three-month period referred to above shall be extended to include the period of retroactive effect thereof.

(e) Notwithstanding the foregoing provisions of this Section, a Lender shall not be entitled to compensation pursuant to this Section in respect of any Competitive Loan if the Change in Law that would otherwise entitle it to such compensation shall have been publicly announced prior to submission of the Competitive Bid pursuant to which such Loan was made.

SECTION 2.15. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan or Fixed Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Revolving Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice is permitted to be revocable under Section 2.10(b) and is revoked in accordance herewith), (d) the failure to borrow any Competitive Loan after accepting the Competitive Bid to make such Loan, or (e) the assignment of any Eurodollar Loan or Fixed Rate Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Company pursuant to Section 2.18, then, in any such event, the Company shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, the loss to any Lender attributable to any such event shall be deemed to include an amount determined by such Lender to be equal to the excess, if any, of (i) the amount of interest that such Lender would pay for a deposit equal to the principal amount of such Loan for the period from the date of such payment, conversion, failure or assignment to the last day of the then current Interest Period for such Loan (or, in the case of a failure to borrow, convert or continue, the duration of the Interest Period that would have resulted from such

borrowing, conversion or continuation) if the interest rate payable on such deposit were equal to the Adjusted LIBO Rate for such Interest Period, over (ii) the amount of interest that such Lender would earn on such principal amount for such period if such Lender were to invest such principal amount for such period at the interest rate that would be bid by such Lender (or an affiliate of such Lender) for dollar deposits from other banks in the eurodollar market at the commencement of such period. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Company and shall be conclusive absent manifest error. The Company shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.16. Taxes. (a) Any and all payments by or on account of any obligation of the Company hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Company shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Company shall make such deductions and (iii) the Company shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Company shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Company shall indemnify the Administrative Agent, each Lender and each Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent, such Lender or such Issuing Bank, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Company by a Lender or an Issuing Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or an Issuing Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Company to a Governmental Authority, the Company shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Company is located, or

any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall, upon request of the Company, deliver to the Company (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Company, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

SECTION 2.17. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (a) The Company shall make each payment required to be made by it hereunder (whether of principal, interest, fees, reimbursement of LC Disbursements or of any amounts under Section 2.14, 2.15 or 2.16, or otherwise) prior to 12:00 Noon, New York City time, on the date when due in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 1111 Fannin, 10th Floor, Houston, Texas 77002, except that payments pursuant to Sections 2.14, 2.15, 2.16 and 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, to pay interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, to pay principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans or participations in unreimbursed LC Disbursements resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans or participations in unreimbursed LC Disbursements and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans or participations in unreimbursed LC Disbursements of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans or participations in unreimbursed LC Disbursements; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be

rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Company pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Company or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Company consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Company rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Company in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Company prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or any Issuing Bank hereunder that the Company will not make such payment, the Administrative Agent may assume that the Company has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or such Issuing Bank the amount due. In such event, if the Company has not in fact made such payment, then each of the Lenders or such Issuing Bank severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or such Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Federal Funds Effective Rate.

(e) If any Lender or Issuing Bank shall fail to make any payment required to be made by it pursuant to Section 2.05(d) or (e), 2.06(b) or 2.17(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender or such Issuing Bank to satisfy such Lender or such Issuing Bank's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.18. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.14, or if the Company is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.16, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.14 or 2.16, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Company hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.14, or if the Company is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.16, or if any Lender defaults in its obligation to fund Loans hereunder, then the Company may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement (other than any outstanding Competitive Loans held by it) to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Company shall have received the prior written consent of the Administrative Agent (and if a Revolving Commitment is being assigned, each Issuing Bank), which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans (other than Competitive Loans) and participations in LC Disbursements, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Company (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.14 or payments required to be made pursuant to Section 2.16, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Company to require such assignment and delegation cease to apply.

### ARTICLE III

#### Representations and Warranties

The Company represents and warrants to each of the Lenders and Issuing Banks as follows:

##### SECTION 3.01. Corporate Existence and Power; Compliance with Law.

The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation. The Company is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, does not constitute a Material Adverse Effect.

SECTION 3.02. Corporate Authority. The execution, delivery and performance by the Company of this Agreement and each Note executed by the Company have been duly authorized by all necessary corporate action and are within the Company's corporate power, do not require the approval of the shareholders of the Company, and will not violate any provision of law or of its certificate of incorporation or other constitutive document or by-laws, or result in the breach of or constitute a default

or require any consent under, or result in the creation of any lien, charge or encumbrance upon any property or assets of the Company pursuant to, any indenture or other agreement or instrument to which the Company is a party or by which the Company or its property may be bound or affected. The execution, delivery and performance by the Company of this Agreement and each Note executed by the Company do not require any license, consent or approval of or advance notice to or advance filing with any governmental agency or regulatory authority or any other third party, or if required, any such license, consent or approval shall have been obtained and any such notice or filing shall have been made.

SECTION 3.03. Enforceability. This Agreement is, and each Note when delivered by the Company hereunder will be, duly executed and delivered by the Company and does or will constitute the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms except as enforceability may be limited by general principles of equity and bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by moratorium laws from time to time in effect.

SECTION 3.04. Financial Condition. The audited consolidated financial statements of the Company for the fiscal year ended December 31, 2003, reported on by Ernst & Young, LLP, heretofore furnished to the Lenders fairly present in all material respects the consolidated financial condition of the Company and its Consolidated Subsidiaries as at the date thereof and the results of their operations for the period covered thereby. The unaudited interim consolidated financial statements of the Company for the quarterly period ended September 30, 2004, heretofore furnished to the Lenders fairly present in all material respects the consolidated financial condition of the Company and its Consolidated Subsidiaries as at the date thereof and the results of their operations for the period covered thereby (subject to normal year-end audit adjustments). Said financial statements were prepared in accordance with GAAP. Since December 31, 2003, there has been no Material Adverse Effect.

SECTION 3.05. Litigation. There are no suits or proceedings (including proceedings by or before any arbitrator, government commission, board, bureau or other administrative agency) pending or, to the knowledge of the Company, threatened against or affecting the Company or any of its Consolidated Subsidiaries that constitute a Material Adverse Effect.

SECTION 3.06. ERISA. The Company has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each employee benefit plan of the Company subject to such standards and is in compliance in all material respects with the applicable provisions of ERISA, and has not incurred any liability to the PBGC or any employee benefit plan of the Company under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

SECTION 3.07. Environmental Matters. Each of the Company and its Consolidated Subsidiaries has obtained all permits, licenses and other authorizations which are required under all Environmental Laws, including laws relating to emissions,

discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment (including, without limitation, ambient air, surface water, ground water or land), or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemical, or industrial, toxic or hazardous substances or wastes, except to the extent failure to have any such permit, license or authorization does not constitute a Material Adverse Effect. The Company and its Consolidated Subsidiaries are in compliance with all terms and conditions of all required permits, licenses and authorizations, and are also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables, contained in those laws or contained in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, except to the extent failure to comply does not constitute a Material Adverse Effect.

SECTION 3.08. Federal Regulations. No part of the proceeds of any Loans will be used for any purpose which violates the provisions of the Regulations of the Board including, without limitation, Regulations T, U and X of the Board as in effect from time to time.

SECTION 3.09. Investment and Holding Company Status. Neither the Company nor any of its Consolidated Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.10. Scheduled Debt. Schedule 3.10 sets out all of the Debt for borrowed money of the Consolidated Subsidiaries of Company as of the date hereof of which the Company, having made all due inquiry, is, at the date hereof, aware (the "Scheduled Debt").

#### ARTICLE IV

##### Conditions

SECTION 4.01. Conditions to Effective Date. The obligations of the Lenders to make Revolving Loans to the Company and of the Issuing Banks to issue Letters of Credit for the account of the Company shall not become effective until the date on which each of the following conditions are satisfied (or waived in accordance with Section 9.02):

(a) The Administrative Agent shall have received at least one executed counterpart of this Agreement from the Company, each Agent, each Issuing Bank and each Lender, and arrangements satisfactory to the Administrative Agent shall have been made for the delivery of additional executed counterparts, sufficient in



number for distribution to the Agents, the Issuing Banks, the Lenders and the Company, together with all Exhibits thereto;

(b) The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent, the Issuing Banks and the Lenders and dated the Effective Date) of J. Barclay Collins, II, general counsel to the Company, substantially in the form of Exhibit C;

(c) The Administrative Agent shall have received documents and certificates relating to the organization, existence and good standing of the Company, the authorization of the Transactions, the incumbency of the persons executing this Agreement on behalf of the Company and any other legal matters relating to the Company, this Agreement or the Transactions reasonably requested by the Administrative Agent or the Lenders, all in form and substance satisfactory to the Administrative Agent;

(d) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Company, confirming compliance as of the Effective Date with the conditions set forth in paragraphs (a) and (b) of Section 4.02;

(e) The Administrative Agent and each Lender (and its Affiliates) shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Company hereunder;

(f) The Commitments under the Existing Credit Agreement shall have been terminated, all principal, interest, fees and other amounts outstanding, accrued or otherwise owing thereunder shall have been paid and all letters of credit outstanding thereunder shall have expired or been terminated or shall be Existing Letters of Credit;

SECTION 4.02. Conditions to Each Credit Event. The obligation of each Lender to make a Loan to the Company on the occasion of any Borrowing, and the obligation of each Issuing Bank to issue, renew, extend or increase the amount of any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Company set forth in this Agreement shall be true and correct on and as of the date of such Credit Event.

(b) At the time of and immediately after giving effect to such Credit Event, no Default shall have occurred and be continuing.

Each Credit Event shall be deemed to constitute a representation and warranty by the Company on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

## ARTICLE V

## Affirmative Covenants

Until the Commitments have expired or been terminated, the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full, and Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, the Company covenants and agrees with the Lenders that:

SECTION 5.01. Financial Statements and Other Information. The Company will furnish to each Lender:

(a) as soon as available and in any event within 100 days after the end of each of its fiscal years, a copy of the Company's Form 10-K for such fiscal year filed with the SEC containing a consolidated balance sheet as at the close of such fiscal year, statements of consolidated income and retained earnings and a statement of consolidated cash flows for such year, setting forth in comparative form the corresponding figures for the preceding fiscal year and certified by Ernst & Young, LLP, or other independent public accountants selected by the Company and satisfactory to the Lenders (it being agreed that (i) no breach of the requirements of this Section shall occur as a result of a change in the reporting requirements of the SEC and (ii) in the event any of the financial statements referred to in this paragraph shall no longer be required to be included in the Company's Form 10-K, the Company shall nevertheless furnish such financial statements);

(b) as soon as available and in any event within 60 days after the end of each of the first three quarters of each of its fiscal years, a copy of the Company's Form 10-Q for each such quarter filed with the SEC containing a consolidated balance sheet as at the end of such quarter, a statement of consolidated income and a statement of consolidated cash flows for such period, prepared on a basis consistent with the corresponding period of the preceding fiscal year, except as disclosed in said financial statements or otherwise disclosed to the Lenders in writing, and certified by a Financial Officer of the Company, subject however, to year-end and audit adjustments (it being agreed that in the event such financial statements of the Company shall no longer be required to be included in Form 10-Q, the Company shall nevertheless furnish such financial statements);

(c) within 120 days after the end of each fiscal year of the Company, a certificate of the independent public accountants referred to in paragraph (a) above as to whether, during the course of their examination of the Company's financial statements, they obtained any knowledge of any Default, insofar as such Default involves accounting matters;

(d) within 120 days after the end of each fiscal year of the Company and within 60 days after the end of each of the first three quarters of each fiscal year of the Company, a statement, signed by a Financial Officer of the Company, setting

forth the computations of the Company Capitalization Ratio and, if the Company is at such time required to comply with Section 6.06, the Leverage Ratio as of the end of each such fiscal year and each such quarter;

(e) promptly after the sending or filing thereof, copies of all proxy statements, financial statements and regular or special reports (other than reports on Form 10-K and Form 10-Q but including those on Form 8-K) and registration statements under the Securities Act of 1933, as amended (other than those on Form S-8 or any successor form relating to the registration of securities offered pursuant to any employee benefit plan) which the Company sends to its stockholders or files with the SEC (or any successor governmental authority);

(f) as soon as available and in any event within 120 days after the end of each fiscal year of the Company, a consolidating balance sheet of the Company and its Consolidated Subsidiaries as at the close of such fiscal year and consolidating statements of income and retained earnings of the Company and its Consolidated Subsidiaries for such year;

(g) promptly following a request therefor, any documentation or other information that a Lender reasonably requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the USA Patriot Act; and

(h) from time to time such further information regarding the business, affairs and financial condition of the Company and its Subsidiaries as the Lenders shall reasonably request.

Information required to be delivered pursuant to Section 5.01(a) shall be deemed to have been delivered on the date on which the Company provides notice to the Lenders that such information has been posted on the Company's website on the Internet at <http://www.hess.com> or at <http://www.sec.gov>; provided that the Company shall deliver paper copies of the information referred to in Section 5.01(a) after the date delivery is required thereunder to any Lender which requests such delivery within 5 Business Days after such request.

SECTION 5.02. Notices of Material Events. The Company will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Company or any Affiliate thereof that constitutes a Material Adverse Effect; and

(c) any other development that constitutes a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Company setting forth the details of the

event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Existence; Conduct of Business. The Company will, and will cause each of its Consolidated Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises necessary to the conduct of its business, except, in the case of the legal existence of any such Consolidated Subsidiary or any such right, license, permit, privilege or franchise, where the failure to so preserve, renew and keep in full force and effect does not constitute a Material Adverse Effect; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.02.

SECTION 5.04. Compliance with Contractual Obligations. The Company will, and will cause each of its Consolidated Subsidiaries to, comply with all its Contractual Obligations except to the extent that failure to comply therewith does not, in the aggregate, constitute a Material Adverse Effect.

SECTION 5.05. Insurance. The Company will, and will cause each of its Consolidated Subsidiaries to, maintain in full force and effect such policies of insurance in such amounts issued by insurers of recognized responsibility covering the properties and operations of the Company and its Consolidated Subsidiaries as is customarily maintained by corporations engaged in the same or similar business in the localities where the properties and operations are located, including but not limited to insurance in connection with the disposal, handling, storage, transportation or generation of hazardous materials; provided, however, that nothing shall prevent the Company or any of its Consolidated Subsidiaries from effecting workers' compensation or similar insurance in respect of operations in any state or other jurisdiction through an insurance fund operated by such state or jurisdiction or from maintaining a system or systems of self-insurance covering its properties or operations as provided above to the extent that such self-insurance is customarily effected by corporations engaged in the same or similar businesses similarly situated and is otherwise prudent in the circumstances.

SECTION 5.06. Compliance with Laws. The Company will, and will cause each of its Consolidated Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, does not constitute a Material Adverse Effect.

SECTION 5.07. Use of Proceeds. The proceeds of the Loans will be applied by the Company:

(a) to repay amounts outstanding under the Existing Credit Agreement and to refinance amounts outstanding from time to time under the Company's commercial paper program;

(b) to meet part of the working capital and general corporate requirements of the Company and its Subsidiaries including the payment of maturing commercial paper; and

(c) for general corporate purposes.

The Letters of Credit will be used for general corporate purposes of the Company and its Subsidiaries. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations T, U and X of the Board as in effect from time to time.

## ARTICLE VI

### Negative Covenants

Until the Commitments have expired or been terminated, the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full, and Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, the Company covenants and agrees with the Lenders that:

SECTION 6.01. Liens. The Company will not, and will not permit any of its Consolidated Subsidiaries to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) any Lien on any property or asset of the Company or any of its Consolidated Subsidiaries existing on the date hereof and set forth in Schedule 6.01; provided that (i) such Lien shall not apply to any other property or asset of the Company or any of its Consolidated Subsidiaries and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(c) any Lien existing on any property or asset prior to the acquisition thereof by the Company or any of its Consolidated Subsidiaries or existing on any property or asset of any Person that becomes a Consolidated Subsidiary after the date hereof prior to the time such Person becomes a Consolidated Subsidiary; provided ----- that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Consolidated Subsidiary, (ii) such Lien shall not apply to any other property or assets of the Company or any of its Consolidated Subsidiaries and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Consolidated Subsidiary, and extensions, renewals and

replacements thereof that do not increase the outstanding principal amount thereof;

(d) Liens securing or consisting of Debt of the Company and its Consolidated Subsidiaries incurred to finance the acquisition of fixed or capital assets; provided that (i) such Liens shall be created substantially simultaneously with such acquisition, (ii) such Liens securing such Debt do not at any time encumber any property other than the property financed by such Debt and (iii) the principal amount of Debt secured by any such Lien shall at no time exceed 100% of the original purchase price of such assets (in the case of a purchase) or fair value of such property at the time it was acquired (in all other cases);

(e) Liens to secure Debt of the Company and its Consolidated Subsidiaries not otherwise permitted by this Section 6.01, to the extent that the aggregate Debt secured thereby does not exceed 15% of the Consolidated Net Tangible Assets of the Company and its Consolidated Subsidiaries; and

(f) Liens on assets of any Consolidated Subsidiary of the Company securing indebtedness owed to the Company or any other Consolidated Subsidiary of the Company.

SECTION 6.02. Fundamental Changes. (a) The Company will not consolidate with or merge into any other Person, or permit any Person to merge or consolidate into it, or make any sale or other disposition of all or substantially all of its assets to, or acquire substantially all of the assets of, any other Person, or liquidate or dissolve unless:

(i) the survivor of any such merger or consolidation or the purchaser or acquiror of such assets shall be a corporation incorporated under the laws of one of the States of the United States and not more than 25% of the voting stock (assuming the conversion of all convertible securities and exercise of all options, rights or warrants) of such survivor or such purchaser shall be owned by such other Person or its owners and shareholders;

(ii) such survivor or such purchaser (if not the Company) shall expressly assume the obligations of the Company under this Agreement pursuant to documentation in form and substance satisfactory to the Administrative Agent; and

(iii) at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing and the Company shall have furnished the Administrative Agent with evidence of compliance with the provisions of this Section 6.02.

(b) The Company will not, and will not permit any of its Consolidated Subsidiaries to, engage to any material extent in any business other than energy-related businesses.

SECTION 6.03. Restrictive Agreements. The Company will not, and will not permit any of its Consolidated Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon the ability of any Significant Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to the Company.

SECTION 6.04. Future Subsidiary Guaranties. The Company will not permit any Subsidiary to Guaranty any other Debt of the Company unless such Subsidiary simultaneously executes a guaranty agreement in a form and substance reasonably satisfactory to the Administrative Agent for the Guaranty of the payment of the obligations hereunder; provided, however, that the Company shall not be obligated to provide any such Guaranty if the provision of such Guaranty would result in an adverse Tax consequence to the Company or its Subsidiaries.

SECTION 6.05. Capitalization Ratio. The Company shall not permit the Company Capitalization Ratio to exceed 0.625 to 1.000.

SECTION 6.06. Leverage Ratio. At any time when the Applicable Margin with respect to a Eurodollar Revolving Loan would be determined by reference to Level IV or Level V of the table included in the definition of "Applicable Margin", the Company shall not permit the Leverage Ratio at any time to exceed 3.50 to 1.00; provided, however, that if at any time after the date hereof the Company's Public Debt Ratings from Moody's and S&P shall simultaneously be Baa3 or higher and BBB- or higher, respectively, this Section shall cease to be of any further force or effect and shall be deemed deleted from this Agreement.

## ARTICLE VII

### Events of Default

If any of the following events ("Events of Default") shall occur:

(a) the Company shall be in default in the payment when due of any principal of any Loan on the maturity date thereof or any reimbursement obligation in respect of any LC Disbursement on the date on which the same shall become due;

(b) the Company shall be in default for five days in the payment when due of any interest on any Loan or any other amount (other than principal) due hereunder;

(c) any representation or warranty made or deemed made by the Company in Article III or in any certificate of the Company furnished to the Administrative Agent, any Issuing Bank or any Lender hereunder shall prove to have been incorrect, when made or deemed made, in any material respect; provided,

however, that no such representation or warranty contained in Section 3.04 or 3.05 shall be deemed to have been incorrect when made by the Company by reason of any facts or circumstances disclosed in any financial statements or reports furnished under Section 5.01 and received by the Lenders not later than 45 days prior to, or otherwise specifically disclosed in writing to the Lenders at least 15 days prior to, the date such representation and warranty is made or deemed to be made in connection with the entering into of this Agreement or in connection with the making of a Loan to the Company on the occasion of any Borrowing as contemplated in Section 4.02;

(d) the Company shall be in default in the performance of (i) any covenant contained in Section 5.07, 6.01, 6.02, 6.03, 6.04, 6.05 or 6.06 for five consecutive days after such default shall have become known to the Company, or (ii) any other covenant, condition or agreement contained in this Agreement for 30 consecutive days after such default shall have become known to the Company;

(e) any obligation of the Company in respect of any Material Indebtedness now or hereafter outstanding shall become due by its terms whether by acceleration or otherwise and shall not be paid, extended or refunded or any default or event of default shall occur in respect of any such obligation and shall continue for a period of time sufficient to cause or permit the acceleration of maturity thereof, or the Company shall fail to pay any Swap Payment Obligation of the Company in excess of \$10,000,000 when due and payable (whether by acceleration or otherwise), unless the Company is contesting such Swap Payment Obligation in good faith by appropriate proceedings and has set aside appropriate reserves relating thereto in accordance with GAAP; provided that in the case of any guaranties, endorsements and other contingent obligations in respect of any such obligation for borrowed money of an entity other than the Company (all of the foregoing being herein called "Accommodation Guaranty Indebtedness"), a default with respect to any evidence of Accommodation Guaranty Indebtedness of the Company or under any agreement under which any such evidence of Accommodation Guaranty Indebtedness may be outstanding shall constitute an Event of Default hereunder only if there shall have been a default in the performance by the Company of its obligations with respect to such Accommodation Guaranty Indebtedness and such default shall continue for more than 30 days after a holder or beneficiary of such Accommodation Guaranty Indebtedness shall have demanded the performance of such obligation;

(f) final judgment for the payment of money in excess of \$10,000,000 shall be rendered against the Company and the same shall remain undischarged for a period of 60 days during which the judgment shall not be on appeal or execution thereof shall not be effectively stayed;

(g) the Company or any of its Significant Subsidiaries shall (i) apply for or consent to the appointment of a receiver, trustee, administrator or liquidator of itself or of all or a substantial part of its assets, (ii) be unable, or admit in writing its inability or failure, to pay its debts generally, (iii) make a general assignment



for the benefit of creditors, (iv) be adjudicated a bankrupt or insolvent, (v) commence any case, proceeding or other action under any existing or future law relating to bankruptcy, insolvency, reorganization or relief of debtors seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or its debts or an arrangement with creditors or taking advantage of any insolvency law or proceeding for the relief of debtors, or file an answer admitting the material allegations of a petition filed against it in any bankruptcy, reorganization or insolvency proceeding, or (vi) take corporate action for the purpose of effecting any of the foregoing;

(h) any case, proceeding or other action shall be instituted in any court of competent jurisdiction against the Company or any of its Significant Subsidiaries, seeking in respect of the Company or any of its Significant Subsidiaries adjudication in bankruptcy, reorganization, dissolution, winding up, liquidation, administration, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, administrator, liquidator or the like of the Company or any of its Significant Subsidiaries or of all or any substantial part of its assets, or other like relief in respect of the Company or any of its Significant Subsidiaries under any bankruptcy or insolvency law, and such case, proceeding or other action results in an entry of an order for relief or any such adjudication or appointment or if such case, proceeding or other action is being contested by such Company or any of its Significant Subsidiaries in good faith, the same shall continue undismissed, or unstayed and in effect, for any period of 60 consecutive days; or

(i) at any time subsequent to December 31, 2003 and prior to the Maturity Date, Continuing Directors shall fail to constitute at least a majority of the Board of Directors of the Company; for the foregoing purpose, the term "Continuing Directors" means those persons who were directors of the Company on December 31, 2003 and any person whose election or nomination for election as a director of the Company at any time subsequent thereto was approved by at least a majority of the persons who were then Continuing Directors;

then, and in every such event (other than an event with respect to the Company described in clause (g) or (h) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent shall, at the request of the Required Lenders, by notice to the Company, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Company hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company; and in case of any event with respect to the

Company described in clause (g) or (h) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Company hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company.

#### ARTICLE VIII

##### The Administrative Agent

Each of the Lenders and each of the Issuing Banks hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender or Issuing Bank as any other Lender or Issuing Bank and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Company or any of its Subsidiaries thereof or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders, and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Company or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders or all the Lenders to the extent required by Section 9.02 or in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Company or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or

any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Company), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more subagents appointed by the Administrative Agent. The Administrative Agent and any such subagent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such subagent and to the Related Parties of the Administrative Agent and any such subagent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Banks and the Company. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Company, to appoint one of the Lenders a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and in consultation with the Company, appoint one of the Lenders as a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Company to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Company and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent, any Issuing Bank or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will,

independently and without reliance upon the Administrative Agent, any Issuing Bank or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

The Co-Syndication Agents and the Co-Documentation Agents shall not have any duties or responsibilities hereunder in their capacities as such.

#### ARTICLE IX

##### Miscellaneous

SECTION 9.01. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Company, to Amerada Hess Corporation, 1185 Avenue of the Americas, New York, New York 10036, Attention of Treasurer (Telecopy No. (212) 536-8617);

(b) if to the Administrative Agent, to JPMorgan Chase Bank, N.A., Loan & Agency Services, 1111 Fannin, 10th Floor, Houston, Texas 77002, Attention of Claudette Reid (Fax No. (713) 427-6307);

(c) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire; and

(d) if to an Issuing Bank, to it at the address specified in paragraph (c) above or, if such Issuing Banks shall not also be a Lender, to it at the address most recently specified by it in a notice delivered to the Administrative Agent and the Company.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 9.02. Waivers; Amendments. (a) No failure or delay by the Administrative Agent, any Issuing Bank or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Banks

and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Company therefrom shall in any event be effective unless the same shall be permitted by this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Issuing Bank or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Company and the Required Lenders or by the Company and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender and Issuing Bank affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees or any other amount payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.17(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender, or (v) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder without the written consent of each Lender; provided further that (A) no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent and (B) no amendment, modification or waiver of this Agreement or any provision hereof that would alter the rights or duties of any Issuing Bank hereunder shall be effective without the written consent of such Issuing Bank.

SECTION 9.03. Expenses; Indemnity; Damage Waiver. (a) The Company agrees to pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all out-of-pocket expenses incurred by the Administrative Agent, any Issuing Bank or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent, any Issuing Bank or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made hereunder, including in connection with any workout, restructuring or negotiations in respect thereof.

(b) The Company agrees to indemnify the Administrative Agent, each Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnatee") against, and hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnatee, incurred by or asserted against any Indemnatee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by an Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Company or any of its Subsidiaries, or any Environmental Liability related in any way to the Company or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnatee is a party thereto; provided that such indemnity shall not, as to any Indemnatee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnatee or its Affiliates or from a breach of this Agreement by such Indemnatee.

(c) To the extent that the Company fails to pay any amount required to be paid by it to the Administrative Agent or any Issuing Bank under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent or such Issuing Bank, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or such Issuing Bank in its capacity as such.

(d) To the extent permitted by applicable law, the Company shall not assert, and hereby waives, any claim against any Indemnatee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 9.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of an Issuing Bank that issues any Letter of Credit), except that the Company may not assign or

otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Company without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, Participants and the Related Parties of the Administrative Agent, the Issuing Banks and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans and participations in LC Disbursements at the time owing to it); provided that (i) each of the Company (except that (A) in the case of an assignment to a Lender or an Affiliate of a Lender or (B) upon the occurrence and during the continuance of an Event of Default, the consent of the Company shall not be required), the Administrative Agent and in the case of any assignment of a Commitment, each Issuing Bank must give their prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 unless each of the Company and the Administrative Agent otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, except that this clause (iii) shall not apply to rights in respect of outstanding Competitive Loans, (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together (except in the case of an assignment by a Lender to one of its Affiliates or an assignment as a result of any of the events contemplated by Section 2.18) with a processing and recordation fee of \$3,500, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. Upon acceptance and recording pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.14, 2.15, 2.16 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Company, shall maintain at one of its offices in The City of New York a copy of each

Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Company, the Administrative Agent, the Lenders and the Issuing Banks may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Company, any Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of any of the Company, the Administrative Agent or the Issuing Banks, sell participations to one or more banks or other entities (each a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Company, the Administrative Agent, the Issuing Banks and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Company agrees that each Participant shall be entitled to the benefits of Sections 2.14, 2.15 and 2.16 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.14 or 2.16 than the applicable Lender would have been entitled to receive with respect to the participations sold to such Participant, unless the sale of the participations to such Participant is made with the Company's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.16 unless the Company is notified of the participations sold to such



Participant and such Participant agrees, for the benefit of the Company, to comply with Section 2.16(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any such pledge or assignment to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by the Company herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Commitments have not expired or terminated. The provisions of Sections 2.14, 2.15, 2.16 and 9.03 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06. USA Patriot Act. Each Lender hereby notifies the Company that pursuant to the requirements of the USA Patriot Act, it is required to obtain, verify and record information that identifies the Company, which information includes the name and address of the Company and other information that will allow such Lender to identify the Company in accordance with its requirements.

SECTION 9.07. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.08. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.09. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Company against any of and all the obligations of the Company now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.10. Governing Law; Jurisdiction; Consent to Service of Process; Process Agent; Waiver of Immunity. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) The Company hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any Lender or Issuing Bank may otherwise have to bring any action or proceeding relating to this Agreement against the Company or its properties in the courts of any jurisdiction.

(c) The Company hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) The Company and each other party to this Agreement irrevocably consents to service of process in the manner provided for notices to it in Section 9.01.

Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.11. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.12. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.13. Confidentiality. Each of the Administrative Agent and the Lenders and the Issuing Banks agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisers (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any securitization, swap or derivatives transaction relating to the Company, any Subsidiaries and the obligations hereunder, (g) with the consent of the Company or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, any Lender or any Issuing Bank on a nonconfidential basis from a source other than the Company. For the purposes of this Section, "Information" means all information received from the Company relating to the Company or its business, other than any such information that is available to the Administrative Agent, any Lender or any Issuing Bank on a nonconfidential basis prior to disclosure by the Company; provided that, in the case of information received from the Company after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of

Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

AMERADA HESS CORPORATION,

By /s/ Robert J. Vogel

-----  
Name: Robert J. Vogel  
Title: vice President and Treasurer

JPMORGAN CHASE BANK, N.A.,  
individually, as Administrative Agent and as  
an Issuing Bank,

By /s/ Beth Lawrence

-----  
Name: Beth Lawrence  
Title: Managing Director

BANK OF AMERICA, N.A., individually,  
and as an Issuing Bank,

By /s/ Ronald E. Mckaig

-----  
Name: Ronald E. Mckaig  
Title: Senior Vice President

CITIBANK, N.A., individually, and as an  
Issuing Bank,

By /s/ Clinton Gerst

-----  
Name: Clinton Gerst  
Title: Attorney in fact

BNP PARIBAS, individually, and as an  
Issuing Bank,

by  
/s/ Brian M. Malone

---

Name: Brian M. Malone  
Title: Managing Director

BNP PARIBAS, individually, and as an  
Issuing Bank,

by  
/s/ Greg Smothers

---

Name: Greg Smothers  
Title: Vice President

BARCLAYS BANK PLC, individually, and  
as an Issuing Bank,

by  
/s/ David Barton

---

Name: David Barton  
Title: Manager

THE ROYAL BANK OF SCOTLAND  
PLC, individually, and as an Issuing Bank,

by  
/s/ Paul McDonagh

---

Name: Paul McDonagh  
Title: Sr Vice President

THE BANK OF NOVA SCOTIA,  
individually, and as an Issuing Bank,

by  
/s/ N. Bell

---

Name: N. Bell  
Title: Senior Manager

BAYERISCHE LANDESBANK,  
individually, and as an Issuing Bank,

By

/s/ Dietmar Rieg  
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Name: Dietmar Rieg  
Title: Senior Vice President

BAYERISCHE LANDESBANK,  
individually, and as an Issuing Bank,

By

/s/ Norman McClave  
-----

Name: Norman McClave  
Title: First Vice President

SIGNATURE PAGE TO THE AMERADA  
HESS CORPORATION FIVE-YEAR  
CREDIT AGREEMENT DATED AS OF  
DECEMBER 10, 2004

Name of Financial Institution: DnB NOR Bank ASA

by

/s/ Peter M. Dodge

-----  
Name: Peter M. Dodge  
Title: First Vice President

by

/s/ Stig Kristiansen

-----  
Name: Stig Kristiansen  
Title: Vice President



SIGNATURE PAGE TO THE AMERADA  
HESS CORPORATION FIVE-YEAR  
CREDIT AGREEMENT DATED AS OF  
DECEMBER 10, 2004

The Bank of Tokyo-Mitsubishi, Ltd.,  
New York Branch

By

/s/ Lillian Kim

-----  
Name: Lillian Kim

Title: Authorized Signatory

SIGNATURE PAGE TO THE AMERADA  
HESS CORPORATION FIVE-YEAR  
CREDIT AGREEMENT DATED AS OF  
DECEMBER 10, 2004

Name of Financial Institution: Mizuho Corporate Bank, Ltd.

By

/s/ Greg Botshon

-----  
Name: Greg Botshon

Title: Senior Vice President

SIGNATURE PAGE TO THE AMERADA  
HESS CORPORATION FIVE-YEAR  
CREDIT AGREEMENT DATED AS OF  
DECEMBER 10, 2004

Name of Financial Institution: Standard Chartered Bank

By

/s/ John Robinson

-----  
Name: John Robinson  
Title: SVP

By

/s/ Robert K. Reddington

-----  
Name: Robert K. Reddington  
Title: AVP/Credit Documentation  
Standard Chartered Bank

SIGNATURE PAGE TO THE AMERADA HESS  
CORPORATION FIVE-YEAR CREDIT AGREEMENT  
DATED AS OF DECEMBER 10, 2004

UBS LOAN FINANCE LLC

By /s/ Joselin Fernandes

-----  
Name: Joselin Fernandes  
Title: Associate Director  
Banking Products  
Services, US

By /s/ Doris Mesa

-----  
Name: Doris Mesa  
Title: Associate Director  
Banking Products  
Services, US

SIGNATURE PAGE TO THE AMERADA HESS  
CORPORATION FIVE-YEAR CREDIT AGREEMENT  
DATED AS OF DECEMBER 10, 2004

Name of Financial Institution:  
UFJ Bank Limited, New York Branch

By /s/ L.J. Perenyi

-----  
Name: L.J. Perenyi  
Title: Vice President

WACHOVIA BANK, NATIONAL ASSOCIATION

By /s/ Russell Clingman

-----  
Name: Russell Clingman

Title: Director

SIGNATURE PAGE TO THE AMERADA HESS  
CORPORATION FIVE-YEAR CREDIT AGREEMENT  
DATED AS OF DECEMBER 10, 2004

SUMITOMO MITSUI BANKING CORPORATION

By /s/ Leo E. Pagarigan

-----  
Name: Leo E. Pagarigan  
Title: Senior Vice President

SIGNATURE PAGE TO THE AMERADA  
HESS CORPORATION FIVE-YEAR  
CREDIT AGREEMENT DATED AS  
OF DECEMBER 10, 2004

Name of Financial Institution: The Bank of New York

By

/s/ David T. Sunderwirth

-----  
Name: David T. Sunderwirth  
Title: Vice President



SIGNATURE PAGE TO THE AMERADA  
HESS CORPORATION FIVE-YEAR  
CREDIT AGREEMENT DATED AS OF  
DECEMBER 10, 2004

Name of Financial Institution: WESTLB AG, New York Branch

by

/s/ Walter T. Duffy III

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Name: Walter T. Duffy III

Title: Director

by

/s/ Paul Verdi

-----

Name: Paul Verdi

Title: Associate Director

SIGNATURE PAGE TO THE AMERADA  
HESS CORPORATION FIVE-YEAR  
CREDIT AGREEMENT DATED AS OF  
DECEMBER 10, 2004

Name of Financial Institution: ABN AMRO Bank N.V.

by

/s/ Frank R. Russo, Jr.

-----

Name: Frank R. Russo, Jr.

Title: Vice President

by

/s/ John D. Reed

-----

Name: John D. Reed

Title: Vice President





9/15/04  
61621391  
\$22,742,229.00  
9/15/05  
Citibank, N.A.  
9/16/04  
61621463  
\$700,000.00  
9/16/05  
Citibank, N.A.  
10/14/04  
61623263  
\$49,300,000.00  
1/23/06  
Citibank, N.A.  
10/18/04  
61623743  
\$35,200,000.00  
1/26/06 BNP  
Paribas 9/2/04  
91877703  
\$38,100,000.00  
1/23/06 The  
Bank of Nova  
Scotia 9/15/04  
96115/80085  
\$77,290,000.00  
1/23/06  
JPMorgan Chase  
Bank, N.A.  
9/2/04 P-250593  
\$62,700,000.00  
1/23/06  
JPMorgan Chase  
Bank, N.A.  
9/2/04 P-250594  
\$100,000.00  
1/9/05 The  
Royal Bank of  
Scotland plc  
9/13/04  
LCA09130400843NY  
\$70,000.00  
9/13/05 The  
Royal Bank of  
Scotland plc  
9/20/04  
LCA09200400845Y  
\$10,000.00  
9/20/05 The  
Royal Bank of  
Scotland plc  
10/18/04  
LCA10180400854NY  
\$16,700,000.00  
1/18/05



Amerada Hess Corporation and Consolidated Subsidiaries  
 Existing Company Liens  
 (in thousands)

As of	
Liens	
9/30/04 -	
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-----	
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Baldpate	
Platform	
Lease	
\$104,600	
Enchilada	
Platform	
Lease	
54,849	
Brittania	
Capitalized	
Lease	
6,555 AH	
(ACG)	
Finance	
Co. Phase	
I Debt	
6,720	
Mortgage	
Payable -	
Marketing	
2,692 ----	
---- Total	
Existing	
Company	
Liens	
\$175,416	
=====	

FORM OF  
ASSIGNMENT AND ACCEPTANCE

This Assignment and Acceptance (the "Assignment and Acceptance") is dated as of the Effective Date set forth below and is entered into by and between [Insert name of Assignor] (the "Assignor") and [Insert name of Assignee] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Acceptance as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the Credit Agreement (including any letters of credit included in such facility) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Acceptance, without representation or warranty by the Assignor.

- 1. Assignor: -----
  
- 2. Assignee: -----  
[an Affiliate of [Lender]]
  
- 3. Company: AMERADA HESS CORPORATION
  
- 4. Administrative Agent: JPMORGAN CHASE BANK, N.A., as the  
Administrative Agent under the Credit  
Agreement



5. Credit Agreement: Credit Agreement dated as of December [ ], 2004, among AMERADA HESS CORPORATION, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other agents and issuing banks parties thereto

6. Assigned Interest:

Aggregate Amount of Commitment/Loans/LC Exposure for all Lenders	Amount of Commitment/Loans/ LC Exposure Assigned	Percentage Assigned of Commitment/ Loans/LC Exposure(1)
\$	\$	%

Effective Date: \_\_\_\_\_, 20\_\_\_\_ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

-----  
(1) Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans/LC Exposure of all Lenders thereunder.

The terms set forth in this Assignment and Acceptance are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: \_\_\_\_\_  
Name:  
Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By: \_\_\_\_\_  
Name:  
Title:

Consented to and accepted:

JPMORGAN CHASE BANK, N.A.,  
as Administrative Agent

By: \_\_\_\_\_  
Name:  
Title:

[ISSUING BANK],  
as Issuing Bank

By: \_\_\_\_\_  
Name:  
Title:

[Consented to:](2)

AMERADA HESS CORPORATION

By: \_\_\_\_\_

Name:

Title:

- - - - -

(2) The Company's consent will not be required if an Event of Default has occurred and is continuing or the assignment is to an Affiliate of the Assignor.

## AMERADA HESS CORPORATION CREDIT AGREEMENT

STANDARD TERMS AND CONDITIONS FOR  
ASSIGNMENT AND ACCEPTANCE

## 1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the financial condition of the Company, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iii) the performance or observance by the Company, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement and the other Loan Documents as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement and the other Loan Documents, together with copies of the most recent financial statements delivered pursuant to Section 5.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) if it is a Lender organized under the laws of a jurisdiction outside the United States, attached to this Assignment and Acceptance is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement and the other Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Acceptance shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Acceptance may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Acceptance by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance. This Assignment and Acceptance shall be governed by, and construed in accordance with, the law of the State of New York.

FORM OF NOTE

\$ \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_

FOR VALUE RECEIVED, the undersigned, AMERADA HESS CORPORATION, a Delaware corporation (the "Company"), unconditionally promises to pay to the order of \_\_\_\_\_ (the "Lender") the principal sum of \_\_\_\_\_ DOLLARS (\$\_\_\_\_\_) or, if less, the aggregate unpaid principal amount of all Loans made by the Lender pursuant to the Credit Agreement dated as of December [ ], 2004 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Credit Agreement"), among the Company, the financial institutions (including the Lender) from time to time parties thereto, JPMorgan Chase Bank, N.A., as the Administrative Agent, and each of the other agents and issuing banks party thereto from time to time, on such dates and in such amounts as are set forth in the Credit Agreement. The amounts payable under the Credit Agreement may be reduced only in accordance with the terms of the Credit Agreement. Unless otherwise defined, capitalized terms used herein have the meanings provided in the Credit Agreement.

The Company also promises to pay interest on the unpaid principal amount hereof from time to time outstanding from and including the date hereof until maturity (whether by acceleration or otherwise) and, after maturity, until paid, at the rates per annum and on the dates specified in the Credit Agreement.

Payments of both principal and interest are to be made without setoff or counterclaim in lawful money of the United States of America in same day or immediately available funds to the account designated by the Administrative Agent.

This Note is one of the Notes referred to in, and evidences the Loans made by the Lender under, the Credit Agreement, to which reference is made for a statement of the terms and conditions on which the Company is permitted and required to make prepayments and repayments of principal of the indebtedness evidenced by this Note and on which such indebtedness may be declared to be or shall automatically become immediately due and payable.

THIS NOTE AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Amerada Hess Corporation

By: \_\_\_\_\_  
Name:  
Title:

LOAN AND PRINCIPAL PAYMENTS

Date -----	Amount of Loan -----	Amount of Principal Repaid -----	Unpaid Principal Balance -----	Notations Made By -----
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AMERADA HESS CORPORATION

1185 Avenue of the Americas  
New York, New York 10036

J. BARCLAY COLLINS, II  
Executive Vice President  
And General Counsel  
(212) 536-8577  
FAX: (212) 536-8339

[FORM OF]

December 10, 2004

JPMorgan Chase Bank, N.A.  
as Administrative Agent  
270 Park Avenue  
New York, New York 10017

The Lenders, Issuing Banks and other agents party to the Credit Agreement referred to below from time to time

Ladies and Gentlemen:

I am the general counsel to Amerada Hess Corporation, a Delaware corporation (the "Company"), and have acted as such in connection with the preparation, execution and delivery of the Five-Year Credit Agreement, dated as of December 10, 2004 (the "Credit Agreement"), among the Company, the several banks and other financial institutions from time to time parties thereto (the "Lenders"), JPMorgan Chase Bank, N.A., as administration agent (in such capacity, the "Administration Agent") and J.P. Morgan Securities Inc., as sole lead arranger and sole bookrunner and the other agents from time to time parties thereto.

The opinions expressed below are furnished to you pursuant to Section 4.01(b) of the Credit Agreement. Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

In arriving at the opinions expressed below, I have examined the following documents:

(a) the Credit Agreement and any Notes signed by the Company (the Credit Agreement and any such Notes being hereinafter referred to collectively as the "Transaction Documents"); and

(b) such corporate documents and records of the Company and such other instruments and certificates of public officials, officers and representatives of the Company and other Persons as I have deemed necessary or appropriate for the purpose of the opinion.



In arriving at the opinions expressed below, I have made such investigations of law as I have deemed appropriate as a basis for such opinions.

In rendering the opinions expressed below, I have (a) relied as to certain matters of fact on certificates of the officers of the Company, (b) assumed, with your permission, without independent investigation or inquiry, (i) the authenticity of all documents submitted as originals, (ii) the genuineness of all signatures on all documents that I have examined (other than those of the Company and officers of the Company) and (iii) the conformity to authentic originals of documents submitted as certified, conformed or photostatic copies.

When the opinions expressed below are stated "to the best of my knowledge," I have made reasonable and diligent investigation of the subject matters of such opinions and have no reason to believe that there exist any facts or other information that would render such opinions incomplete or incorrect.

Based upon and subject to the foregoing, I am of the opinion that:

1. The Company is duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its corporation.

2. The Company has the corporate power and authority to own, lease and operate its properties and to conduct the business in which it is currently engaged and is duly qualified to transact business as a foreign corporation or other legal entity and is in good standing or appropriately qualified in each jurisdiction where its ownership, leasing, or operation of property or the conduct of its business requires such qualification, except to the extent that the failure to have such power and authority and the failure to be so qualified and in good standing does not, in the aggregate, constitute a Material Adverse Effect.

3. The Company has the corporate power and authority to make, deliver and perform its obligations under each Transaction Document and to borrow under the Credit Agreement. The Company has taken all necessary corporate action to authorize the borrowings on the terms and conditions of the Credit Agreement and the other Transaction Documents, and to authorize the execution, delivery and performance of the Credit Agreement and each other Transaction Document. No consent or authorization of, notice to, filing with or other act by or in respect of, any Governmental Authority or any other Person is required in connection with (i) the borrowings by the Company under the Credit Agreement or (ii) the execution, delivery and performance by the Company, or the validity or enforceability against the Company, of each Transaction Document.

4. Each Transaction Document has been duly executed and delivered on behalf of the Company. Each Transaction Document constitutes a legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms.

5. The execution and delivery of each Transaction Document by the Company, the performance by the Company of its obligations thereunder, the consummation of the transactions contemplated thereby, the compliance by the Company with any of the

provisions thereof, the borrowings by the Company under the Credit Agreement and the use of proceeds thereof, all as provided therein, (a) will not violate (i) any requirement of law or any regulation or order of any Governmental Authority applicable to the Company or (ii) any Contractual Obligation of the Company or any of its Subsidiaries and (b) will not result in, or require, the creation or imposition of any Lien on any of its or their respective assets or properties pursuant to any such requirement of law (or regulation or order) or Contractual Obligation.

6. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the best of my knowledge, threatened by or against the Company or any of its Subsidiaries or against any of its or their respective properties or revenues (a) with respect to the Credit Agreement or any of the other Transaction Documents or (b) which would constitute a Material Adverse Effect.

7. To the best of my knowledge, neither the Company nor any of its Subsidiaries is in default under or with respect to any Contractual Obligations in any respect which would constitute a Material Adverse Effect.

8. The Company is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company is not subject to regulation under any Federal or state statute or regulation which limits its ability to incur Indebtedness.

9. The use of proceeds of the Loans, as limited by the provisions of the Credit Agreement, does not violate Regulations T, U and X of the Board as in effect from time to time.

The opinions set forth in the second sentence of paragraph 4 above are subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law), including, without limitation, concepts of materiality and reasonableness and an implied covenant of good faith and fair dealing.

I am a member of the bar of the State of New York and the opinions expressed herein are based upon and are limited to the laws of such state, the General Corporation Law of the State of Delaware and the Federal laws of the United States of America.

This opinion has been rendered solely for your benefit and for the benefit of your permitted assignees pursuant to Section 9.04 of the Credit Agreement in connection with the Credit Agreement and the other Transaction Documents and the transactions contemplated thereby and may not be used, circulated, quoted, relied upon or otherwise referred to for any other purpose without my prior written consent; provided, however, that this opinion may be delivered to your regulators, accountants, attorneys and other professional advisers and may be used in connection with any legal or regulatory proceeding relating to the subject matter of this opinion.

Very truly yours,

JBC/jaa

[LETTERHEAD OF COMPANY]

FORM OF  
NOTICE OF LC ACTIVITY

Certificate Date: \_\_\_\_\_, \_\_\_\_\_

AMERADA HESS CORPORATION,  
as the Company  
1185 Avenue of the Americas  
New York, New York 10036  
Facsimile: (212) 536-8617

Attention: Treasurer

JPMorgan Chase Bank, N.A.,  
as the Administrative Agent  
Loan & Agency Department  
1111 Fannin  
Houston, TX 77002  
Facsimile: (713) 427-6307

Attention: Claudette Reid

Re: AMERADA HESS CORPORATION -- NOTICE OF LC ACTIVITY

Ladies and Gentlemen:

This Notice of LC Activity is delivered to you pursuant to Section 2.05(b) of the Credit Agreement dated as of December [ ], 2004 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Credit Agreement"), among AMERADA HESS CORPORATION, a Delaware corporation (the "Company"), the financial institutions from time to time parties thereto as lenders (each individually referred to therein as a "Lender" and, collectively, as the "Lenders"), the Issuing Banks from time to time party thereto, and JPMorgan Chase Bank, N.A., as the Administrative Agent. Unless otherwise defined herein, terms used herein have the meanings provided in the Credit Agreement.

The Issuing Bank hereby gives you notice pursuant to Section 2.05(b) of the Credit Agreement, that the Issuing Bank [issued] [amended] [renewed] [extended] a Letter of Credit pursuant to a Notice of LC Request from the Company. A copy of such Letter of Credit [(as so [amended] [renewed] [extended])] is attached hereto as Exhibit A. The beneficiary of such Letter of Credit is \_\_\_\_\_. The stated amount of such Letter of Credit is \$\_\_\_\_\_. Such Letter of Credit was issued on \_\_\_\_\_ [and the [amendment] [renewal] [extension] thereof became effective on \_\_\_\_\_]. As of the date hereof, \$\_\_\_\_\_ of such Letter of Credit has been drawn on. The expiration date of such Letter of Credit is \_\_\_\_\_.

\_\_\_\_\_, \_\_\_\_\_. [Issuing Bank to add any other information with respect to the amendment, renewal, extension or expiry of, or drawing under, such Letter of Credit as the Administrative Agent may reasonably request.]

-----,  
as Issuing Bank,

By:

-----  
Name:  
Title:

D-2

Exhibit A

[See Attached Letter of Credit]

[LETTERHEAD OF COMPANY]

FORM OF  
NOTICE OF LC REQUEST

Certificate Date: \_\_\_\_\_ , \_\_\_\_\_

\_\_\_\_\_  
as the Issuing Bank

Facsimile: \_\_\_\_\_

Attention: \_\_\_\_\_

JPMorgan Chase Bank, N.A.,  
as the Administrative Agent  
Loan & Agency Department  
1111 Fannin  
Houston, TX 77002  
Facsimile: (713) 427-6307

Attention: Claudette Reid

Re: AMERADA HESS CORPORATION -- NOTICE OF LC REQUEST

Ladies and Gentlemen:

This Notice of LC Request is delivered to \_\_\_\_\_, as an issuing bank (the "Issuing Bank"), pursuant to Section 2.05(b) of the Credit Agreement dated as of December [ ], 2004 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Credit Agreement"), among AMERADA HESS CORPORATION, a Delaware corporation (the "Company"), the financial institutions from time to time parties thereto as lenders (the "Lenders"), the issuing banks from time to time parties thereto (the "Issuing Banks"), and JPMorgan Chase Bank, N.A., as the Administrative Agent. Unless otherwise defined herein, capitalized terms used herein have the meanings provided in the Credit Agreement.

1. [We request that a Letter of Credit (the "Letter of Credit") be issued as provided herein. The amount of the Letter of Credit is \$\_\_\_\_\_]. After giving effect to the issuance of the Letter of Credit, the stated amount of all Letters of Credit issued by the Issuing Bank does not exceed the LC Commitment of the Issuing Bank (unless otherwise agreed by the Issuing Bank) and the Total Exposures of all Lenders does not exceed the aggregate Commitments.] [We request that the [identify Letter of Credit] (the "Letter of Credit") be [amended] [renewed] [extended] as provided herein. After giving effect to the [amendment] [renewal] [extension] of the Letter of Credit, the portion of the LC Exposure attributable to the Letters of Credit issued by the Issuing Bank does not exceed the LC Commitment of the Issuing

Bank (unless otherwise agreed by the Issuing Bank) and the Total Exposures of all Lenders do not exceed the aggregate Commitments.]

2. The proposed date of the requested [issuance] [amendment] [renewal] [extension] of the Letter of Credit is \_\_\_\_\_, \_\_\_\_\_ (which is a Business Day).

3. The expiration date of the Letter of Credit is \_\_\_\_\_, \_\_\_\_\_.(1)

4. [Company to add any other description necessary to prepare, amend, renew or extend the Letter of Credit (including amount of Letter of Credit, beneficiary thereof, drawing conditions, etc.).]

The undersigned Financial Officer of the Company certifies that each of the conditions precedent to the proposed issuance set forth in Section 4.02 of the Credit Agreement has been satisfied.

The Company has caused this Notice of LC Request to be executed and delivered by a Financial Officer of the Company this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

AMERADA HESS CORPORATION

by \_\_\_\_\_  
Name:  
Title:

- - - - -  
(1) Insert date which is at or prior to the close of business on the earlier of (a) the date one year after the date of the issuance of the Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (b) the date that is thirty days prior to the Maturity Date.



PERSONAL & CONFIDENTIAL

Amerada Hess Corporation

Dear,

The Ayco Company, L.P. is pleased to provide Amerada Hess Corporation with a Comprehensive and Executive Counseling Program. Please sign this engagement letter to denote Amerada Hess Corporation's acceptance of Ayco's services for the following agreed-upon fees:

COMPREHENSIVE AND EXECUTIVE COUNSELING PROGRAM FEES:

Corporate Retainer

The Initial Corporate Retainer of \$16,000 has already been paid. The initial Corporate Retainer includes analyzing Amerada Hess Corporation's compensation and benefit plans.

The annual Continuing Service Corporate Retainer is currently \$10,000. A prorated portion of the Continuing Service Corporate Retainer will be billed at the beginning of the second year of service, and will cover the interim period from the end of the first year of service through December 31, 2005. Thereafter, the Continuing Service Corporate Retainer will be billed annually in January.

Individual First Year Fees

The First Year Fee for each executive in the Comprehensive Counseling Program is \$15,000 as outlined on Page 8 of the attached proposal. The First Year Fee for each executive in the Executive Counseling Program is \$12,500 as outlined on Page 9 of the attached proposal. One-half of the fee will be billed on January 1, 2005 and one-half will be billed six months later.

#### Individual Continuing Service Fees

The annual Continuing Service Fee for each executive in the Comprehensive Counseling program is currently \$10,000. The annual Continuing Service Fee for each executive in the Executive Counseling program is currently \$8,500. A prorated bill will cover the interim period from the end of the first year of service to the following January or July. Thereafter, the Continuing Service Fee will be billed semi-annually in January and July.

#### SERVICES FOLLOWING RETIREMENT, DEATH, DISABILITY OR CHANGE IN CONTROL

It will be solely at the discretion of Amerada Hess to make available any, all or none of the following services to their executives.

Upon the retirement, disability or death of an executive, The Ayco Company, L.P. will continue to provide counseling services. In the event of retirement, Amerada Hess Corporation will pay the equivalent of a First Year Fee for the year leading up to the last day of employment and the Continuing Service Fee for one year following the last day of employment. Amerada Hess Corporation will pay the equivalent of a First Year Fee for one year following the date of approval for long-term disability benefits. In the event of the death of an executive or executive's spouse, Amerada Hess Corporation will pay the equivalent of a First Year Fee toward the cost of providing counseling service for the first year following death. In the event of a change in control affecting Amerada Hess Corporation, Amerada Hess Corporation will pay the equivalent of a first year fee for the year in which the change in control occurs and a continuing service fee for one year after the change in control occurs for each counseled executive.

#### REIMBURSABLE EXPENSES

Travel costs, including transportation, living expenses and specific disbursements incurred by The Ayco Company, L.P. in connection with the services and benefit data gathering is the responsibility of Amerada Hess Corporation and will be submitted to Amerada Hess Corporation for reimbursement on a quarterly basis.

#### INCOME TAX PREPARATION

The Comprehensive and Executive Counseling Program fees include preparation of joint federal and state income tax returns for the executive and his or her spouse to be filed in the year of service. Tax returns for other family members, trusts, etc., will be prepared at the executive's request for an additional fee which will be billed to the executive.

OTHER ADMINISTRATIVE PROVISIONS

The term of this agreement shall be from the date hereof up to December 31, 2004 and shall, thereafter, automatically renew for successive terms of one year each. Either party may terminate this agreement at any time by providing ninety days advance written notice of termination to the other party. In the event of termination, Ayco will be compensated for services rendered to date of termination, however, in the event of termination of the Comprehensive and/or Executive Counseling Program during the executive's first year of service, the fee shall in no event be less than 50% of the First Year Fee, which constitutes Ayco's start-up costs.

All fees for successive terms will be subject to an increase equivalent to the increase in the Consumer Price index for the financial services industry. This increase will be effective on January 1, 2006. In addition, Ayco reserves the right to adjust our fees for executives with unusually complex financial or tax situations. Amerada Hess Corporation will be notified prior to any such adjustment of fees.

All invoices are due and payable within 30 days of receipt. All amounts not paid within 30 days of the invoice date will bear interest at the rate of one and one-half percent per month or the highest rate permitted by law, which ever is less.

The Ayco Company, L.P. is an affiliate of Goldman, Sachs & Co., and a subsidiary of The Goldman Sachs Group, Inc. As a registered investment advisor, The Ayco Company, L.P. receives a fee for financial counseling services. In the course of providing such services, The Ayco Company, L.P., or its subsidiaries may offer additional services and/or products for which additional fees or commissions are charged. These offerings may create a conflict of interest between our corporate interests and our responsibility to our clients. The Ayco Company, L.P. places great emphasis on the integrity of its responsibility to clients. Executives will be advised whenever fees or commissions paid to The Ayco Company, L.P. for supplemental products or services constitute a conflict of interest. Executives may be asked to acknowledge their understanding of such payment and acknowledge the specific conflict disclosed in compliance with the legal requirements for obtaining such acknowledgements.

In addition, the Securities and Exchange Commission requires us to provide Amerada Hess Corporation with the enclosed copy of Form ADV-Part II, which contains information relating to The Ayco Company, L.P.'s advisory services. The Ayco Company, L.P. does not provide legal advice to executives. The services provided by Ayco hereunder are not intended to and shall not result in Ayco becoming a "fiduciary" under Section 3(21) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") with respect to any "employee benefit plan" under Section 3(3) of ERISA or "plan" under Section 4975(e)(1) of the Internal Revenue Code of 1986 maintained or contributed to by Amerada Hess Corporation or its affiliates or in which any executive participates. Ayco's services are not intended to and shall not constitute a primary basis for any investment decision by, or with respect to the assets of, any such plan.

This agreement may not be assigned in whole or in part without prior consent of both parties. Amerada Hess Corporation and Ayco consent to receipt of any facsimile communications from one another, including but not limited to in connection with the offer of any products or services; such consent may be revoked at any time. This agreement may be modified only in writing, signed by both parties hereto. The Ayco Company, L.P., a limited partnership, will notify Amerada Hess Corporation of any change in the membership of Ayco's partnership within a reasonable time after such change.

In the event of any litigation between the parties arising out of or relating to this agreement, reasonable attorney's fees and costs incurred by the prevailing party shall be paid by the other party. Nothing in this agreement is intended to, nor shall be construed to, confer upon or to give to any person, or entity, other than the parties to this agreement, any rights or remedies under, or by reason of, this agreement. This letter sets forth the entire agreement between the parties with respect to the subject matter hereof and supercedes any prior agreement between the parties with respect to the subject matter hereof.

If you have any questions, please feel free to contact me. Once again, on behalf of The Ayco Company, L.P., we are very pleased you have selected us to be of service to your executives.

Sincerely,

THE AYCO COMPANY, L.P.

## AMERADA HESS CORPORATION

SECOND AMENDED AND RESTATED  
1995 LONG-TERM INCENTIVE PLAN

SECTION 1. PURPOSE. The purpose of this Second Amended and Restated 1995 Long-Term Incentive Plan (the "Plan") of Amerada Hess Corporation (together with any successor thereto, the "Corporation") is (a) to promote the identity of interests between shareholders and employees of the Corporation by encouraging and creating significant ownership of Common Stock of the Corporation by officers and other salaried employees of the Corporation and its subsidiaries; (b) to enable the Corporation to attract and retain qualified officers and employees who contribute to the Corporation's success by their ability, ingenuity and industry; and (c) to provide meaningful long-term incentive opportunities for officers and other employees who are responsible for the success of the Corporation and who are in a position to make significant contributions toward its objectives.

SECTION 2. DEFINITIONS. In addition to the terms defined elsewhere in the Plan, the following shall be defined terms under the Plan:

2.01. "Award" means any Performance Award, Option, Stock Appreciation Right, Restricted Stock, Deferred Stock, Dividend Equivalent, or any other right or interest relating to Shares or cash, granted to a Participant under the Plan.

2.02. "Award Agreement" means any written agreement, contract, or other instrument or document evidencing an Award.

2.03. "Board" means the Board of Directors of the Corporation.

2.04. "Change of Control" and related terms are defined in Section 9.

2.05. "Code" means the Internal Revenue Code of 1986, as amended from time to time. References to any provision of the Code shall be deemed to include successor provisions thereto and regulations thereunder.

2.06. "Committee" means the Compensation and Management Development Committee of the Board, or such other Board committee as may be designated by the Board to administer the Plan, or any subcommittee of either; provided, however, that the Committee, and any subcommittee thereof, shall consist of three or more directors (or such lesser number as may be permitted by applicable law or rule), each of whom is a "disinterested person" within the meaning of the applicable provisions of Rule 16b-3 under the Exchange Act and an "outside director" within the meaning of Section 162(m)(3)(C) of the Code and Treasury Regulation Section 1.162-27(e)(3), as amended from time to time.

2.07. "Corporation" is defined in Section 1.

2.08. "Covered Employee" has the same meaning as set forth in section 162(m) of the Code, and successor provisions.

2.09 "Deferred Stock" means a right, granted to a Participant under Section 6.05, to receive Shares at the end of a specified deferral period.

2.10 "Dividend Equivalent" means a right, granted to a Participant under Section 6.03, to receive cash, Shares, other Awards, or other property equal in value to dividends paid with respect to a specified number of Shares.

2.11 "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time. References to any provision of the Exchange Act shall be deemed to include successor provisions thereto and any rules and regulations thereunder.

2.12 "Fair Market Value" means, with respect to Shares, Awards, or other property, the fair market value of such Shares, Awards, or other property determined by such methods or procedures as shall be established from time to time by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of Shares as of any date shall be the closing sales price on that date of a Share as reported in the New York Stock Exchange Composite Transaction Report; provided, that if there were no sales on the valuation date but there were sales on dates within a reasonable period both before and after the valuation date, the Fair Market Value is the weighted average of the closing prices on the nearest date before and the nearest date after the valuation date. The average is to be weighted inversely by the respective numbers of trading days between the selling dates and the valuation date.

2.13 "Immediate Family Member" means, with respect to any Participant, any of such Participant's spouse, children, parents or siblings.

2.14 "Incentive Stock Option" means an Option that is intended to meet the requirements of Section 422 of the Code.

2.15 "Non-Qualified Stock Option" means an Option that is not intended to be an Incentive Stock Option.

2.16 "Option" means a right, granted to a Participant under Section 6.06, to purchase Shares, other Awards, or other property at a specified price during specified time periods. An Option may be either an Incentive Stock Option or a Non-Qualified Stock Option.

2.17 "Participant" means a person who has been granted an Award under the Plan.

2.18 "Performance Award" means a right, granted to a Participant under Section 6.02, to receive cash, Shares, other Awards, or other property the payment of which is contingent upon achievement of performance goals specified by the Committee.

2.19 "Performance-Based Restricted Stock" means Restricted Stock that is subject to a risk of forfeiture if specified performance criteria are not met within the restriction period.

2.20 "Plan" is defined in Section 1.

2.21 "Restricted Stock" means Shares granted to a Participant under Section 6.04, that are subject to certain restrictions and to a risk of forfeiture.

2.22 "Rule 16b-3" means Rule 16b-3, as from time to time amended and applicable to Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.

2.23 "Shares" means the Common Stock, \$1.00 par value per share, of the Corporation and such other securities of the Corporation as may be substituted for Shares or such other securities pursuant to Section 10.

2.24 "Special Deferred Stock" means Deferred Stock granted under Subsection 6.05(i)(b), subject to the maximum Share limitation set forth in Section 7.02.4.

2.25 "Special Restricted Stock" means Restricted Stock granted under Subsection 6.04(i)(b), subject to the maximum Share limitation set forth in Section 7.02.4.

2.26 "Stock Appreciation Right" means a right, granted to a Participant under Section 6.07, to be paid an amount measured by the appreciation in the Fair Market Value of Shares from the date of grant to the date of exercise of the right, with payment to be made in cash, Shares, other Awards, or other property as specified in the Award or determined by the Committee.

2.27 "Subsidiary" means any corporation (other than the Corporation) with respect to which the Corporation owns, directly or indirectly, 50% or more of the total combined voting power for all classes of stock. In addition, any other related entity may be designated by the Board or the Committee as a Subsidiary, provided the Board or the Committee determines that the Corporation has a substantial ownership interest in such entity.

2.28 "Year" means a calendar year.

### SECTION 3. ADMINISTRATION.

3.01 Authority of the Committee. The Plan shall be administered by the Committee. The Committee shall have full and final authority to take the following actions, in each case subject to and consistent with the provisions of the Plan:

- (i) to select and designate Participants;
- (ii) to designate Subsidiaries;

(iii) to determine the type or types of Awards to be granted to each Participant;

(iv) to determine the number of Awards to be granted, the number of Shares to which an Award will relate, the terms and conditions of any Award granted under the Plan (including, but not limited to, any exercise price, grant price, or purchase price, any restriction or condition, any schedule for lapse of restrictions or conditions relating to transferability or forfeiture, exercisability, or settlement of an Award, and waivers or accelerations thereof, and waiver of performance conditions relating to an Award, based in each case on such considerations as the Committee shall determine), and all other matters to be determined in connection with an Award;

(v) to determine whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Shares, other Awards, or other property, or an Award may be cancelled, forfeited, or surrendered;

(vi) to determine whether, to what extent, and under what circumstances cash, Shares, other Awards, or other property payable with respect to an Award will be deferred either automatically, at the election of the Committee, or pursuant to an agreement between the Corporation and the Participant;

(vii) to prescribe the form of each Award Agreement, which need not be identical for each Participant;

(viii) to adopt, amend, suspend, waive, and rescind such rules and regulations and appoint such agents as the Committee may deem necessary or advisable to administer the Plan;

(ix) to correct any defect or supply any omission or reconcile any inconsistency in the Plan and to construe and interpret the Plan and any Award, rules and regulations, Award Agreement, or other instrument hereunder; and

(x) to make all other decisions and determinations as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan.

3.02 Manner of Exercise of Committee Authority. Unless authority is specifically reserved to the Board under the terms of the Plan, or applicable law, the Committee shall have sole discretion in exercising such authority under the Plan. Any action of the Committee with respect to the Plan shall be final, conclusive, and binding on all persons, including the Corporation, Subsidiaries, Participants, any person claiming any rights under the Plan from or through any Participant, and shareholders. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or managers of the Corporation or any Subsidiary the authority, subject to such terms as the Committee shall determine, to perform administrative functions under the Plan.

3.03 Limitation of Liability. Each member of the Committee shall be entitled to, in good faith, rely or act upon any report or other information furnished to him by any officer or other employee of the Corporation or any Subsidiary, the Corporation's independent certified public accountants, or any executive compensation consultant or other professional retained by the Corporation to assist in the administration of the Plan. No member of the Committee, nor any officer or employee of the Corporation acting on behalf of the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Committee and any officer or employee of the Corporation acting on their behalf, shall, to the extent permitted by law, be fully indemnified and protected by the Corporation with respect to any such action, determination, or interpretation.

SECTION 4. SHARES SUBJECT TO THE PLAN. Subject to adjustment as provided in Section 10, the total number of Shares reserved and available for Awards under the Plan during the term hereof shall be 17 million shares. For purposes of this Section 4, the number of and time at which Shares shall be deemed to be subject to Awards and therefore counted against the number of Shares reserved and available under the Plan shall be the earliest date at which the Committee can reasonably estimate the number of Shares to be distributed in settlement of an Award or with respect to which payments will be made; provided, however, that, subject to the requirements of Rule 16b-3, the Committee may adopt procedures for the counting of Shares relating to any Award for which the number of Shares to be distributed or with respect to which payment will be made cannot be fixed at the date of grant to ensure appropriate counting, avoid double counting (in the case of tandem or substitute awards), and provide for

adjustments in any case in which the number of Shares actually distributed or with respect to which payments are actually made differs from the number of Shares previously counted in connection with such Award.



If any Shares to which an Award relates are forfeited or the Award is settled or terminates without a distribution of Shares (whether or not cash, other Awards, or other property is distributed with respect to such Award), any Shares counted against the number of Shares reserved and available under the Plan with respect to such Award shall, to the extent of any such forfeiture, settlement or termination, again be available for Awards under the Plan; provided, however, that such Shares shall be available for issuance only to the extent that the related award would be exempt under Rule 16b-3.

SECTION 5. ELIGIBILITY. Awards may be granted only to individuals who are officers or other salaried employees (including employees who are also directors) of the Corporation or a Subsidiary; provided, however, that no Award shall be granted to any member of the Committee.

#### SECTION 6. SPECIFIC TERMS OF AWARDS.

6.01 General. Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Section 11.02), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including without limitation the acceleration of vesting of any Awards or terms requiring forfeiture of Awards in the event of termination of employment by the Participant. Except as provided in Section 7.04, only services may be required as consideration for the grant of any Award.

6.02 Performance Awards. Subject to the provisions of Sections 7.01 and 7.02, the Committee is authorized to grant Performance Awards to Participants on the following terms and conditions:

(i) Awards and Conditions. A Performance Award shall confer upon the Participant rights, valued as determined by the Committee, and payable to, or exercisable by, the Participant to whom the Performance Award is granted, in whole or in part, as determined by the Committee, conditioned upon the achievement of performance criteria determined by the Committee.

(ii) Performance Period. The period of time with respect to which it is to be determined whether the performance criteria applicable to a Performance Award have been achieved shall not be less than one year, commencing not earlier than the date of grant of such Performance Award.

(iii) Other Terms. A Performance Award shall be denominated in Shares and may be payable in cash, Shares, other Awards, or other property, and have such other terms as shall be determined by the Committee.

6.03 Dividend Equivalents. The Committee is authorized to grant Dividend Equivalents to Participants. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Shares or Awards, or otherwise reinvested.

6.04 Restricted Stock. The Committee is authorized to grant Restricted Stock to Participants on the following terms and conditions:

(i) Issuance and Restrictions.

(a) Restricted Stock (other than Special Restricted Stock) shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote such Restricted Stock or the right to receive dividends thereon), which restrictions shall lapse either: (x) in full with respect to all Shares underlying such Award of Restricted Stock at the expiration of a period not less than three years from the date of grant of such Award; or (y) proportionally in equal installments of the Shares underlying such Award of Restricted Stock over a period not less than three years from the date of grant of such Award, as the Committee shall determine, except that such restrictions may lapse earlier in the event of death, disability or retirement of an awardee, on such terms as the Committee shall determine, or in accordance with Section 9 hereof. The Committee shall not have the authority to otherwise accelerate the vesting of an Award of Restricted Stock under this Section 6.04(i)(a).

(b) Special Restricted Stock shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Special Restricted Stock or the right to receive

dividends thereon) which restrictions may lapse separately or in combination at such times, under such circumstances, in such installments, or otherwise, as the Committee shall determine.

(ii) Forfeiture. Performance-Based Restricted Stock shall be forfeited unless preestablished performance criteria specified by the Committee are met during the applicable restriction period. Except as otherwise determined by the Committee, upon termination of employment (as determined under criteria established by the Committee) during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited and returned to the Corporation; provided, however, that to the extent consistent with Section 6.04(i)(a) above, the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case after the award has been made, that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of terminations resulting from specified causes.

(iii) Certificates of Shares. Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, such certificates shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, the Corporation or an escrow agent acting on behalf of the Corporation shall retain physical possession of the certificates, and the Participant shall deliver a stock power to the Corporation or such agent, endorsed in blank, relating to the Restricted Stock.

(iv) Dividends. Unless otherwise determined by the Committee, cash dividends and other distributions made or paid with respect to the Shares underlying an Award of Restricted Stock or Performance-Based Restricted Stock shall be held in escrow, and may (but need not be) reinvested as determined by the Committee. Such dividends and other distributions shall be paid to the Participant, together with interest or other earnings thereon (if any), at the time the Shares are delivered to the Participant. Shares distributed in connection with a stock split or stock dividend, and other property distributed as a dividend or other distribution, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock or Performance-Based Restricted Stock with respect to which such stock or other property has been distributed.

6.05 Deferred Stock. The Committee is authorized to grant Deferred Stock to Participants, on the following terms and conditions:

(i) Award and Restrictions.

(a) Delivery of Shares will occur upon expiration of the deferral period specified for Deferred Stock (other than Special Deferred Stock) by the Committee (or, if permitted by the Committee, as elected by the awardee), which deferral period shall not expire earlier than three years after the date of grant of such Award of Deferred Stock, except that such deferral period may expire earlier in the event of death, disability or retirement of an awardee, on such terms as the Committee shall determine, or in accordance with Section 9 hereof. In addition, Deferred Stock shall be subject to such other restrictions as the Committee may impose, which other restrictions shall lapse at the expiration of such deferral period. The Committee shall not have the authority to otherwise accelerate the expiration of the deferral period for an Award of Deferred Stock under Section 6.05(i)(a).

(b) Delivery of Shares will occur upon expiration of the deferral period specified for Special Deferred Stock by the Committee (or, if permitted by the Committee, by the awardee). In addition, Special Deferred Stock shall be subject to such restrictions as the Committee may impose, which restrictions may lapse at the expiration of the deferral period or at earlier specified times, separately or in combination, in installments, or otherwise, as the Committee shall determine.

(ii) Forfeiture. Except as otherwise determined by the Committee, upon termination of employment (as determined under criteria established by the Committee) during the applicable deferral period or portion thereof (as provided in the Award Agreement evidencing the Deferred Stock), all Deferred Stock that is at that time subject to deferral (other than a deferral at the election of the Participant) shall be forfeited; provided, however, that to the extent consistent with Section 6.05(i)(a) above, the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Deferred Stock will be waived in whole or in part in the event of terminations resulting from specified causes, and the Committee may in other cases waive in whole or in part the forfeiture of

Deferred Stock.

6.06 Options. The Committee is authorized to grant Options to Participants on the following terms and conditions:

(i) Exercise Price. The exercise price per Share purchasable under an Option shall be determined by the Committee; provided, however, that, except as provided in Section 10, such exercise price shall be not less than the Fair Market Value of a Share on the date of grant of such Option (or such higher exercise price as may be required under Section 422 of the Code). On and after the date of grant of an Option hereunder, the Committee shall not have the authority to amend such Option to reduce the exercise price thereof, except as provided in Section 10.

(ii) Time and Method of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, the methods by which such exercise price may be paid or deemed to be paid, the form of such payment, including, without limitation, cash, Shares, other Awards or awards issued under other Corporation plans, or other property (including notes or other contractual obligations of Participants to make payment on a deferred basis, such as through "cashless exercise" arrangements), and the methods by which Shares will be delivered or deemed to be delivered to Participants. Options shall expire not later than ten years after the date of grant.

(iii) Incentive Stock Options. The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, including but not limited to the requirement that no Incentive Stock Option shall be granted more than ten years after the effective date of the Plan. Anything in the Plan to the contrary notwithstanding, no term of the Plan relating to Incentive Stock Options shall be interpreted, amended, or altered, nor shall any discretion or authority granted under the Plan be exercised, so as to disqualify either the Plan or any Incentive Stock Option under Section 422 of the Code. In the event a Participant voluntarily disqualifies an Option as an Incentive Stock Option, the Committee may, but shall not be obligated to, make such additional Awards or pay bonuses as the Committee shall deem appropriate to reflect the tax savings to the Corporation which result from such disqualification.

6.07 Stock Appreciation Rights. The Committee is authorized to grant Stock Appreciation Rights to Participants on the following terms and conditions:

(i) Right to Payment. A Stock Appreciation Right shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one Share on the date of exercise (or, if the Committee shall so determine in the case of any such right, other than one related to an Incentive Stock Option, the Fair Market Value of one Share at any time during a specified period before or after the date of exercise or the Change of Control Price as defined in Section 9.03) over (B) the base price of the Stock Appreciation Right as determined by the Committee as of the date of grant of the Stock Appreciation Right, which shall be not less than the Fair Market Value of one Share on the date of grant. On and after the date of grant of a Stock Appreciation Right hereunder, the Committee shall not have the authority to reduce the base price of such Stock Appreciation Right, except as provided in Section 10 hereof.

(ii) Other Terms. The Committee shall determine the time or times at which a Stock Appreciation Right may be exercised in whole or in part, the method of exercise, method of settlement, form of consideration payable in settlement, method by which Shares will be delivered or deemed to be delivered to Participants, and any other terms and conditions of any Stock Appreciation Right. Limited Stock Appreciation Rights that may be exercised only upon the occurrence of a Change of Control (as such term is defined in Section 9.02) or as otherwise defined by the Committee) may be granted under this Section 6.07. Stock Appreciation Rights shall expire not later than ten years after the date of grant.

#### SECTION 7. CERTAIN PROVISIONS APPLICABLE TO AWARDS.

7.01 Performance-Based Awards. Performance Awards and, Performance-Based Restricted Stock, are intended to be "qualified performance-based compensation" within the meaning of section 162(m) of the Code and shall be paid solely on account of the attainment of one or more preestablished, objective performance goals within the meaning of section 162(m) and the regulations thereunder. Until otherwise determined by the Committee, the performance goal shall be the attainment of preestablished levels of net income, market price per share, return on equity, return on capital employed or cash flow, earnings per share, book value per share or total shareholder return.

The payout of any such Award to a Covered Employee may be reduced, but not increased, based on the degree of attainment of other performance criteria or otherwise at the discretion of the Committee.

7.02 Maximum Awards. The maximum Share amounts in this Section 7.02 are subject to adjustment under Section 10 and are subject to the Plan maximum under Section 4.

7.02.1 Performance-Based Awards. The maximum amount payable in respect of Performance Awards and Performance-Based Restricted Stock in any Year may not exceed 100,000 Shares (or the then equivalent Fair Market

Value thereof) in the case of any individual Participant.

7.02.2 Stock Options and SARS. Each individual Participant may not receive in any Year Awards of Options or Stock Appreciation Rights exceeding 250,000 Shares.

7.02.3 Restricted Stock, Deferred Stock and Performance-Based Awards. A maximum of 4,500,000 Shares may be made subject to Awards of Restricted Stock, Deferred Stock, Performance Awards, Performance-Based Restricted Stock in the aggregate, under the Plan during the term hereof.

7.02.4 Special Restricted Stock and Special Deferred Stock. A maximum of 225,000 Shares may be made subject to Awards of Special Restricted Stock and Special Deferred Stock, in the aggregate, under the Plan during the term hereof.

7.03 Stand-Alone, Additional, Tandem, and Substitute Awards. Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to or in tandem with any other Award granted under the Plan or any award granted under any other plan of the Corporation, any Subsidiary, or any business entity to be acquired by the Corporation or a Subsidiary, or any other right of a Participant to receive payment from the Corporation or any Subsidiary. No Award may be granted in substitution for any other Award theretofore granted under the Plan, and no Award may be retroactively granted in tandem with any other Award theretofore granted under the Plan at an exercise or base price less than that of such other previously granted Award. Awards granted in addition to or in tandem with other Awards or awards may be granted either as of the same time as or a different time from the grant of such other Awards or awards.

7.04 Exchange Provisions. The Committee may at any time offer to exchange or buy out any previously granted Award for a payment in cash, Shares, or other property based on such terms and conditions as the Committee shall determine and communicate to the Participant at the time that such offer is made.

7.05 Term of Awards. The term of each Award shall be for such period as may be determined by the Committee; provided, however, that in no event shall the term of any Option or a Stock Appreciation Right granted in tandem therewith exceed a period of ten years from the date of its grant (or such shorter period as may be required under Section 422 of the Code).

7.06 Form of Payment Under Awards. Subject to the terms of the Plan and any applicable Award Agreement, payments to be made by the Corporation or a subsidiary upon the grant or exercise of an Award may be made in such forms as the Committee shall determine, including without limitation, cash, Shares, other Awards, or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. Such payments may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents in respect of installment or deferred payments denominated in Shares.

7.07 Loan Provisions. With the consent of the Committee, and subject to compliance with applicable laws and regulations, the Corporation may make, guarantee, or arrange for, a loan or loans to a Participant with respect to the exercise of any Option or other payment in connection with any Award, including the payment by a Participant of any or all federal, state, or local income or other taxes due in connection with any Award. Subject to such limitations, the Committee shall have full authority to decide whether to make a loan or loans hereunder and to determine the amount, terms, and provisions of any such loan or loans, including the interest rate to be charged in respect of any such loan or loans, whether the loan or loans are to be with or without recourse against the borrower, the terms on which the loan is to be repaid and conditions, if any, under which the loan or loans may be forgiven. Nothing in this Section shall be construed as implying that the Committee shall or will offer such loans.

## SECTION 8. GENERAL RESTRICTIONS APPLICABLE TO AWARDS.

### 8.01 Restrictions Under Rule 16b-3.

8.01.1 Six-Month Holding Period. Unless a Participant could otherwise transfer an equity security, derivative security, or Shares issued upon exercise of a derivative security granted under the Plan without incurring liability under Section 16(b) of the Exchange Act, (i) an equity security issued under the Plan, other than an equity security issued upon exercise or conversion of a derivative security granted under the Plan, shall be held for at least six months from the date of acquisition; (ii) with respect to a derivative security issued under the Plan, at least six months shall elapse from the date of acquisition of the derivative security to the date of disposition of the derivative security (other than upon exercise or conversion) or its underlying equity security; and (iii) any Award in the nature of a Stock Appreciation Right must be held for six months from the date of grant to the date of cash settlement.

8.01.2 Nontransferability. Awards which constitute derivative securities (including any option, stock appreciation right, or similar right) shall not be transferable by a Participant except upon such terms and conditions as the Committee may determine to



an Immediate Family Member of such Participant, or to a trust, partnership or limited liability company all of whose beneficiaries, partners or members, as the case may be, are Immediate Family Members, or by will or the laws of descent and distribution (except pursuant to a beneficiary designation authorized under Section 8.02) or, if then permitted under Rule 16b-3, pursuant to a qualified domestic relations order as defined under the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder, and, in the case of an Incentive Stock Option or, if then required by Rule 16b-3, any other derivative security granted under the Plan, shall be exercisable during the lifetime of a Participant only by such Participant or his legal representative.

8.01.3 Compliance with Rule 16b-3. It is the intent of the Corporation that this Plan comply in all respects with Rule 16b-3 in connection with any Award granted to a person who is subject to Section 16 of the Exchange Act. Accordingly, if any provision of this Plan or any Award Agreement does not comply with the requirements of Rule 16b-3 as then applicable to any such person, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements with respect to such person.

8.02 Limits on Transfer of Awards; Beneficiaries. Except as provided in Section 8.01.2, no right or interest of a Participant in any Award shall be pledged, encumbered or hypothecated to or in favor of any party (other than the Corporation or a Subsidiary), or shall be subject to any lien, obligation, or liability of such Participant to any party (other than the Corporation or a Subsidiary). Unless otherwise determined by the Committee (subject to the requirements of Section 8.01.2), no Award subject to any restriction shall be assignable or transferable by a Participant otherwise than by will or the laws of descent and distribution (except to the Corporation under the terms of the Plan); provided, however, that a Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Participant, and to receive any distribution, with respect to any Award, upon the death of the Participant. A beneficiary, guardian, legal representative, or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award Agreement applicable to such Participant or Agreement applicable to such, except to the extent the Plan and such Award Agreement or agreement otherwise provide with respect to such persons, and to any additional restrictions deemed necessary or appropriate by the Committee.

8.03 Registration and Listing Compliance. The Corporation shall not be obligated to deliver any Award or distribute any Shares with respect to any Award in a transaction subject to regulatory approval, registration, or any other applicable requirement of federal or state law, or subject to a listing requirement under any listing or similar agreement between the Corporation and any national securities exchange, until such laws, regulations, and contractual obligations of the Corporation have been complied with in full, although the Corporation shall be obligated to use its best efforts to obtain any such approval and comply with such requirements as promptly as practicable.

8.04 Share Certificates. All certificates for Shares delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop-transfer order and other restrictions as the Committee may deem advisable under applicable federal or state laws, rules and regulations thereunder, and the rules of any national securities exchange on which Shares are listed. The Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions or any other restrictions that may be applicable to Shares, including under the terms of the Plan or any Award Agreement. In addition, during any period in which Awards or Shares are subject to restrictions under the terms of the Plan or any Award Agreement, or during any period during which delivery or receipt of an Award or Shares has been deferred by the Committee or a Participant, the Committee may require the Participant to enter into an agreement providing that certificates representing Shares issuable or issued pursuant to an Award shall remain in the physical custody of the Corporation or such other person as the Committee may designate.

SECTION 9. CHANGE OF CONTROL PROVISIONS. Notwithstanding any other provision of the Plan, the following acceleration and valuation provisions shall apply in the event of a "Change of Control" as defined in this Section 9.

9.01 Acceleration and Cash-Out Rights. In the event of a "Change of Control," as defined in Section 9.02, automatically in the case of all Participants:

(i) The performance criteria of all Performance Awards and Performance-Based Restricted Stock shall be deemed fully achieved and all

such Awards shall be fully earned and vested, subject only to the restrictions on dispositions of equity securities set forth in Section 8.01.1 and legal restrictions on the issuance of Shares set forth in Sections 8.03 and 8.04;

(ii) Any Option, Stock Appreciation Right, and other Award in the nature of a right that may be exercised which was not previously exercisable and vested shall become fully exercisable and vested, subject only to the restrictions on disposition of equity securities set forth in Section 8.01.1 and legal restrictions on the issuance of Shares set forth in Sections 8.03 and 8.04;

(iii) The restrictions, deferral limitations, and forfeiture conditions applicable to any other Award granted under the Plan shall lapse and such Awards shall be deemed fully vested, subject only to the restrictions on dispositions of equity securities set forth in Section 8.01.1 and legal restrictions on the issuance of Shares set forth in Sections 8.03 and 8.04;

(iv) In the sole discretion of the Committee, all outstanding Awards may be cancelled and in such event a Participant holding any such Award shall be paid in cash therefor on the basis of the "Change of Control Price" (as defined in Section 9.03) as of the date that the Change of Control occurs, or such other date as the Committee may determine prior to the Change of Control; provided, however, that this Section 9.01(iv) shall not apply in the case of any Award if (a) the cancellation of and payment for such Award would cause the Participant to incur actual short-swing profits liability under Section 16(b) of the Exchange Act or (b) initial shareholder approval of the Plan has not been obtained; and

(v) To the extent Section 9.01(iv) of this Section 9 does not apply and at any time after the Change of Control the Shares are no longer readily tradable on an established exchange, a Participant shall, as of the date on which the Change of Control occurs, be entitled to receive consistent with Rule 16b-3, and the Corporation shall use its best efforts to compel and obligate the surviving or resulting corporation in the Change of Control and/or the other party to the agreement or transaction resulting in the Change of Control to grant to the Participant, substitute Options, Stock Appreciation Rights and/or Restricted Stock, as the case may be, in respect of the shares of common stock or other capital stock of such surviving or resulting corporation, or such other party involved in the Change of Control, on such terms and conditions, as to the number of shares, pricing, vesting, exercisability and otherwise, which shall substantially preserve the value, rights and benefits of any affected Options, Stock Appreciation Rights and/or Restricted Stock, as the case may be, previously granted hereunder.

9.02 Change of Control. For purposes of Section 9.01, a "Change of Control" shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then (i) outstanding shares of Common Stock of the Corporation (the "Outstanding Corporation Common Stock") or (ii) combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding Voting Securities") provided, however, that the following acquisitions shall not constitute a Change of Control: (i) any acquisition by the Corporation or any of its subsidiaries, (ii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any of its subsidiaries, (iii) any acquisition by any corporation with respect to which, following such acquisition, more than 51% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Outstanding Voting Securities immediately prior to such acquisition in substantially the same proportions as their ownership, immediately prior to such acquisition, of the Outstanding Corporation Common Stock and Outstanding Voting Securities, as the case may be, or (iv) any acquisition by one or more Hess Entity (for this purpose a "Hess Entity" means (A) Mr. Leon Hess or any of his children, (B) any spouse of any person described in Section 9.02(a)(iv)(A) above, (C) any affiliate (as such term is defined in Rule 12b-2 under the Exchange Act) of any person described in Section 9.02(a)(iv)(A) above, (D) the Hess Foundation Inc., or (E) any persons comprising a group controlled (as such term is defined in such Rule 12b-2) by one or more of the foregoing persons or entities described in this Section 9.02(a)(iv)); or

(b) Individuals who, as of the effective date of the Plan, constitute the Board (the "Incumbent Board") ceasing for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the effective date of the Plan whose election, or nomination for election by the Corporation's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but

excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened solicitation to which Rule 14a-11 of Regulation 14A promulgated under the Exchange Act applies or other actual threatened solicitation of proxies or consents; or

(c) Approval by the shareholders of the Corporation of a reorganization, merger or consolidation, in each case, with respect to which all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Outstanding Voting Securities immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 51% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting

securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation in substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation, of the Outstanding Corporation Common Stock and Outstanding Voting Securities, as the case may be; or

(d) Approval by the shareholders of the Corporation of (i) a complete liquidation or dissolution of the Corporation or (ii) the sale or other disposition of all or substantially all of the assets of the Corporation, other than to a corporation, with respect to which following such sale or other disposition, more than 51% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Outstanding Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Corporation Common Stock and Outstanding Voting Securities, as the case may be. The term "the sale or other disposition of all or substantially all of the assets of the Corporation" shall mean a sale or other disposition transaction or series of related transactions involving assets of the Corporation or of any direct or indirect subsidiary of the Corporation (including the stock of any direct or indirect subsidiary of the Corporation) in which the value of the assets or stock being sold or otherwise disposed of (as measured by the purchase price being paid therefor or by such other method as the Board determines is appropriate in a case where there is no readily ascertainable purchase price) constitutes more than two-thirds of the fair market value of the Corporation (as hereinafter defined). The "fair market value of the Corporation" shall be the aggregate market value of the then Outstanding Corporation Common Stock (on a fully diluted basis) plus the aggregate market value of the Corporation's other outstanding equity securities. The aggregate market value of the shares of Outstanding Corporation Common Stock shall be determined by multiplying the number of shares of such Common Stock (on a fully diluted basis) outstanding on the date of the execution and delivery of a definitive agreement with respect to the transaction or series of related transactions (the "Transaction Date") by the average closing price of the shares of Outstanding Corporation Common Stock for the ten trading days immediately preceding the Transaction Date. The aggregate market value of any other equity securities of the Corporation shall be determined in a manner similar to that prescribed in the immediately preceding sentence for determining the aggregate market value of the shares of Outstanding Corporation Common Stock or by such other method as the Board shall determine is appropriate.

9.03 Change of Control Price. For purposes of this Section 9, "Change of Control Price" means the highest price per share paid in any transaction reported on the securities exchange or trading system on which the Shares are then primarily listed or traded, or paid or offered in any transaction related to a Change of Control of the Corporation at any time during the preceding 60-day period as determined by the Committee, except that in the case of Incentive Stock Options and Stock Appreciation Rights relating thereto, such price shall be based only on transactions reported for the date on which the Committee decides to cash out such Awards.

SECTION 10. ADJUSTMENT PROVISIONS. In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Shares, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, or other similar corporate transaction or event, affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the rights of Participants under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and kind of Shares which may thereafter be issued in connection with Awards (ii) the number and kind of Shares issued or issuable in respect of outstanding Awards, and (iii) the exercise price, base price, or purchase price relating to any Award or, if deemed appropriate, make provision for a cash payment with respect to any outstanding Award; provided, however, in each case, that, with respect to Incentive Stock Options, no such adjustment shall be authorized to the extent that such authority would cause the Plan to violate Section 422(b)(1) of the Code. In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence) affecting the Corporation or any Subsidiary or the financial statements of the Corporation or

any Subsidiary, or in response to changes in applicable laws, regulations, or accounting principles.

SECTION 11. CHANGES TO THE PLAN AND AWARDS.

11.01 Changes to the Plan. The Board may amend, alter, suspend, discontinue or terminate the Plan without the consent of shareholders or Participants, except that any such amendment, alteration, suspension, discontinuation, or termination shall be subject to the approval of the Corporation's shareholders within one year after such Board action if such amendment or alteration increases the number of shares reserved for Awards under the Plan, changes the class of Participants eligible to receive Awards under the Plan, or materially increases the benefits to Participants under the Plan, or if such shareholder approval is required by any federal or state law

or regulation or the rules of any stock exchange on which the Shares may be listed in order to maintain compliance therewith, or if the Board in its discretion determines that obtaining such shareholder approval is for any reason advisable; provided, however, that, without the consent of an affected Participant, no amendment, alteration, suspension, discontinuation, or termination of the Plan after initial shareholder approval of the Plan may materially impair the rights of such Participant under any Award theretofore granted to him.

11.02 Changes to Awards. The Committee may, unless otherwise expressly prohibited by the Plan, waive any conditions or rights under, or amend, alter, suspend, discontinue, or terminate, any Award theretofore granted and any Award Agreement relating thereto; provided, however, that, without the consent of an affected Participant, no such amendment, alteration, suspension, discontinuation, or termination of any Award after initial shareholder approval of the Plan may materially impair the rights of such Participant under such Award.

## SECTION 12. GENERAL PROVISIONS.

12.01 No Rights to Awards. No Participant or employee shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants and employees.

12.02 No Shareholder Rights. No Award shall confer on any Participant any of the rights of a shareholder of the Corporation unless and until Shares are duly issued or transferred to the Participant in accordance with the terms of the Award.

12.03 Tax Withholding. To the extent and in the manner permitted by applicable law, the Corporation or any Subsidiary is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Shares, or any payroll or other payment to a Participant, amounts or withholding and other taxes due with respect thereto, its exercise, or any payment thereunder, and to take such other action as the Committee may deem necessary or advisable to enable the Corporation and Participants to satisfy obligations for the payment of withholding taxes and other tax liabilities relating to any Award. This authority shall include authority to withhold or receive Shares or other property and to make cash payments in respect thereof in satisfaction of the Participant's tax obligations.

12.04 No Right to Employment. Nothing contained in the Plan or any Award Agreement shall confer, and no grant of an Award shall be construed as conferring, upon any employee any right to continue in the employment of the Corporation or any Subsidiary or to interfere in any way with the right of the Corporation or any Subsidiary to terminate such employment at any time or increase or decrease such employee's compensation from the rate in existence at the time of granting of an Award.

12.05 Unfunded Status of Awards. The Plan is intended to constitute an unfunded incentive and deferred compensation plan for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. With respect to any payments not yet made to a Participant pursuant to an Award the Plan constitutes a mere promise to make the benefit payments provided for herein, and nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Corporation; provided, however, that the Committee may authorize the creation of trusts or make other arrangements to meet the Corporation's obligations under the Plan to deliver cash, Shares, other Awards, or other property pursuant to any award, which trusts or other arrangements shall be consistent with the unfunded status of the Plan.

12.06 Other Compensatory Arrangements. The Corporation or any Subsidiary shall be permitted to adopt other or additional compensation arrangements (which may include arrangements which relate to Awards), and such arrangements may be either generally applicable or applicable only in specific cases.

12.07 Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards, or other property shall be issued or paid in lieu of fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

12.08 Governing Law. The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan, and any Award Agreement shall be determined in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of laws, and applicable federal law.

SECTION 13. EFFECTIVE DATE. The Plan shall be effective December 6, 1995. The amendments to the Plan (as amended and restated hereby) shall be effective May 5, 2004 subject to approval of such amendments as reflected in the Plan (as amended and restated hereby) by the affirmative vote of the holders of a majority of the Shares present or represented and entitled to vote (and the



affirmative vote of a majority of the Shares voting) at a meeting of the Corporation's shareholders on May 5, 2004, or any adjournment thereof, and subject to listing of the additional Shares authorized by such amendments on the New York Stock Exchange. If such approval and listing are not obtained, such amendments shall be void ab initio and of no force or effect. However, the Plan (as in effect immediately prior to such amendments) shall continue in full force and effect.

STOCK OPTION AGREEMENT  
PURSUANT TO THE  
AMERADA HESS CORPORATION  
AMENDED AND RESTATED  
1995 LONG-TERM INCENTIVE PLAN

\* \* \* \* \*

OPTIONEE: [NAME]

GRANT DATE: [GRANT DATE]

NUMBER OF OPTION SHARES  
SUBJECT TO SUCH OPTION

PER SHARE EXERCISE PRICE  
FOR SUCH OPTION

[NUMBER OF OPTIONS]

[EXERCISE PRICE]

\* \* \* \* \*

THIS STOCK OPTION AGREEMENT (this "Agreement"), dated as of the Grant Date specified above, is entered into by and between Amerada Hess Corporation, a Delaware corporation (the "Corporation"), and the Optionee specified above, pursuant to the Amerada Hess Corporation Amended and Restated 1995 Long-Term Incentive Plan, as in effect and as amended from time to time (the "Plan"); and

WHEREAS, it has been determined under the Plan that it would be in the best interests of the Corporation to grant the stock option provided for herein to the Optionee as an inducement to remain in the employment of the Corporation (and/or any Subsidiary), and as an incentive for increased effort during such employment;

NOW, THEREFORE, in consideration of the mutual covenants and premises hereinafter set forth and for other good and valuable consideration, the parties hereto hereby mutually covenant and agree as follows:

1. INCORPORATION BY REFERENCE; DOCUMENT RECEIPT. This Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly not intended to apply to the grant of the option hereunder), all of which terms and

provisions are made a part of and incorporated in this Agreement as if each were expressly set forth mutatis mutandis herein. Any capitalized term not defined in this Agreement will have the same meaning as is ascribed thereto under the Plan. The Optionee hereby acknowledges receipt of a disclosure document relating to and describing the Plan and the Awards thereunder and that the Optionee has read it carefully and fully understands its content. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan will control.

2. GRANT OF OPTIONS. As of the Grant Date specified above, the Corporation hereby grants to the Optionee, non-qualified stock options (each, an "Option" and collectively, the "Options") to acquire from the Corporation at the Per Share Exercise Price specified above for such Option the aggregate number of shares of the Common Stock specified above for such Option (the "Option Shares"). The Option(s) are not to be treated as (and are not intended to qualify as) incentive stock options within the meaning of Section 422 of Code.

3. CASH PAYMENTS EQUIVALENT TO DIVIDENDS. Prior to the acquisition of the Option Shares upon the exercise of any Option, the Optionee will not be entitled to receive a cash payment or other distribution with respect to such Option Shares underlying such Option.

4. EXERCISE OF THIS OPTION.

4.1 Unless the exercisability of any Option is accelerated under the terms of the Plan or this Agreement, all Options not theretofore terminated will become exercisable on [VESTING DATE].

4.2 Unless earlier terminated in accordance with the terms of the Plan or this Agreement, all Options will expire and no longer be exercisable after [EXPIRATION DATE].

4.3 In no event will any Option be exercisable for a fractional share of Common Stock.

5. METHOD OF EXERCISE AND PAYMENT. Once exercisable, an Option may be exercised in whole or in part by the Optionee by delivering to the Secretary of the Corporation or his designated agent on any business day (the "Exercise Date") a written notice, in such manner and form as may be required by the Corporation, specifying the number of the Option Shares the Optionee then desires to acquire (the "Exercise Notice"). The Exercise Notice will be accompanied by payment of the aggregate Per Share Exercise Price applicable to such Option for such number of the Option Shares to be acquired upon such exercise. Such payment will be made in cash, by personal or certified check, bank draft or money order payable to the order of the Corporation or, if permitted by the Committee (in its sole discretion) and applicable law, rule or regulation, by delivery of, alone or in conjunction with a partial cash or instrument payment, (a) shares of Common Stock already owned by the Participant for at least six months, or (b) some other form of payment acceptable to the Committee. The Committee may also permit the Optionee to simultaneously exercise an Option and sell the shares of Common Stock thereby acquired pursuant to a "cashless exercise" arrangement or program, selected by and approved of in all respects in advance by the Committee. Payment instruments will be received by the Corporation subject to collection. The proceeds received by the Corporation upon the exercise of

any Option may be used by the Corporation for general corporate purposes. Any portion of an Option that is exercised may not be exercised again. Upon exercise in accordance with the terms of the Plan and this Agreement, the Option Shares underlying the exercised portion of the Option will be promptly delivered to the Optionee.

6. TERMINATION AND FORFEITURE.

6.1 Unless otherwise determined by the Committee, all Options will terminate in accordance with Sections 6.2, 6.3 and 6.4 below, as the case may be. In any event, all Options will terminate on [EXPIRATION DATE].

6.2 Subject to any determination of the Committee pursuant to Section 6.01 of the Plan, if an Optionee's employment with the Corporation or any Subsidiary terminates for any reason (other than by reason of the Optionee's death, disability or normal retirement under the Corporation's Employees' Pension Plan or any successor plan thereto) all Options, to the extent not exercisable on the date of any such termination of employment, will be forfeited and cancelled by the Corporation. The Optionee's rights, if any, to exercise any exercisable portion of any Option will terminate sixty days after the date of any termination of employment (other than by reason of the Optionee's death, disability, or normal or early retirement under the Corporation's Employees' Pension Plan or any successor plan thereto), but not beyond [EXPIRATION DATE], and thereafter all Options will be forfeited and cancelled by the Corporation.

6.3 If an Optionee's employment with the Corporation or any Subsidiary terminates by reason of the Optionee's death, disability, or normal retirement under the Corporation's Employees' Pension Plan or any successor plan thereto, the Optionee (or the Optionee's estate, designated beneficiary or other legal representative, as the case may be and as determined by the Committee) shall have the right to exercise all Options at any time until [EXPIRATION DATE]. The existence and date of the Optionee's disability shall be determined by the Committee and any such determination shall be conclusive.

6.4 (a) Notwithstanding anything to the contrary in Section 6.2 above, if the Optionee's employment with the Corporation or any Subsidiary terminates by reason of the Optionee's early retirement under the Corporation's Employees' Pension Plan or any successor plan thereto, all Options to the extent exercisable on the date of such early retirement shall remain exercisable until [EXPIRATION DATE].

(b) Notwithstanding anything to the contrary in Section 6.2 above, if the Optionee's employment with the Corporation or any Subsidiary terminates by reason of the Optionee's early retirement under the Corporation's Employees' Pension Plan or any successor plan thereto, the Committee, in its sole discretion, may (but is not obligated to) determine that (i) each Option to the extent not exercisable at the time of any such early retirement will become exercisable as to a proportionate number of underlying Option Shares based on the number of calendar days between the Grant Date (as set forth above) and the date of such early retirement over 365, and (ii) each such Option shall remain exercisable until [EXPIRATION DATE]. Except for Options which have become exercisable as described in the prior sentence, any Option

to the extent not exercisable at the time of the Optionee's termination of employment by reason of early retirement will be forfeited and cancelled by the Corporation.

7. CHANGE OF CONTROL. The Options are subject to acceleration of exercisability and "cash-out" at the discretion of the Committee upon the occurrence of a Change of Control, all as provided in and subject to the Plan.

8. NON-TRANSFERABILITY. The Options, and any rights or interests therein or under this Agreement, may not be sold, exchanged, transferred, assigned or otherwise disposed of in any way at any time by the Optionee (or any beneficiary(ies) of the Optionee), except to an Immediate Family Member or to a trust, partnership or limited liability company all of whose beneficiaries, partners or members, as the case may be, are Immediate Family Members, or by testamentary disposition by the Optionee or the laws of descent and distribution; provided, however, that to transfer an Option to an Immediate Family Member or to an entity described above, such Immediate Family Member or entity must agree, in a form acceptable to Committee, to be bound by the terms of the Plan and this Agreement. The Options may not be pledged, encumbered or otherwise hypothecated in any way at any time by the Optionee (or any beneficiary(ies) of the Optionee) and will not be subject to execution, attachment or similar legal process. Any attempt to sell, exchange, pledge, transfer, assign, encumber or otherwise dispose of or hypothecate this Option, or the levy of any execution, attachment or similar legal process upon this Option, contrary to the terms of this Agreement and/or the Plan will be null and void and without legal force or effect. During the Optionee's lifetime, the Options may be exercisable only by the Optionee or the Optionee's legal representative, or if transferred to an Immediate Family Member or an entity comprising Immediate Family Members as described above, by such Immediate Family Member or entity.

9. ENTIRE AGREEMENT; AMENDMENT. This Agreement (including the Plan incorporated herein by reference) contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties relating to such subject matter. The Board has the right, in its sole discretion, to amend, alter, suspend, discontinue or terminate the Plan, and the Committee has the right, in its sole discretion, to amend, alter, suspend, discontinue or terminate any or all of the Options or this Agreement from time to time in accordance with and as provided in the Plan; provided, however, that no such amendment, alteration, suspension, discontinuance or termination after initial shareholder approval of the Plan may materially impair the rights of the Optionee under this Option without the consent of the Optionee. The Corporation will give written notice to the Optionee of any such modification or amendment of this Agreement as soon as practicable after the adoption thereof. This Agreement may also be modified, amended or terminated by a writing signed by both the Corporation and the Optionee.

10. NOTICES. Any Exercise Notice or other notice which may be required or permitted under this Agreement will be in writing, and will be delivered in person or via facsimile transmission, overnight courier service or certified mail, return receipt requested, postage prepaid, properly addressed as follows:

10.1 If the notice is to the Corporation, to the attention of the Secretary of Amerada Hess Corporation, 1185 Avenue of the Americas, New York, New York 10036, or at such other address as the Corporation by notice to the Optionee designates in writing from time to time.

10.2 If the notice is to the Optionee, at his or her address as shown on the Corporation's records, or at such other address as the Optionee, by notice to the Corporation, designates in writing from time to time.

11. LIMITATIONS; GOVERNING LAW. Nothing herein or in the Plan will be construed as conferring on the Optionee or anyone else the right to continue in the employ of the Corporation or any Subsidiary. This Agreement will be governed by and construed in accordance with the laws of the State of Delaware, without reference to the principles of conflict of laws thereof.

12. COMPLIANCE WITH LAWS. The issuance of this Option (and the Option Shares upon exercise of this Option) pursuant to this Agreement will be subject to, and will comply with, any applicable requirements of any federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act of 1933, the Exchange Act and the respective rules and regulations promulgated thereunder), rules of any exchange on which the Common Stock is listed (including, without limitation, the rules and regulations of the New York Stock Exchange), and any other law or regulation applicable thereto. The Corporation will not be obligated to issue this Option or any of the Option Shares pursuant to this Agreement if any such issuance would violate any such requirements, and if issued will be deemed void ab initio.

13. BINDING AGREEMENT; FURTHER ASSURANCES. This Agreement will inure to the benefit of, be binding upon, and be enforceable by the Corporation and its successors and assigns. Each party hereto will do and perform (or will cause to be done and performed) all such further acts and will execute and deliver all such other agreements, certificates, instruments and documents as any party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan and the consummation of the transactions contemplated thereunder.

14. COUNTERPARTS; HEADINGS. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which will constitute one and the same instrument. The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and will not be deemed to be a part of this Agreement.

15. SEVERABILITY. The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction will not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder will be enforceable to the fullest extent permitted by law.

16. BENEFICIARY. The Optionee may designate the beneficiary or beneficiaries to exercise this Option (or to receive any Option Shares issuable hereunder) after the death of the

Optionee. Such designation may be made by the Optionee on the enclosed beneficiary designation form and (unless the Optionee has waived such right) may be changed by the Optionee from time to time by filing a new beneficiary designation form with the Committee. If the Optionee does not designate a beneficiary or if no designated beneficiary(ies) survives the Optionee, the Optionee's beneficiary will be the legal representative of the Optionee's estate.

17. TAX WITHHOLDING. Neither the exercise of any Option under this Agreement, nor the issuance of any Option Shares thereunder, will be permitted or effected unless and until the Optionee (or the Optionee's beneficiary(ies) or legal representative) has made appropriate arrangements for the payment of any amounts required to be withheld with respect thereto under all present or future federal, state and local tax laws and regulations and other laws and regulations.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed by its duly authorized officer, and the Optionee has hereunto set his hand, all as of the Grant Date specified above.

AMERADA HESS CORPORATION

By: \_\_\_\_\_  
John B. Hess  
Chairman of the Board

Acknowledged and Agreed to:

\_\_\_\_\_  
[OPTIONEE]

STOCK OPTION AGREEMENT

pursuant to the

AMERADA HESS CORPORATION  
SECOND AMENDED AND RESTATED  
1995 LONG-TERM INCENTIVE PLAN

\* \* \* \* \*

OPTIONEE: [NAME]

GRANT DATE: [GRANT DATE]

NUMBER OF OPTION SHARES  
SUBJECT TO SUCH OPTION

PER SHARE EXERCISE PRICE  
FOR SUCH OPTION

[NUMBER OF OPTIONS]

[EXERCISE PRICE]

\* \* \* \* \*

STOCK OPTION AGREEMENT (this "Agreement"), dated as of the Grant Date specified above, is entered into by and between Amerada Hess Corporation, a Delaware corporation (the "Corporation"), and the Optionee specified above, pursuant to the Amerada Hess Corporation Second Amended and Restated 1995 Long-Term Incentive Plan, as in effect and as amended from time to time (the "Plan"); and

WHEREAS, it has been determined under the Plan that it would be in the best interests of the Corporation to grant the stock option provided for herein to the Optionee as an inducement to remain in the employment of the Corporation (and/or any Subsidiary), and as an incentive for increased effort during such employment;

NOW, THEREFORE, in consideration of the mutual covenants and premises hereinafter set forth and for other good and valuable consideration, the parties hereto hereby mutually covenant and agree as follows:

1. INCORPORATION BY REFERENCE; DOCUMENT RECEIPT. This Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly not intended to apply to the grant of the option hereunder), all of which terms and



provisions are made a part of and incorporated in this Agreement as if each were expressly set forth mutatis mutandis herein. Any capitalized term not defined in this Agreement will have the same meaning as is ascribed thereto under the Plan. The Optionee hereby acknowledges receipt of a disclosure document relating to and describing the Plan and the Awards thereunder and that the Optionee has read it carefully and fully understands its content. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan will control.

2. GRANT OF OPTIONS. As of the Grant Date specified above, the Corporation hereby grants to the Optionee, non-qualified stock options (each, an "Option" and collectively, the "Options") to acquire from the Corporation at the Per Share Exercise Price specified above for such Option the aggregate number of shares of the Common Stock specified above for such Option (the "Option Shares"). The Option(s) are not to be treated as (and are not intended to qualify as) incentive stock options within the meaning of Section 422 of Code.

3. CASH PAYMENTS EQUIVALENT TO DIVIDENDS. Prior to the acquisition of the Option Shares upon the exercise of any Option, the Optionee will not be entitled to receive a cash payment or other distribution with respect to such Option Shares underlying such Option.

4. EXERCISE OF THIS OPTION.

4.1 Unless the exercisability of any Option is accelerated under the terms of the Plan or this Agreement, all Options not theretofore terminated will become exercisable as follows: (i) one-third of the Option Shares (rounded to the nearest whole number of shares) will become exercisable on the first anniversary of the Grant Date (ii) one-third of the Option Shares (rounded to the nearest whole number of shares) will become exercisable on the second anniversary of the Grant Date and (iii) the remainder of the Option Shares will become exercisable on the third anniversary of the Grant Date.

4.2 Unless earlier terminated in accordance with the terms of the Plan or this Agreement, all Options will expire and no longer be exercisable after {EXPIRATION DATE}.

4.3 In no event will any Option be exercisable for a fractional share of Common Stock.

5. METHOD OF EXERCISE AND PAYMENT. Once exercisable, an Option may be exercised in whole or in part by the Optionee by delivering to the Secretary of the Corporation or his designated agent (who, for so long as the Corporation maintains a "cashless exercise" program and the Optionee exercises and sells Option Shares through such program, shall be the administrator of such program) on any business day (the "Exercise Date") a notice, in such manner and form as may be required by the Corporation, specifying the number of the Option Shares the Optionee then desires to acquire (the "Exercise Notice"). The Exercise Notice will be accompanied by payment of the aggregate Per Share Exercise Price applicable to such Option for such number of the Option Shares to be acquired upon such exercise. Such payment will be made in cash, by personal or certified check, bank draft or money order payable to the order of the Corporation or, if permitted by the Committee (in its sole discretion) and applicable law, rule or regulation, by delivery of, alone or in conjunction with a partial cash or instrument payment,

(a) shares of Common Stock already owned by the Participant for at least six months, or (b) some other form of payment acceptable to the Committee. To the extent permitted by law, the Committee may also allow the Optionee to simultaneously exercise an Option and sell the shares of Common Stock thereby acquired pursuant to a "cashless exercise" arrangement or program, selected by and approved of in all respects in advance by the Committee. Payment instruments will be received by the Corporation subject to collection. The proceeds received by the Corporation upon the exercise of any Option may be used by the Corporation for general corporate purposes. Any portion of an Option that is exercised may not be exercised again. Upon exercise in accordance with the terms of the Plan and this Agreement, the Option Shares underlying the exercised portion of the Option will be promptly delivered to the Optionee, except that for so long as the Corporation maintains a "cashless exercise" program and the Optionee exercises and sells Option Shares through such program, delivery of the proceeds of such sale shall be made to a brokerage account maintained in the name of the Optionee with the administrator of such program.

## 6. TERMINATION AND FORFEITURE.

6.1 Unless otherwise determined by the Committee, all Options will terminate in accordance with Sections 6.2, 6.3 and 6.4 below, as the case may be. In any event, all Options will terminate on [EXPIRATION DATE].

6.2 Subject to any determination of the Committee pursuant to Section 6.01 of the Plan, if an Optionee's employment with the Corporation or any Subsidiary terminates for any reason (other than by reason of the Optionee's death, disability or normal retirement under the Corporation's Employees' Pension Plan or any successor plan thereto) all Options, to the extent not exercisable on the date of any such termination of employment, will be forfeited and cancelled by the Corporation. The Optionee's rights, if any, to exercise any exercisable portion of any Option will terminate sixty days after the date of any termination of employment (other than by reason of the Optionee's death, disability, or normal or early retirement under the Corporation's Employees' Pension Plan or any successor plan thereto), but not beyond [EXPIRATION DATE], and thereafter all Options will be forfeited and cancelled by the Corporation.

6.3 If an Optionee's employment with the Corporation or any Subsidiary terminates by reason of the Optionee's death, disability, or normal retirement under the Corporation's Employees' Pension Plan or any successor plan thereto, the Optionee (or the Optionee's estate, designated beneficiary or other legal representative, as the case may be and as determined by the Committee) shall have the right to exercise all Options at any time until [EXPIRATION DATE]. The existence and date of the Optionee's disability shall be determined by the Committee and any such determination shall be conclusive.

6.4 (a) Notwithstanding anything to the contrary in Section 6.2 above, if the Optionee's employment with the Corporation or any Subsidiary terminates by reason of the Optionee's early retirement under the Corporation's Employees' Pension Plan or any successor plan thereto, all Options to the extent exercisable on the date of such early retirement shall remain exercisable until [EXPIRATION DATE].

(b) Notwithstanding anything to the contrary in Section 6.2 above, if the Optionee's employment with the Corporation or any Subsidiary terminates by reason of the Optionee's early retirement under the Corporation's Employees' Pension Plan or any successor plan thereto, the Committee, in its sole discretion, may (but is not obligated to) determine that (i) each Option to the extent not exercisable at the time of any such early retirement will become exercisable as to a proportionate number of underlying Option Shares based on the number of calendar days elapsed (as of the date of such early retirement) in the vesting period of such Option (or portion thereof), and (ii) each such Option shall remain exercisable until [EXPIRATION DATE]. Except for Options which have become exercisable as described in the prior sentence, any Option to the extent not exercisable at the time of the Optionee's termination of employment by reason of early retirement will be forfeited and cancelled by the Corporation.

7. CHANGE OF CONTROL. The Options are subject to acceleration of exercisability and "cash-out" at the discretion of the Committee upon the occurrence of a Change of Control, all as provided in and subject to the Plan.

8. NON-TRANSFERABILITY. The Options, and any rights or interests therein or under this Agreement, may not be sold, exchanged, transferred, assigned or otherwise disposed of in any way at any time by the Optionee (or any beneficiary(ies) of the Optionee), except to an Immediate Family Member or to a trust, partnership or limited liability company all of whose beneficiaries, partners or members, as the case may be, are Immediate Family Members, or by testamentary disposition by the Optionee or the laws of descent and distribution; provided, however, that to transfer an Option to an Immediate Family Member or to an entity described above, such Immediate Family Member or entity must agree, in a form acceptable to Committee, to be bound by the terms of the Plan and this Agreement. The Options may not be pledged, encumbered or otherwise hypothecated in any way at any time by the Optionee (or any beneficiary(ies) of the Optionee) and will not be subject to execution, attachment or similar legal process. Any attempt to sell, exchange, pledge, transfer, assign, encumber or otherwise dispose of or hypothecate this Option, or the levy of any execution, attachment or similar legal process upon this Option, contrary to the terms of this Agreement and/or the Plan will be null and void and without legal force or effect. During the Optionee's lifetime, the Options may be exercisable only by the Optionee or the Optionee's legal representative, or if transferred to an Immediate Family Member or an entity comprising Immediate Family Members as described above, by such Immediate Family Member or entity.

9. ENTIRE AGREEMENT; AMENDMENT. This Agreement (including the Plan incorporated herein by reference) contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties relating to such subject matter. The Board has the right, in its sole discretion, to amend, alter, suspend, discontinue or terminate the

Plan, and the Committee has the right, in its sole discretion, to amend, alter, suspend, discontinue or terminate any or all of the Options or this Agreement from time to time in accordance with and as provided in the Plan; provided, however, that no such amendment, alteration, suspension, discontinuance or termination after initial shareholder approval of the Plan may materially impair the rights of the Optionee under this Option without the consent of the Optionee. The Corporation will give written notice to the Optionee of any such modification or amendment of this Agreement as soon as practicable after the adoption thereof. This Agreement may also be modified, amended or terminated by a writing signed by both the Corporation and the Optionee.

10. NOTICES. Any notice (other than an Exercise Notice) which may be required or permitted under this Agreement will be in writing, and will be delivered in person or via facsimile transmission, overnight courier service or certified mail, return receipt requested, postage prepaid, properly addressed as follows:

10.1 If the notice is to the Corporation, to the attention of the Secretary of Amerada Hess Corporation, 1185 Avenue of the Americas, New York, New York 10036, or at such other address as the Corporation by notice to the Optionee designates in writing from time to time.

10.2 If the notice is to the Optionee, at his or her address as shown on the Corporation's records, or at such other address as the Optionee, by notice to the Corporation, designates in writing from time to time.

11. LIMITATIONS; GOVERNING LAW. Nothing herein or in the Plan will be construed as conferring on the Optionee or anyone else the right to continue in the employ of the Corporation or any Subsidiary. This Agreement will be governed by and construed in accordance with the laws of the State of Delaware, without reference to the principles of conflict of laws thereof.

12. COMPLIANCE WITH LAWS. The issuance of this Option (and the Option Shares upon exercise of this Option) pursuant to this Agreement will be subject to, and will comply with, any applicable requirements of any federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act of 1933, the Exchange Act and the respective rules and regulations promulgated thereunder), rules of any exchange on which the Common Stock is listed (including, without limitation, the rules and regulations of the New York Stock Exchange), and any other law or regulation applicable thereto. The Corporation will not be obligated to issue this Option or any of the Option Shares pursuant to this Agreement if any such issuance would violate any such requirements, and if issued will be deemed void ab initio.

13. BINDING AGREEMENT; FURTHER ASSURANCES. This Agreement will inure to the benefit of, be binding upon, and be enforceable by the Corporation and its successors and assigns. Each party hereto will do and perform (or will cause to be done and performed) all such further acts and will execute and deliver all such other agreements, certificates, instruments and documents as any party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan and the consummation of the transactions contemplated thereunder.

14. COUNTERPARTS; HEADINGS. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which will constitute one and the same instrument. The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and will not be deemed to be a part of this Agreement.

15. SEVERABILITY. The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction will not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder will be enforceable to the fullest extent permitted by law.

16. BENEFICIARY. The Optionee may designate the beneficiary or beneficiaries to exercise this Option (or to receive any Option Shares issuable hereunder) after the death of the Optionee. Such designation may be made by the Optionee on the enclosed beneficiary designation form and (unless the Optionee has waived such right) may be changed by the Optionee from time to time by filing a new beneficiary designation form with the Committee. If the Optionee does not designate a beneficiary or if no designated beneficiary(ies) survives the Optionee, the Optionee's beneficiary will be the legal representative of the Optionee's estate.

17. TAX WITHHOLDING. Neither the exercise of any Option under this Agreement, nor the issuance of any Option Shares thereunder, will be permitted or effected unless and until the Optionee (or the Optionee's beneficiary(ies) or legal representative) has made appropriate arrangements for the payment of any amounts required to be withheld with respect thereto under all present or future federal, state and local tax laws and regulations and other laws and regulations. Unless an Optionee otherwise elects or is prohibited by law, if and for so long as the Company maintains a cashless exercise program and an Optionee exercises and sells Option Shares through such program, payment of such amounts will be made by deducting such amounts from the proceeds of such sale.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed by its duly authorized officer, and the Optionee has hereunto set his hand, all as of the Grant Date specified above.

AMERADA HESS CORPORATION

By: \_\_\_\_\_  
John B. Hess  
Chairman of the Board

Acknowledged and Agreed to:

\_\_\_\_\_  
[OPTIONEE]

[AMERADA HESS CORPORATION LOGO]

JOHN B. HESS  
Chairman of the Board

1185 AVENUE OF THE AMERICAS  
NEW YORK, NEW YORK 10036  
(212) 997-8514

[DATE]

[NAME & ADDRESS]

Re: Amerada Hess Corporation  
Amended and Restated  
1995 Long-Term Incentive Plan  
Award of Restricted Stock

Dear [NAME]:

The Compensation and Management Development Committee (the "Committee") of the Board of Directors (the "Board") of Amerada Hess Corporation (the "Corporation") acting under the Corporation's Amended and Restated 1995 Long-Term Incentive Plan (the "Plan") granted to you on [DATE OF GRANT] [the "Grant Date"] [NUMBER OF SHARES] restricted shares of the Common Stock of the Corporation in accordance with the terms and provisions of the Plan and this letter agreement (the "Restricted Shares"). The Restricted Shares are restricted for a period commencing on the date of grant and ending [VESTING DATE] and are otherwise subject to the terms and conditions set forth herein. If the conditions set forth in the Plan and this letter agreement are not satisfied, this letter agreement and the Restricted Shares awarded together with all rights and interests relating thereto, shall be void and of no force or effect. One copy of this letter agreement signed by you should be returned to Lee Kurtz, Manager - Executive Compensation. The other copy should be retained for your records.

1. INCORPORATION BY REFERENCE; DOCUMENT RECEIPT. This letter agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly not intended to apply to the grant of Restricted Shares hereunder), all of which terms and provisions are made a part of and incorporated in this letter agreement as if each were expressly set forth mutatis mutandis herein. Any capitalized term not defined in this letter agreement will have the same meaning as is described thereto under the Plan. You hereby acknowledge receipt of a disclosure document relating to and describing the Plan and the Awards thereunder and that you have read it carefully and fully understand its content. In the event of any conflict between the terms of this letter agreement and the terms of the Plan, the terms of the Plan will control.

2. RESTRICTED STOCK. A certificate for the Restricted Shares will be issued in your name and deposited with The Bank of New York or other agent designated by the Committee, as escrow agent (the "Escrow Agent"). Prior to the issuance and deposit of the Restricted Shares with the Escrow Agent you will have no rights of a shareholder, and you will not be entitled to vote the Restricted Shares or receive any dividends or other distributions, in respect of the Restricted Shares.

[DATE]

The Restricted Shares will be held by the Escrow Agent pursuant to an agreement (the "Escrow Agreement") between the Escrow Agent and the Corporation. The accompanying stock transfer power covering the Restricted Shares to be issued to you must be executed by you, endorsed in blank and returned to the Corporation for delivery to the Escrow Agent. You will furnish the Escrow Agent with additional stock transfer powers from time to time, if requested. Except to the extent otherwise provided in the Plan or this letter agreement, if you remain continuously employed by the Corporation or any Subsidiary until [VESTING DATE], the Escrow Agent will deliver to you shortly thereafter a new share certificate in your name representing the Restricted Shares.

3. RIGHTS AS A STOCKHOLDER. While the Restricted Shares are held by the Escrow Agent, you will be the record owner and will have all the rights of a stockholder with respect to the Restricted Shares, including (without limitation) the right to vote, subject to the restrictions provided for in the Plan, the Escrow Agreement and this letter agreement. From and after the date on which the Restricted Shares are issued in your name and deposited with the Escrow Agent, cash dividends and other distributions made or paid with respect to the Restricted Shares will be held by the Escrow Agent and may (but need not be) reinvested as determined by the Committee, and such dividends and distributions will be paid to you, together with interest or other earnings thereon (if any), at the time and to the extent pro tanto that the Restricted Shares become non-forfeitable and are delivered to you by the Escrow Agent. Any new, additional or different securities that you may become entitled to receive with respect to the Restricted Shares under the Plan by virtue of any reinvestment of any cash dividends paid on the Common Stock or any stock dividend, stock split, recapitalization, reorganization, merger, consolidation, split-up, or any similar change affecting the Common Stock, will be delivered to the Escrow Agent subject to the same restrictions, terms and conditions as apply to the related Restricted Shares.

4. TERMINATION AND FORFEITURE.

4.1 If your employment with the Corporation or any Subsidiary terminates prior to {VESTING DATE} by reason of your death, disability or normal retirement under the Corporation's Employees' Pension Plan or any successor plan thereto, the Escrow Agent will, as promptly as practicable, deliver to you (in the case of disability or your normal retirement) or your beneficiary(ies) (in the case of your death) a certificate representing all of the Restricted Shares awarded to you hereunder and all accumulated dividends on the Restricted Shares, together with interest or other earnings thereon (if any). The existence and date of disability will be determined by the Committee and its determination shall be final and conclusive.

4.2 If your employment with the Corporation or any Subsidiary terminates prior to [VESTING DATE] for any reason other than your death, disability or normal retirement under the Corporation's Employees' Pension Plan or any successor plan thereto, all of the Restricted Shares, and any rights thereto, awarded to you hereunder, all accumulated dividends in respect thereof and interest thereon (if any) will be forfeited by you and returned by the Escrow Agent to the Corporation and you will have no further rights with respect thereto.

4.3 Notwithstanding Section 4.2 above, if your employment with the Corporation or any Subsidiary terminates prior to [VESTING DATE] by reason of your early retirement under the Corporation's Employees' Pension Plan or any successor plan thereto, the Committee, in its sole discretion, may (but is not obligated to) determine that it will deliver to you

[DATE]

on a specified date a certificate representing a proportionate number of the Restricted Shares awarded to you hereunder based on the number of calendar days elapsed (as of the date of such early retirement) in the vesting period ending [VESTING DATE], together with a proportionate amount of the accumulated dividends in respect thereof also based on the number of calendar days elapsed (as of the date of such early retirement) in the vesting period ending [VESTING DATE], and any interest or other earnings on such proportionate amount (if any).

5. CHANGE OF CONTROL. The Restricted Shares awarded to you hereunder are subject to acceleration of vesting and "cash-out," all as provided in and subject to the Plan.

6. BENEFICIARY. You may designate the beneficiary or beneficiaries to receive any Restricted Shares or other amounts which may be delivered in respect of this Award after your death. Such designation may be made by you on the enclosed beneficiary designation form and (unless you have waived such right) may be changed by you from time to time by filing a new beneficiary designation form with the Committee. If you do not designate a beneficiary or if no designated beneficiary(ies) survives you, your beneficiary will be the legal representative of your estate.

7. TAX WITHHOLDING. No delivery of Restricted Shares or payment of any accumulated cash dividends in respect thereof or other amount in respect of this Award will be made unless and until you (or your beneficiary or legal representative) have made appropriate arrangements for the payment of any amounts required to be withheld with respect thereto under all present or future federal, state and local tax laws and regulations and other laws and regulations.

8. LIMITATIONS; GOVERNING LAW. Nothing herein or in the Plan will be construed as conferring on you or anyone else the right to continue in the employ of the Corporation or any Subsidiary. The rights and obligations under this letter agreement and the Award are governed by and construed in accordance with the laws of the State of Delaware, without reference to the principles of conflict of laws thereof.

9. NON-TRANSFERABILITY. The Restricted Shares, and any rights and interests with respect thereto, issued under this letter agreement and the Plan may not, prior to vesting, be sold, exchanged, transferred, assigned or otherwise disposed of in any way by you (or any of your beneficiary(ies)), other than by testamentary disposition or the laws of descent and distribution, or as otherwise permitted by the Plan. The Restricted Shares, and any rights and interests with respect thereto, may not, prior to vesting, be pledged, encumbered or otherwise hypothecated in any way by you (or any of your beneficiary(ies)) and will not, prior to vesting, be subject to execution, attachment or similar legal process. Any attempt to sell, exchange, transfer, assign, pledge, encumber or otherwise dispose of or hypothecate in any way any of the Restricted Shares, or the levy of any execution, attachment or similar legal process upon the Restricted Shares, contrary to the terms and provisions of this letter agreement and/or the Plan will be null and void ab initio and without legal force or effect. Each certificate evidencing the Restricted Shares will bear a legend to this effect.

10. ENTIRE AGREEMENT; AMENDMENT. This letter agreement (including the Plan which is incorporated herein by reference) contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior



[DATE]

understandings, whether written or oral, between the parties hereto relating to such subject matter. The Board has the right, in its sole discretion, to amend, alter, suspend, discontinue or terminate the Plan, and the Committee has the right, in its sole discretion, to amend, alter, suspend, discontinue or terminate one or more of the Awards of Restricted Stock or this letter agreement from time to time in accordance with and as provided in the Plan; provided, however, that no such amendment, alteration, suspension, discontinuance or termination after initial shareholder approval of the Plan may materially impair your rights under this letter agreement or the Plan without your consent. The Corporation will give you written notice of any such modification or amendment of this letter agreement as soon as practicable after the adoption thereof. This letter agreement may also be modified, amended or terminated by a writing signed by you and the Corporation.

11. NOTICES. Any notice which may be required or permitted under this letter agreement will be in writing and will be delivered in person, or via facsimile transmission, overnight courier service or certified mail, return receipt requested, postage prepaid, properly addressed as follows:

11.1. If the notice is to the Corporation, to the attention of the Secretary of Amerada Hess Corporation, 1185 Avenue of the Americas, New York, New York 10036, or at such other address as the Corporation by notice to you may designate in writing from time to time.

11.2. If the notice is to you, at your address as shown on the Corporation's records, or at such other address as you, by notice to the Corporation, may designate in writing from time to time.

12. COMPLIANCE WITH LAWS. The issuance of the Restricted Shares pursuant to this letter will be subject to, and will comply with, any applicable requirements of federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act of 1933, the Exchange Act and the respective rules and regulations promulgated thereunder), any applicable rules of any exchange on which the Common Stock is listed (including, without limitation, the rules and regulations of the New York Stock Exchange), and any other law, rule or regulation applicable thereto. The Corporation will not be obligated to issue any of the Common Stock subject to this letter agreement if such issuance would violate any such requirements, and if issued will be deemed void ab initio.

13. BINDING AGREEMENT; FURTHER ASSURANCES. This letter agreement will inure to the benefit of, be binding upon, and be enforceable by the Corporation and its successors and assigns. Each party hereto will do and perform (or will cause to be done and performed) all such further acts and shall execute and deliver all such other agreements, certificates, instruments and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this letter agreement and the Plan and the consummation of the transactions contemplated thereunder.

14. COUNTERPARTS; HEADINGS. This letter agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which will constitute one and the same instrument. The titles and headings of the various sections of this letter agreement have been inserted for convenience of reference only and will not be deemed to be a part of this letter agreement.

[DATE]

15. SEVERABILITY. The invalidity or unenforceability of any provisions of this letter agreement in any jurisdiction will not affect the validity, legality or enforceability of the remainder of this letter agreement in such jurisdiction or the validity, legality or enforceability of any provision of this letter agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder will be enforceable to the fullest extent permitted by law.

IN WITNESS WHEREOF, the Corporation has caused this letter agreement to be executed by its duly authorized officer, and you have also executed this letter agreement, all as of the Grant Date.

Very truly yours,

AMERADA HESS CORPORATION

By: \_\_\_\_\_  
John B. Hess  
Chairman of the Board

Acknowledged and Agreed to:

\_\_\_\_\_  
[AWARDEE]

[AMERADA HESS CORPORATION LOGO]

JOHN B. HESS  
Chairman of the Board

1185 AVENUE OF THE AMERICAS  
NEW YORK, NEW YORK 10036  
(212)997-8514

[DATE]

[NAME & ADDRESS]

Re: Amerada Hess Corporation  
Second Amended and Restated  
1995 Long-Term Incentive Plan  
Award of Restricted Stock

Dear [NAME]:

The Compensation and Management Development Committee (the "Committee") of the Board of Directors (the "Board") of Amerada Hess Corporation (the "Corporation") acting under the Corporation's Second Amended and Restated 1995 Long-Term Incentive Plan (the "Plan") granted to you on [DATE OF GRANT] (the "Grant Date") {NUMBER OF SHARES} restricted shares of the Common Stock of the Corporation in accordance with the terms and provisions of the Plan and this letter agreement (the "Restricted Shares"). The Restricted Shares are restricted for a period commencing on the date of grant and ending [VESTING DATE] and are otherwise subject to the terms and conditions set forth herein. If the conditions set forth in the Plan and this letter agreement are not satisfied, this letter agreement and the Restricted Shares awarded together with all rights and interests relating thereto, shall be void and of no force or effect. One copy of this letter agreement signed by you should be returned to Lee Kurtz, Manager - Executive Compensation. The other copy should be retained for your records.

1. INCORPORATION BY REFERENCE; DOCUMENT RECEIPT. This letter agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly not intended to apply to the grant of Restricted Shares hereunder), all of which terms and provisions are made a part of and incorporated in this letter agreement as if each were expressly set forth mutatis mutandis herein. Any capitalized term not defined in this letter agreement will have the same meaning as is described thereto under the Plan. You hereby acknowledge receipt of a disclosure document relating to and describing the Plan and the Awards thereunder and that you have read it carefully and fully understand its content. In the event of any conflict between the terms of this letter agreement and the terms of the Plan, the terms of the Plan will control.

2. RESTRICTED STOCK. Restricted Shares will be issued in book-entry form in your name and deposited with The Bank of New York or other agent designated by the Committee, as escrow agent (the "Escrow Agent"). Prior to the issuance and deposit of the Restricted Shares with the Escrow Agent you will have no rights of a shareholder, and you will not be entitled to vote the Restricted Shares or receive any dividends or other distributions, in respect of the Restricted Shares.

[DATE]

The Restricted Shares will be held by the Escrow Agent pursuant to an agreement (the "Escrow Agreement") between the Escrow Agent and the Corporation. You authorize the Escrow Agent to transfer shares and otherwise act in accordance with instructions of the Corporation. You will furnish the Escrow Agent with stock transfer powers or authorizations from time to time, if requested. Except to the extent otherwise provided in the Plan or this letter agreement, if you remain continuously employed by the Corporation or any Subsidiary until [VESTING DATE], the Escrow Agent will, except as provided below, deliver to you shortly thereafter a new share certificate in your name representing the Restricted Shares. For as long as an account is maintained in your name with a broker, custodian, or other institution retained by the Corporation to assist in the administration of the Plan (the "Administrator"), such Restricted Shares will be deposited into such account.

3. RIGHTS AS A STOCKHOLDER. While the Restricted Shares are held by the Escrow Agent, you will be the record owner and will have all the rights of a stockholder with respect to the Restricted Shares, including (without limitation) the right to vote, subject to the restrictions provided for in the Plan, the Escrow Agreement and this letter agreement. From and after the date on which the Restricted Shares are issued in your name and deposited with the Escrow Agent, cash dividends and other distributions made or paid with respect to the Restricted Shares will be held by the Escrow Agent and may (but need not be) reinvested as determined by the Committee, and such dividends and distributions will be paid to you (or your account at the Administrator referred to in Section 2), together with interest or other earnings thereon (if any), at the time and to the extent pro tanto that the Restricted Shares become non-forfeitable and are delivered to you by the Escrow Agent. Any new, additional or different securities that you may become entitled to receive with respect to the Restricted Shares under the Plan by virtue of any reinvestment of any cash dividends paid on the Common Stock or any stock dividend, stock split, recapitalization, reorganization, merger, consolidation, split-up, or any similar change affecting the Common Stock, will be delivered to the Escrow Agent subject to the same restrictions, terms and conditions as apply to the related Restricted Shares.

4. TERMINATION AND FORFEITURE.

4.1 If your employment with the Corporation or any Subsidiary terminates prior to [VESTING DATE] by reason of your death, disability or normal retirement under the Corporation's Employees' Pension Plan or any successor plan thereto, the Escrow Agent will, as promptly as practicable, deliver to you, or your account at the Administrator referred to in Section 2 (in the case of disability or your normal retirement), or your beneficiary(ies) (in the case of your death) a certificate representing all of the Restricted Shares awarded to you hereunder and all accumulated dividends on the Restricted Shares, together with interest or other earnings thereon (if any). The existence and date of disability will be determined by the Committee and its determination shall be final and conclusive.

4.2 If your employment with the Corporation or any Subsidiary terminates prior to [VESTING DATE] for any reason other than your death, disability or normal retirement under the Corporation's Employees' Pension Plan or any successor plan thereto, all of the Restricted Shares, and any rights thereto, awarded to you hereunder, all accumulated dividends in respect thereof and interest thereon (if any) will be forfeited by you and returned by the Escrow Agent to the Corporation and you will have no further rights with respect thereto.

[DATE]

4.3 Notwithstanding Section 4.2 above, if your employment with the Corporation or any Subsidiary terminates prior to [VESTING DATE] by reason of your early retirement under the Corporation's Employees' Pension Plan or any successor plan thereto, the Committee, in its sole discretion, may (but is not obligated to) determine that it will deliver to you, or your account at the Administrator referred to in Section 2, on a specified date a certificate representing a proportionate number of the Restricted Shares awarded to you hereunder based on the number of calendar days elapsed (as of the date of such early retirement) in the vesting period ending [VESTING DATE], together with a proportionate amount of the accumulated dividends in respect thereof also based on the number of calendar days elapsed (as of the date of such early retirement) in the vesting period ending [VESTING DATE], and any interest or other earnings on such proportionate amount (if any).

5. CHANGE OF CONTROL. The Restricted Shares awarded to you hereunder are subject to acceleration of vesting and "cash-out," all as provided in and subject to the Plan.

6. BENEFICIARY. You may designate the beneficiary or beneficiaries to receive any Restricted Shares or other amounts which may be delivered in respect of this Award after your death. Such designation may be made by you on the enclosed beneficiary designation form and (unless you have waived such right) may be changed by you from time to time by filing a new beneficiary designation form with the Committee. If you do not designate a beneficiary or if no designated beneficiary(ies) survives you, your beneficiary will be the legal representative of your estate.

7. TAX WITHHOLDING. No delivery of Restricted Shares or payment of any accumulated cash dividends in respect thereof or other amount in respect of this Award will be made unless and until you (or your beneficiary or legal representative) have made appropriate arrangements for the payment of any amounts required to be withheld with respect thereto under all present or future federal, state and local tax laws and regulations and other laws and regulations. Unless you elect otherwise or are prohibited by law, such number of Restricted Shares as shall be necessary to pay such withholding amounts shall be sold by the Administrator and the proceeds thereof shall be delivered to the Company for remittance to the appropriate governmental authorities, and the remaining Restricted Shares shall be delivered to you, or your account at the Administrator referred to in Section 2.

8. LIMITATIONS; GOVERNING LAW. Nothing herein or in the Plan will be construed as conferring on you or anyone else the right to continue in the employ of the Corporation or any Subsidiary. The rights and obligations under this letter agreement and the Award are governed by and construed in accordance with the laws of the State of Delaware, without reference to the principles of conflict of laws thereof.

9. NON-TRANSFERABILITY. The Restricted Shares, and any rights and interests with respect thereto, issued under this letter agreement and the Plan may not, prior to vesting, be sold, exchanged, transferred, assigned or otherwise disposed of in any way by you (or any of your beneficiary(ies)), other than by testamentary disposition or the laws of descent and distribution, or as otherwise permitted by the Plan. The Restricted Shares, and any rights and interests with respect thereto, may not, prior to vesting, be pledged, encumbered or otherwise hypothecated in any way by

[DATE]

you (or any of your beneficiary(ies)) and will not, prior to vesting, be subject to execution, attachment or similar legal process. Any attempt to sell, exchange, transfer, assign, pledge, encumber or otherwise dispose of or hypothecate in any way any of the Restricted Shares, or the levy of any execution, attachment or similar legal process upon the Restricted Shares, contrary to the terms and provisions of this letter agreement and/or the Plan will be null and void ab initio and without legal force or effect. Each certificate evidencing the Restricted Shares will bear a legend to this effect.

10. ENTIRE AGREEMENT; AMENDMENT. This letter agreement (including the Plan which is incorporated herein by reference) contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties hereto relating to such subject matter. The Board has the right, in its sole discretion, to amend, alter, suspend, discontinue or terminate the Plan, and the Committee has the right, in its sole discretion, to amend, alter, suspend, discontinue or terminate one or more of the Awards of Restricted Stock or this letter agreement from time to time in accordance with and as provided in the Plan; provided, however, that no such amendment, alteration, suspension, discontinuance or termination after initial shareholder approval of the Plan may materially impair your rights under this letter agreement or the Plan without your consent. The Corporation will give you written notice of any such modification or amendment of this letter agreement as soon as practicable after the adoption thereof. This letter agreement may also be modified, amended or terminated by a writing signed by you and the Corporation.

11. NOTICES. Any notice which may be required or permitted under this letter agreement will be in writing and will be delivered in person, or via facsimile transmission, overnight courier service or certified mail, return receipt requested, postage prepaid, properly addressed as follows:

11.1. If the notice is to the Corporation, to the attention of the Secretary of Amerada Hess Corporation, 1185 Avenue of the Americas, New York, New York 10036, or at such other address as the Corporation by notice to you may designate in writing from time to time.

11.2. If the notice is to you, at your address as shown on the Corporation's records, or at such other address as you, by notice to the Corporation, may designate in writing from time to time.

12. COMPLIANCE WITH LAWS. The issuance of the Restricted Shares pursuant to this letter will be subject to, and will comply with, any applicable requirements of federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act of 1933, the Exchange Act and the respective rules and regulations promulgated thereunder), any applicable rules of any exchange on which the Common Stock is listed (including, without limitation, the rules and regulations of the New York Stock Exchange), and any other law, rule or regulation applicable thereto. The Corporation will not be obligated to issue any of the Common Stock subject to this letter agreement if such issuance would violate any such requirements, and if issued will be deemed void ab initio.

13. BINDING AGREEMENT; FURTHER ASSURANCES. This letter agreement will inure to the benefit of, be binding upon, and be enforceable by the Corporation and its successors and assigns. Each party hereto will do and perform (or will cause to be done and performed) all such further acts

[DATE]

and shall execute and deliver all such other agreements, certificates, instruments and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this letter agreement and the Plan and the consummation of the transactions contemplated thereunder.

14. COUNTERPARTS; HEADINGS. This letter agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which will constitute one and the same instrument. The titles and headings of the various sections of this letter agreement have been inserted for convenience of reference only and will not be deemed to be a part of this letter agreement.

15. SEVERABILITY. The invalidity or unenforceability of any provisions of this letter agreement in any jurisdiction will not affect the validity, legality or enforceability of the remainder of this letter agreement in such jurisdiction or the validity, legality or enforceability of any provision of this letter agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder will be enforceable to the fullest extent permitted by law.

IN WITNESS WHEREOF, the Corporation has caused this letter agreement to be executed by its duly authorized officer, and you have also executed this letter agreement, all as of the Grant Date.

Very truly yours,

AMERADA HESS CORPORATION

By: \_\_\_\_\_  
John B. Hess  
Chairman of the Board

Acknowledged and Agreed to:

\_\_\_\_\_  
[AWARDEE]

AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

SUBSIDIARIES OF THE REGISTRANT

Name of Subsidiary -----	Organized under the laws of -----
Amerada Hess Energy Limited.....	Cayman Islands and Delaware
Amerada Hess Limited.....	United Kingdom
Hess Oil Virgin Islands Corp. ....	U.S. Virgin Islands
Amerada Hess Norge A/S.....	Norway
Hess Energy Trading Company, LLC.....	Delaware
Amerada Hess (Denmark) ApS.....	Denmark
Amerada Hess (GEA) Limited .....	Cayman Islands
Amerada Hess Oil and Gas Holdings Inc. ....	Cayman Islands
Amerada Hess Production Gabon.....	Gabon
Amerada Hess (Thailand) Limited.....	United Kingdom

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.



AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

SUBSIDIARIES OF THE REGISTRANT

Name of Affiliate

HOVENSA L.L.C. (50% owned)..... U.S. Virgin Islands

Summarized Financial Information of HOVENSA L.L.C. is included in the Registrant's 2004 Annual Report to Stockholders.

I, John B. Hess, certify that:

1. I have reviewed this annual report on Form 10-K of Amerada Hess Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ JOHN B. HESS

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

Date: March 11, 2005

I, John P. Rielly, certify that:

1. I have reviewed this annual report on Form 10-K of Amerada Hess Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By

/s/ JOHN P. RIELLY

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John P. Rielly  
Senior Vice President and  
Chief Financial Officer

Date: March 11, 2005

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

In connection with the Annual Report of Amerada Hess Corporation (the Corporation) on Form 10-K for the period ending December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, John B. Hess, Chairman of the Board and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

By \_\_\_\_\_ /s/ JOHN B. HESS

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

Date: March 11, 2005

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

In connection with the Annual Report of Amerada Hess Corporation (the Corporation) on Form 10-K for the period ending December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, John P. Rielly, Senior Vice President and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

By

/s/ JOHN P. RIELLY

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John P. Rielly  
Senior Vice President and  
Chief Financial Officer

Date: March 11, 2005