
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, 2001*

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

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.

The aggregate market value of voting stock held by non-affiliates of the Registrant amounted to \$5,255,000,000 as of February 28, 2002.

At February 28, 2002, 88,777,680 shares of Common Stock were outstanding.

Certain items in Parts I and II incorporate information by reference from the 2001 Annual Report to Stockholders and Part III is incorporated by reference from the Proxy Statement for the annual meeting of stockholders to be held on May 1, 2002.

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PART I

Item 1. *Business*

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, Gabon, Indonesia, Thailand, Azerbaijan, Algeria, Colombia, Equatorial Guinea, Malaysia and other countries. The Corporation also manufactures, purchases, transports, 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, 2001, the Corporation had 955 million barrels of proved crude oil and natural gas liquids reserves compared with 766 million barrels at the end of 2000. Proved natural gas reserves were 2,881 million Mcf at December 31, 2001 compared with 2,127 million Mcf at December 31, 2000. The crude oil and natural gas reserves include the Corporation’s proportionate share of the reserves of equity investees. Of the total proved reserves (on a barrel of oil equivalent basis), 20% are located in the United States, 40% are located in the United Kingdom, Norwegian and Danish sectors of the North Sea and the remainder are located in Algeria, Azerbaijan, Colombia, Equatorial Guinea, Gabon, Indonesia, Thailand and Malaysia.

Worldwide crude oil and natural gas liquids production amounted to 298,000 barrels per day in 2001 compared with 261,000 barrels per day in 2000. Worldwide natural gas production was 812,000 Mcf per day in 2001 compared with 679,000 Mcf per day in 2000. The Corporation has a number of oil and gas developments in progress and it also has an inventory of domestic and foreign drillable prospects.

Acquisition of Triton Energy Limited. On August 14, 2001, the Corporation acquired Triton Energy Limited (Triton), an international oil and gas exploration and production company. Its principal properties, operations and oil and gas reserves are in Equatorial Guinea, Colombia and the Joint Development Area of Malaysia-Thailand.

Equatorial Guinea. Triton has interests in production sharing contracts covering three offshore blocks. Net crude oil production from Triton’s 85% interest in the Ceiba Field averaged 14,500 barrels per day since acquisition in August 2001. The Corporation expects net crude oil production in 2002 to average over 45,000 barrels per day. The Corporation is considering development alternatives for other oil discoveries in Equatorial Guinea and plans additional exploration wells.

Colombia. Triton participates in three contract areas with a 12% interest (9.6% after royalties) and another contract area with a 10% interest (8% after royalties). These contract areas include the Cusiana and Cupiagua Fields. The Corporation’s share of crude oil production from these fields averaged 26,400 barrels per day since acquisition in August 2001.

Malaysia-Thailand. Triton owns one-half of a corporate joint venture that holds a 50% interest in a production sharing contract in the Joint Development Area of the Gulf of Thailand. In 1999, the parties to the production sharing contract entered into a gas sales agreement for the sale of the first phase of gas production. Commencement of production is subject to completion of pipeline facilities to be constructed by the gas purchaser.

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United States. Amerada Hess Corporation operates mainly offshore in the Gulf of Mexico and onshore in Texas, Louisiana and North Dakota. During 2001, 26% of the Corporation's crude oil and natural gas liquids production and 52% 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:

	2001	2000
Crude Oil, Including Condensate and Natural Gas Liquids (thousands of barrels per day)		
Gulf of Mexico	41	35
North Dakota	14	14
Texas	13	14
Louisiana	6	1
New Mexico	3	3
	—	—
Total	77	67
	—	—
Natural Gas (thousands of Mcf per day)		
Gulf of Mexico	233	160
Louisiana	104	40
North Dakota	61	55
Texas	15	19
New Mexico	11	13
Other	—	1
	—	—
Total	424	288
	—	—
Barrels of Oil Equivalent (thousands of barrels per day)	148	115
	—	—

At December 31, 2001, the Corporation has an interest in 177 exploration blocks in the Gulf of Mexico of which it operates 123. The Corporation has 535,000 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 2001, 42% of the Corporation's crude oil and natural gas liquids production and 36% of its natural gas production were from United Kingdom operations.

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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, 2001:

Producing Field	Interest	2001	2000
Crude Oil, Including Condensate and Natural Gas			
Liquids (thousands of barrels per day)			
Scott/Telford	34.95/31.42%	25	28
Beryl/Ness/Nevis/Buckland/Skene	22.22/22.22/37.35/14.07/9.07	22	26
Fife/Fergus/Flora/Angus	85.00/65.00/85.00/85.00	17	20
Bittern	28.28	15	7
Schiehallion	15.67	14	15
Ivanhoe/Rob Roy/Hamish	76.56	8	7
Arbroath/Montrose/Arkwright	28.21	7	7
Hudson	28.00	5	7
Other	Various	13	8
Total		126	125
Natural Gas (thousands of Mcf per day)			
Beryl/Ness/Nevis/Buckland	22.22/22.22/37.35/14.07%	56	72
Easington Catchment Area	23.84	56	39
Everest/Lomond	18.67/16.67	53	58
Indefatigable/Leman	23.08/21.74	52	50
Davy/Bessemer	27.78/23.08	28	45
Scott/Telford	34.95/31.42	19	19
Other	Various	27	14
Total		291	297
Barrels of Oil Equivalent (thousands of barrels per day)			
		175	174

The Corporation is developing several oil and gas fields in the United Kingdom North Sea and is evaluating other discoveries. Amerada Hess Limited owns 25% of the shares of Premier Oil plc, a United Kingdom company with international exploration and production interests.

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 26,000 and 27,000 barrels per day in 2001 and 2000, respectively. Natural gas production averaged 25,000 Mcf and 24,000 Mcf per day in 2001 and 2000, respectively. Substantially all of the Norwegian production is from the Corporation's 28.09% interest in the Valhall Field. An enhanced-recovery waterflood project for the Valhall Field has been approved and initial water injection is scheduled for 2003.

Denmark. Amerada Hess ApS, the Corporation's Danish subsidiary, operates the South Arne Field, which completed its first full year of production in 2000. Net crude oil production from the Corporation's 57.48% interest in the South Arne Field was 20,000 barrels of oil per day in 2001 compared to 25,000 barrels of oil per day in 2000. Natural gas production was 43,000 Mcf and 37,000 Mcf of natural gas per day in 2001 and 2000, respectively.

Gabon. Amerada Hess Production Gabon (AHPG), the Corporation's 77.5% Gabonese subsidiary, has a 10% interest in the Rabi Kounga Field and a 40% interest in the Atora Field, which began producing in 2001. The Corporation's share of production averaged 9,000 net barrels of crude oil per day in 2001 and 7,000 net barrels per day in 2000.

Indonesia. The Corporation has a 30% interest in the Jabung Production Sharing Contract, which contains the North Geragai and Makmur fields. Net production from these fields averaged 6,000 barrels of oil per day in 2001 and 4,000 barrels of oil per day in 2000. The Jabung production sharing contract area contains

additional discoveries for which development plans are either underway or being considered. In addition, the Corporation has interests in other production sharing contracts in Indonesia on which discoveries have been made.

Thailand. The Corporation has a 15% interest in the Pailin gas field offshore Thailand. Net production from the Corporation's interest averaged 20,000 Mcf and 23,000 Mcf of natural gas per day in 2001 and 2000, respectively.

Algeria. The Corporation has a 49% interest in a joint venture with the Algerian national oil company, which is redeveloping three Algerian oil fields. The Corporation's share of production averaged 13,000 barrels of crude oil per day in 2001.

Azerbaijan. The Corporation has a 2.72% equity interest in the AIOC Consortium in the Caspian Sea. Net production from its interest averaged 4,000 barrels and 3,000 barrels of oil per day in 2001 and 2000, respectively.

Refining and Marketing

Refining. The Corporation owns a 50% interest in the HOVENSA refining joint venture in the United States Virgin Islands. In addition, it owns and operates a refining facility in Port Reading, New Jersey.

HOVENSA. In 2001, the Corporation's share of refinery crude runs averaged 202,000 barrels per day compared with 211,000 barrels per day in 2000. The refinery is a joint venture with a subsidiary of Petroleos de Venezuela S.A. Petroleos de Venezuela supplies 155,000 barrels per day of Venezuelan Mesa crude oil to HOVENSA under a long-term crude oil supply contract. The remaining crude oil is 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. Construction is in process on a 58,000 barrel per day delayed coking unit and related facilities, which are anticipated to be completed in the second quarter of 2002. HOVENSA has a long-term supply contract with Petroleos de Venezuela to purchase 115,000 barrels per day of heavy Venezuelan Merey crude oil commencing on completion of the coker.

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. It currently operates at a rate of approximately 55,000 barrels per day and produces substantially all 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 1,158 HESS® gasoline stations at December 31, 2001, of which approximately 65% are company operated. Most of the gasoline stations are concentrated in densely populated areas, principally in New York, New Jersey, Pennsylvania, Florida, Massachusetts and North and South Carolina, and 787 have convenience stores. The Corporation owns approximately 55% of the properties on which the stations are located.

In 2001, the Corporation invested \$86 million in a 50% joint venture which owns and operates 120 gasoline stations and 21 travel centers, located primarily in North Carolina, South Carolina and Virginia. Gasoline and diesel fuel are sold under the Hess brand. The Corporation added 53 retail outlets located in the Boston metropolitan area and southern New Hampshire. These sites, most of which include convenience stores, were rebranded HESS.

The Corporation's energy marketing activities include the sale and distribution of distillate and fuel oil to customers in its East Coast market area and natural gas to industrial, commercial and retail customers. In addition, the Corporation has a wholly-owned subsidiary which provides distributed electric generation to industrial and commercial customers as an alternative to purchasing electric 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.

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The Corporation has 23 terminals with an aggregate storage capacity of 22 million barrels in its East Coast marketing areas. Refined product sales averaged 387,000 barrels per day in 2001 and 366,000 barrels per day in 2000. Of total refined products sold in 2001, approximately 50% 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.

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 depend on a depleting natural resource. The number of areas where it can be expected that hydrocarbons will be discovered in commercial quantities is constantly diminishing and exploration risks are high. Areas where hydrocarbons may be found are often in remote locations or offshore where exploration and development activities are capital intensive and operating costs are high.

The major foreign oil producing countries, including members of the Organization of Petroleum Exporting Countries (“OPEC”), exert considerable influence over the supply and price of crude oil and refined petroleum products. Their ability or inability to agree on a common policy on rates of production and other matters has a significant impact on oil markets and the Corporation. The derivatives markets are also important in influencing the 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

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

Compliance with various environmental and pollution control regulations imposed by federal, state and local governments is not expected to have a materially adverse effect on the Corporation’s earnings and competitive position within the industry. The Corporation spent \$8 million in 2001 for environmental remediation, with a comparable amount anticipated for 2002. Capital expenditures for facilities, primarily to comply with federal, state and local environmental standards, were \$6 million in 2001 and the Corporation anticipates \$12 million in 2002. 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 may be substantial. The Environmental Protection Agency has adopted rules that limit the amount of sulfur in gasoline and diesel fuel. These rules phase in beginning in 2004. Capital expenditures necessary to comply with the low-sulfur gasoline requirements at Port Reading are expected to be approximately \$70 million over the next three years. Capital expenditures to comply with low-sulfur gasoline and diesel fuel requirements at HOVENSA are currently expected to be \$460 million over the next four years. HOVENSA expects to finance these capital expenditures through cash flow and, if necessary, future borrowings.

The number of persons employed by the Corporation averaged 10,838 in 2001 and 9,891 in 2000.

Additional operating and financial information relating to the business and properties of the Corporation appears in the text on pages 4 through 9 under the heading “Exploration & Production,” on page 10 under the

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heading “Refining,” on page 12 under the heading “Marketing,” on pages 17 through 26 under the heading “Financial Review” and on pages 27 through 57 of the accompanying 2001 Annual Report to Stockholders, which information is incorporated herein by reference.*

Item 2. *Properties*

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

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

1. Oil and gas reserves

The Corporation’s net proved oil and gas reserves at the end of 2001, 2000 and 1999 are presented under Supplementary Oil and Gas Data in the accompanying 2001 Annual Report to Stockholders, which has been incorporated herein by reference.

During 2001, the Corporation provided oil and gas reserve estimates for 2000 to the Department of Energy. Such estimates are compatible with the information furnished to the SEC on Form 10-K, although not necessarily directly comparable due to the requirements of the individual requests. There were no differences in excess of 5%.

The Corporation has no contracts or agreements to sell fixed quantities of its crude oil production, although derivative instruments are used to reduce the effects of changes in selling prices. In the United States, natural gas is sold through the Company’s marketing division to local distribution companies, and commercial, industrial, and other purchasers, on a spot basis and under contracts for varying periods. The Corporation’s United States production is expected to approximate 55% of its 2002 commitments under these contracts which total approximately 700,000 Mcf per day. Natural gas sales commitments for 2003 are 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.

* Except as to information specifically incorporated herein by reference under Items 1, 2, 5, 6, 7, 7A and 8, no other information or data appearing in the 2001 Annual Report to Stockholders is deemed to be filed with the Securities and Exchange Commission (SEC) as part of this Annual Report on Form 10-K, or otherwise subject to the SEC’s regulations or the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

2. Average selling prices and average production costs

	2001	2000	1999
Average selling prices (Note A)			
Crude oil, including condensate and natural gas liquids (per barrel)			
United States	\$22.44	\$23.66	\$16.23
Europe	24.49	25.28	17.85
Africa, Asia and other	23.76	27.06	18.38
Average	23.83	24.99	17.44
Natural gas (per Mcf)			
United States	\$ 3.99	\$ 3.74	\$ 2.14
Europe	2.51	2.18	1.77
Africa, Asia and other	2.94	2.45	2.24
Average	3.27	2.82	1.96
Average production (lifting) costs per barrel of production (Note B)			
United States	\$3.95	\$3.52	\$2.86
Europe	4.40	4.17	4.58
Africa, Asia and other (Note C)	6.45	5.78	3.87
Average	4.50	4.07	3.93

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 reflect the crude oil equivalent of natural gas production converted on the basis of relative energy content (six Mcf equals one barrel).

Note C: Variations in production costs reflect changes in the mix of the Corporation's producing fields in Africa and Asia, including fields under production sharing contracts.

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

3. Gross and net undeveloped acreage at December 31, 2001

	Undeveloped acreage*	
	Gross	Net
United States	1,157	625
Europe	7,921	2,938
Africa, Asia and other	30,043	13,061
Total	39,121	16,624

* Includes acreage held under production sharing contracts.

4. Gross and net developed acreage and productive wells at December 31, 2001

	Developed acreage applicable to productive wells (in thousands)		Productive wells (Note A)			
			Oil		Gas	
			Gross	Net	Gross	Net
United States	1,897	558	2,268	663	347	208
Europe	736	192	332	85	163	33
Africa, Asia and other	957	233	581	110	87	16
Total	3,590	983	3,181	858	597	257

Note A: Includes multiple completion wells (wells producing from different formations in the same bore hole) totaling 137 gross wells and 42 net wells.

5. Number of net exploratory and development wells drilled

	Net exploratory wells			Net development wells		
	2001	2000	1999	2001	2000	1999
Productive wells						
United States	7	2	4	46	19	19
Europe	3	1	—	6	6	10
Africa, Asia and other	4	1	2	15	11	4
Total	14	4	6	67	36	33
Dry holes						
United States	7	9	4	2	3	—
Europe	2	3	4	—	—	—
Africa, Asia and other	4	3	1	—	—	—
Total	13	15	9	2	3	—
Total	27	19	15	69	39	33

6. Number of wells in process of drilling at December 31, 2001

	Gross wells	Net wells
United States	25	17
Europe	12	4
Africa, Asia and other	16	5
Total	53	26

7. Number of waterfloods and pressure maintenance projects in process of installation at December 31, 2001 — 3

Item 3. Legal Proceedings

In July through October 1998, eight lawsuits were filed against Registrant's subsidiary, Triton Energy Limited ("Triton") and Thomas G. Finck and Peter Rugg, in their capacities as former officers of Triton. The lawsuits were filed in the United States District Court for the Eastern District of Texas, Texarkana Division, and have been consolidated and are styled In re: Triton Energy Limited Securities Litigation. The consolidated complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange

Act of 1934, and Rule 10b-5 promulgated thereunder, in connection with disclosures concerning its properties, operations, and value relating to a prospective sale in 1998 of Triton or of all or a part of its assets. The lawsuits seek recovery of an unspecified amount of compensatory damages, fees and costs. Triton filed a motion to dismiss

which was denied. Discovery is proceeding. A motion for class certification is pending. Triton believes its disclosures were accurate and intends to vigorously defend these actions but can make no assurance that the litigation will be resolved in its favor.

As reported in Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, allegations were made to the Registrant's internal reporting hotline concerning noncompliance at the Corpus Christi terminal, formerly owned by Registrant, with federal and state environmental regulations and its investigation of this noncompliance. These allegations and the subsequent investigations were voluntarily disclosed to the Texas Natural Resource Conservation Commission ("TNRCC") and related to (i) onsite disposal of wastes and whether or not such wastes should have been managed as hazardous wastes under the Resource Conservation and Recovery Act; and (ii) nonreporting or misreporting of the results of wastewater discharge samples required to be obtained by the Corpus Christi wastewater discharge permit. The Registrant settled all civil liabilities to TNRCC that might have attached as a result of the alleged discharge of hydrocarbons and certain specified waste disposal and wastewater discharge allegations. Investigations by the United States relating to waste disposal practices and wastewater discharge reporting at Corpus Christi may be continuing. It is not possible at this time for Registrant to state whether any additional proceedings arising out of the investigations will be commenced against the Registrant, or what claims would be asserted or what relief would be sought.

The Registrant investigated and disclosed to TNRCC allegations made to the Registrant's internal reporting hotline of noncompliance at the Galena Park, Texas terminal, formerly owned by Registrant, with state environmental regulations. The Registrant's investigation focused on whether (i) the vapor control system at Galena Park met applicable regulatory requirements during loading of marine vessels; and (ii) Galena Park implemented required controls on air emissions resulting from tank cleaning operations. The Registrant settled all civil liabilities relating to air emissions from tank cleaning by payment of a fine of \$47,600 on September 22, 2000. On December 22, 2000, TNRCC issued a proposed order assessing a civil fine of \$103,125 relating to control of emissions from loading of marine vessels. On March 5, 2001, Registrant entered into an agreed order with the TNRCC agreeing to pay this fine to resolve this matter.

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. Registrant believes that many of the allegations are factually inaccurate or based on an incorrect interpretation of applicable law. Registrant has already undertaken efforts to address certain conditions discussed in the complaint. Registrant intends to vigorously contest the complaint, but is involved in settlement discussions with DEC.

On July 20, 2001, Registrant was served notice from the TNRCC of a proposed administrative penalty of \$272,250 relating to exceedances of hourly limits for SO₂ emissions at its Seminole gas processing plant in Seminole, Texas. Registrant believes that such exceedances were associated with planned maintenance procedures or upset occurrences at the plant and therefore qualify for regulatory exemptions, as timely reported by the Registrant. Registrant has been engaged in settlement discussions with TNRCC and has agreed in principle to an administrative penalty of \$107,800, with an additional \$26,950 deferral payable based on Registrant's compliance with the terms of the order settling this matter.

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

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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 2001, no matter was submitted to a vote of security holders through the solicitation of proxies or otherwise.

Executive Officers of the Registrant

The following table presents information as of February 1, 2002 regarding executive officers of the Registrant:

Name	Age	Office Held*	Year individual became an executive officer
John B. Hess	47	Chairman of the Board, Chief Executive Officer and Director	1983
J. Barclay Collins II	57	Executive Vice President, General Counsel and Director	1986
John J. O'Connor	55	Executive Vice President, President of Worldwide Exploration and Production and Director	2001
John Y. Schreyer	62	Executive Vice President, Chief Financial Officer and Director	1990
F. Borden Walker	48	Executive Vice President and President of Refining and Marketing	1996
Alan A. Bernstein	57	Senior Vice President	1987
F. Lamar Clark	68	Senior Vice President	1990
John A. Gartman	54	Senior Vice President	1997
Neal Gelfand	57	Senior Vice President	1980
Gerald A. Jamin	60	Senior Vice President and Treasurer	1985
Lawrence H. Ornstein	50	Senior Vice President	1995
Robert P. Strode	45	Senior Vice President	2000

* 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 2, 2001, except for Messrs. O'Connor and Walker, who were elected to their current offices in November 2001, and February 2002, respectively. The first meeting of Directors following the next annual meeting of stockholders of the Registrant is scheduled to be held May 1, 2002.

Except for Messrs. O'Connor, Strode and Gartman, each of the above officers has been employed by the Registrant or its subsidiaries in various managerial and executive capacities for more than five years. 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. 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. Mr. Gartman had been a vice president of Public Service Electric and Gas Company in the area of energy marketing prior to his employment with the Registrant in October 1997.

PART II

Item 5. *Market for the Registrant's Common Stock and Related Stockholder Matters*

Information pertaining to the market for the Registrant's Common Stock, high and low sales prices of the Common Stock in 2001 and 2000, dividend payments and restrictions thereon and the number of holders of Common Stock is presented on page 26 (Financial Review), pages 36 and 37 (Long-Term Debt) and on page 54 (Ten-Year Summary of Financial Data) of the accompanying 2001 Annual Report to Stockholders, which has been incorporated herein by reference.

Item 6. *Selected Financial Data*

A Ten-Year Summary of Financial Data is presented on pages 52 through 55 of the accompanying 2001 Annual Report to Stockholders, which has been incorporated herein by reference.

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

The information required by this item is presented on pages 17 through 26 of the accompanying 2001 Annual Report to Stockholders, which has been incorporated herein by reference.

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

The information required by this item is presented under "Derivative Instruments" on pages 22 through 24 and in Footnote 14 on pages 41 through 43 of the accompanying 2001 Annual Report to Stockholders, which has been incorporated herein by reference.

Item 8. *Financial Statements and Supplementary Data*

The consolidated financial statements, including the Report of Ernst & Young LLP, Independent Auditors, the Supplementary Oil and Gas Data (unaudited) and the Quarterly Financial Data (unaudited) are presented on pages 26 through 51 of the accompanying 2001 Annual Report to Stockholders, which has been incorporated herein by reference.

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

None.

PART III

Item 10. *Directors and Executive Officers of the Registrant*

Information relating to Directors is incorporated herein by reference to "Election of Directors" from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on May 1, 2002.

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 1, 2002.

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

Information pertaining to security ownership of certain beneficial owners and management is incorporated herein by reference to "Election of Directors—Ownership of Voting Securities by Certain Beneficial Owners" and "Election of Directors—Ownership of Equity Securities by Management" from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on May 1, 2002.

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 1, 2002.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) 1. and 2. Financial statements and financial statement schedules

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

3. Exhibits

- | | |
|-------|---|
| 3(1) | –Restated Certificate of Incorporation of Registrant incorporated by reference to Exhibit 19 of Form 10-Q of Registrant for the three months ended September 30, 1988. |
| 3(2) | –By-Laws of Registrant incorporated by reference to Exhibit 3(2) of Form 10-K of Registrant for the fiscal year ended December 31, 1985. |
| 4(1) | –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) | –Third Amended and Restated Credit Agreement (“Facility B”) dated as of January 23, 2001 among Amerada Hess Corporation, the lenders party thereto and JP Morgan Chase Bank (formerly, The Chase Manhattan Bank, N.A.), as Administrative Agent. |
| 4(3) | –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(4) | –First Supplemental Indenture dated as of October 1, 1999 between Registrant and The Chase Manhattan Bank, as Trustee, relating to Registrant’s 7 3/8% Notes due 2009 and 7 7/8% 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(5) | –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(6) | –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. |

3. Exhibits (continued)

- 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 Compensation Award Plan for Key Employees of Amerada Hess Corporation and its subsidiaries incorporated by reference to Exhibit 10(2) of Form 10-K of Registrant for the fiscal year ended December 31, 1980.
- 10(6)* –Financial Counseling Program description incorporated by reference to Exhibit 10(3) of Form 10-K of Registrant for the fiscal year ended December 31, 1980.
- 10(7)* –Executive Long-Term Incentive Compensation and Stock Ownership Plan of Registrant dated June 3, 1981 incorporated by reference to Exhibit 10(5) of Form 10-Q of Registrant for the three months ended June 30, 1981.
- 10(8)* –Amendment dated as of December 5, 1990 to the Executive Long-Term Incentive Compensation and Stock Ownership Plan of Registrant incorporated by reference to Exhibit 10(9) of Form 10-K of Registrant for the fiscal year ended December 31, 1990.
- 10(9)* –Amerada Hess Corporation Pension Restoration Plan dated January 19, 1990 incorporated by reference to Exhibit 10(9) of Form 10-K of Registrant for the fiscal year ended December 31, 1989.
- 10(10)* –Letter Agreement dated August 8, 1990 between Registrant and Mr. John Y. Schreyer relating to Mr. Schreyer’s participation in the Amerada Hess Corporation Pension Restoration Plan incorporated by reference to Exhibit 10(11) of Form 10-K of Registrant for the fiscal year ended December 31, 1991.
- 10(11)* –Amended and Restated 1995 Long-Term Incentive Plan incorporated by reference to Form 10-Q of Registrant for the three months ended June 30, 2000.
- 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)* –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, John Y. Schreyer and F. Borden Walker.
- 10(14)* –Change of Control Termination Benefits Agreement dated as of September 1, 1999 between Registrant and John A. Gartman. 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(13)).
- 10(15)* –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.

3. Exhibits (continued)

10(16)*	–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.
10(17)*	–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(18)	–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(19)	–Amended and Restated Limited Liability Company Agreement of HOVENSA L.L.C. dated as of October 30, 1998 incorporated by reference to Exhibit 10.1 of Form 8-K of Registrant dated October 30, 1998.
13	–2001 Annual Report to Stockholders of Registrant.
18	–Letter from Ernst & Young LLP dated May 14, 1999 relating to preferability of last-in, first-out (LIFO) inventory method, adopted January 1, 1999, incorporated by reference to Exhibit 18 to Form 10-Q of Registrant for the three months ended March 31, 1999.
21	–Subsidiaries of Registrant.
23	–Consent of Ernst & Young LLP, Independent Auditors, dated March 21, 2002, to the incorporation by reference in Registrant’s Registration Statements on Form S-8 (Nos. 333-94851, 333-43569, 333-43571 and 33-65115) and Form S-3 No. 333-65542 and in the related Prospectus, of its report relating to Registrant’s financial statements, which consent appears on page F-2 herein.

* These exhibits relate to executive compensation plans and arrangements.

(b) Reports on Form 8-K

No reports were filed on Form 8-K during the last quarter of Registrant’s fiscal year ended December 31, 2001.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 21st day of March 2002.

AMERADA HESS CORPORATION
(Registrant)

By /s/ JOHN Y. SCHREYER
.....

(John Y. Schreyer)
Executive Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JOHN B. HESS (John B. Hess)	Director, Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 21, 2002
/s/ NICHOLAS F. BRADY (Nicholas F. Brady)	Director	March 21, 2002
/s/ J. BARCLAY COLLINS II (J. Barclay Collins II)	Director	March 21, 2002
/s/ PETER S. HADLEY (Peter S. Hadley)	Director	March 21, 2002
/s/ EDITH E. HOLIDAY (Edith E. Holiday)	Director	March 21, 2002
/s/ WILLIAM R. JOHNSON (William R. Johnson)	Director	March 21, 2002
/s/ THOMAS H. KEAN (Thomas H. Kean)	Director	March 21, 2002
/s/ JOHN J. O'CONNOR (John J. O'Connor)	Director	March 21, 2002
/s/ FRANK A. OLSON (Frank A. Olson)	Director	March 21, 2002
/s/ ROGER B. ORESMAN (Roger B. Oresman)	Director	March 21, 2002

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Signature	Title	Date
/s/ JOHN Y. SCHREYER (John Y. Schreyer)	Director, Executive Vice President and Chief Financial Officer (Principal Accounting and Financial Officer)	March 21, 2002
/s/ ROBERT N. WILSON (Robert N. Wilson)	Director	March 21, 2002
/s/ ROBERT F. WRIGHT (Robert F. Wright)	Director	March 21, 2002

AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

	Page number
Statement of Consolidated Income for each of the three years in the period ended December 31, 2001	*
Statement of Consolidated Retained Earnings for each of the three years in the period ended December 31, 2001	*
Consolidated Balance Sheet at December 31, 2001 and 2000	*
Statement of Consolidated Cash Flows for each of the three years in the period ended December 31, 2001	*
Statement of Consolidated Changes in Preferred Stock, Common Stock and Capital in Excess of Par Value for each of the three years in the period ended December 31, 2001	*
Statement of Consolidated Comprehensive Income for each of the three years in the period ended December 31, 2001	*
Notes to Consolidated Financial Statements	*
Report of Ernst & Young LLP, Independent Auditors	*
Quarterly Financial Data	*
Supplementary Oil and Gas Data	*
Consent of Independent Auditors	F-2
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II — Valuation and Qualifying Accounts	F-3

* The financial statements and notes thereto together with the Report of Ernst & Young LLP, Independent Auditors, on pages 27 through 46, the Quarterly Financial Data (unaudited) on page 26, and the Supplementary Oil and Gas Data (unaudited) on pages 47 through 51 of the accompanying 2001 Annual Report to Stockholders are incorporated herein by reference.

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

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Amerada Hess Corporation of our report dated February 22, 2002, included in the 2001 Annual Report to Stockholders of Amerada Hess Corporation.

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

We also consent to the incorporation by reference in the Registration Statements (Form S-8, Nos. 333-94851, 333-43569, 333-43571 and 33-65115) pertaining to the Amerada Hess Corporation Employees' Savings and Stock Bonus Plan, Amerada Hess Corporation Savings and Stock Bonus Plan for Retail Operations Employees and the 1995 Long-Term Incentive Plan, and Form S-3 No. 333-65542 and in the related Prospectus, of our report dated February 22, 2002, with respect to the consolidated financial statements incorporated herein by reference.

/s/ ERNST & YOUNG LLP

Ernst & Young LLP

New York, N.Y.
March 21, 2002

AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended December 31, 2001, 2000 and 1999

(in millions)

Description	Balance January 1	Additions		Deductions from reserves	Balance December 31
		Charged to costs and expenses	Charged to other accounts		
2001					
Losses on receivables	\$ 34	\$ 10	\$ 3	\$32(A)	\$ 15
	—	—	—	—	—
Deferred income tax valuation	\$111	\$ —	\$ —	\$18	\$ 93
	—	—	—	—	—
Major maintenance	\$ 19	\$ 16	\$ —	\$16	\$ 19
	—	—	—	—	—
2000					
Losses on receivables	\$ 6	\$ 33	\$ —	\$ 5	\$ 34
	—	—	—	—	—
Deferred income tax valuation	\$182	\$ —	\$ —	\$71(B)	\$111
	—	—	—	—	—
Major maintenance	\$ 36	\$ 14	\$ —	\$31(C)	\$ 19
	—	—	—	—	—
1999					
Losses on receivables	\$ 6	\$ 1	\$ —	\$ 1	\$ 6
	—	—	—	—	—
Deferred income tax valuation	\$141	\$ 41	\$ —	\$—	\$182
	—	—	—	—	—
Major maintenance	\$ 33	\$ 13	\$ —	\$10	\$ 36
	—	—	—	—	—

(A) Reflects write-off of uncollectible accounts.

(B) Primarily reflects use of tax loss carryforward.

(C) Primarily represents cost of turnaround at refining facility.

EXHIBIT INDEX

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* These exhibits relate to executive compensation plans and arrangements.

CHANGE IN CONTROL
TERMINATION BENEFITS AGREEMENT

THIS CHANGE IN CONTROL TERMINATION BENEFITS AGREEMENT (the "Agreement"), dated as of the first day of September, 1999 is between Amerada Hess Corporation, a Delaware corporation (the "Company"), and John A. Gartman (the "Executive").

W I T N E S S E T H:

WHEREAS, the Company considers it essential to the best interests of the Company and its stockholders that its management be encouraged to remain with the Company and to continue to devote full attention to the Company's business in the event of a transaction or series of transactions that could result in a change in control of the Company through a tender offer or otherwise;

WHEREAS, the Company recognizes that the possibility of a change in control and the uncertainty which it may raise among management may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders;

WHEREAS, the Executive is a key Executive of the Company;

WHEREAS, the Company believes the Executive has made valuable contributions to the productivity and profitability of the Company;

WHEREAS, should the Company receive a proposal for, or otherwise consider any such transaction, in addition to the Executive's regular duties, the Executive may be called upon to assist in the assessment of such proposals, advise management and the Board of Directors of the Company (the "Board") as to whether a proposed transaction would be in the best interests of the Company and its stockholders, and to take such other actions as the Board might determine to be appropriate; and

WHEREAS, the Board has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued services of the Executive, notwithstanding the possibility, threat or occurrence of a change in control of the Company and believes that it is imperative to diminish the potential distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened change in control, to assure the Executive's full attention and dedication to the Company in the event of any threatened or pending change in control, and to provide the Executive with appropriate severance arrangements following a change in control.

NOW, THEREFORE, to assure the Company that it will have the continued undivided attention and services of the Executive and the availability of the Executive's advice and counsel notwithstanding the possibility, threat or occurrence of a change in control of the Company, and to induce the Executive to remain in the employ of the Company, and for other good and valuable consideration, the Company and the Executive agree as follows:

1. Change in Control.

For purposes of the Agreement, a Change in Control shall be deemed to have taken place if any of the following shall occur:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (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 Company (the "Outstanding Company Common Stock") or (ii) combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Voting Securities") provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition by the Company or any of its subsidiaries, (ii) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries, (iii) any acquisition by any company with respect to which, following such acquisition, more than 60% of, respectively, the then outstanding shares of common stock of such company and the combined voting power of the then outstanding voting securities of such company 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 Company 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 Company 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. John Hess or any of his children, parents or siblings, (B) any spouse of any person described in Section (A) above, (C) any trust with respect to which any of the persons described in (A) has substantial voting authority (D) any affiliate (as such term is defined in Rule 12b-2 under the Exchange Act) of any person described in (A) above, (E) the Hess Foundation Inc., or (F) 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 1(a)(iv)); or

(b) Within any 24 month period, individuals who, immediately prior to the beginning of such period, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any

individual becoming a director during such period whose election, or nomination for election by the Company's stockholders, 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 or threatened solicitation of proxies or consents; or

(c) Consummation 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 Company 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 60% 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 company 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 Company Common Stock and Outstanding Voting Securities, as the case may be; or

(d) Consummation of (i) a complete liquidation or dissolution of the Company or (ii) the sale or other disposition of all or substantially all of the assets of the Company, other than to a company, with respect to which following such sale or other disposition, more than 60% of, respectively, the then outstanding shares of common stock of such company and the combined voting power of the then outstanding voting securities of such company 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 Company 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 Company 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 Company" shall mean a sale or other disposition in a transaction or series of related transactions involving assets of the Company or of any direct or indirect subsidiary of the Company (including the stock of any direct or indirect subsidiary of the Company) 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 Company (as hereinafter defined). The "fair market value of the Company" shall be the aggregate market value of the then Outstanding Company Common Stock (on a fully diluted basis) plus the aggregate market value of the Company's other outstanding

equity securities. The aggregate market value of the shares of Outstanding Company 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 Company Common Stock for the ten trading days immediately preceding the Transaction Date. The aggregate market value of any other equity securities of the Company 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 Company Common Stock or by such other method as the Board shall determine is appropriate.

2. Circumstances Triggering Receipt of Termination Benefits.

(a) Subject to Section 2(c), the Company will provide the Executive with the benefits set forth in Section 4 upon any termination of the Executive's employment:

(i) by the Company at any time within the first 24 months after a Change in Control;

(ii) by the Executive for "Good Reason" (as defined in Section 2(b) below) at any time within the first 24 months after a Change in Control; or

(iii) by the Company or the Executive pursuant to Section 2(d).

(b) In the event of a Change in Control, the Executive may terminate employment with the Company and/or any subsidiary for "Good Reason" and receive the payments and benefits set forth in Section 4 upon the occurrence of one or more of the following events (regardless of whether any other reason, other than Cause as provided below, for such termination exists or has occurred):

(i) Failure to elect or reelect or otherwise to maintain the Executive in the office or the position, or at least a substantially equivalent office or position, of or with the Company (or any successor thereto), which the Executive held immediately prior to a Change in Control, or the removal of the Executive as a director of the Company (or any successor thereto), if the Executive shall have been a director of the Company immediately prior to the Change in Control;

(ii) (A) Any material adverse change in the nature or scope of the Executive's authorities, powers, functions, responsibilities or duties from those in effect immediately prior to the Change in Control, (B) a reduction in the Executive's annual base salary rate, (C) a reduction in the Executive's annual incentive compensation target or any material reduction in the Executive's other bonus opportunities, or (D) the termination or denial of the Executive's ability

to participate in Employee Benefits (as defined in Section 4(b)) or retirement benefits (as described in Section 4(c)) or a material reduction in the scope or value thereof, any of which is not remedied by the Company within 10 days after receipt by the Company of written notice from the Executive of such change, reduction or termination, as the case may be;

(iii) The liquidation, dissolution, merger, consolidation or reorganization of the Company or transfer of all or substantially all of its businesses and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its businesses and/or assets have been transferred (directly or by operation of law) assumed all duties and obligations of the Company under this Agreement pursuant to Section 9(a);

(iv) The Company requires the Executive to change the Executive's principal location of work to a location that is in excess of 30 miles from the location thereof immediately prior to the Change in Control, or requires the Executive to travel in the course of discharging the Executive's responsibilities or duties at least 20% more (in terms of aggregate days in any calendar year or in any calendar quarter when annualized for purposes of comparison to any prior year) than was required of the Executive in any of the three full years immediately prior to the Change in Control without, in either case, the Executive's prior written consent;

(v) Without limiting the generality or effect of the foregoing, any material breach of this Agreement by the Company or any successor thereto, which breach is not remedied within 10 days after written notice to the Company from the Executive describing the nature of such breach.

(c) Notwithstanding Sections 2(a) and (b) above, no benefits shall be payable by reason of this Agreement in the event of:

(i) Termination of the Executive's employment with the Company and/or its subsidiaries by reason of the Executive's death or Disability, provided that the Executive has not previously given a valid "Notice of Termination" pursuant to Section 3. For purposes hereof, "Disability" shall be defined as the inability of the Executive due to illness, accident or other physical or mental disability to perform the Executive's duties for any period of six consecutive months or for any period of eight months out of any 12-month period, as determined by an independent physician selected by the Executive (or the Executive's legal representative) and reasonably acceptable to the Company, provided that the Executive does not return to work on substantially a full-time basis within 30 days after written notice from the Company, pursuant to Section 3, of an intent to terminate the Executive's employment due to Disability;

(ii) Termination of the Executive's employment with the Company and/or its subsidiaries on account of the Executive's retirement, pursuant to the Company's Employees' Pension Plan; provided, however, that if the Executive has Good Reason to terminate employment at the time of retirement, the Executive's retirement shall be treated hereunder as a termination of the Executive's employment for Good Reason and the Executive shall be entitled to the benefits provided in Section 4 hereof;

(iii) Termination of the Executive's employment with the Company and its subsidiaries for Cause. For the purposes hereof, "Cause" shall be defined as (A) a felony conviction of the Executive or the failure of the Executive to contest prosecution for a felony, (B) the Executive's gross and willful misconduct in connection with the performance of the Executive's duties with the Company and/or its subsidiaries or (C) the willful and continued failure of the Executive to substantially perform the Executive's duties with the Company (or any successor thereto) after a written demand from the Company's internal Executive Committee, any successor or similar internal management committee or, absent any such committee, its Chief Executive Officer (such committee, or the Chief Executive Officer, being the "Notifying Party") for substantial performance which specifically identifies the manner in which the Notifying Party believes that the Executive has not performed the Executive's duties with the Company, any of which is directly and materially harmful to the business or reputation of the Company or any subsidiary or affiliate. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for "Cause" hereunder unless and until the Executive shall have been afforded, after reasonable notice, an opportunity to appear, together with counsel (if the Executive chooses to have counsel present), before the Notifying Party, if the Notifying Party is a committee, or in the event that the Notifying Party is the Chief Executive Officer, the three most highly compensated senior executive officers of the Company, not including the Chief Executive Officer (such Notifying Party or the three senior executive officers, as the case may be, being the "Hearing Party"), and after such hearing there shall have been delivered to the Executive a written determination by the Hearing Party that, in the good faith opinion of the Hearing Party the Executive shall have been terminated for "Cause" as herein defined and specifying the particulars thereof in detail. Nothing herein will limit the right of the Executive or the Executive's beneficiaries to contest the validity or propriety of any such determination.

This Section 2(c) shall not preclude the payment of any amounts otherwise payable to the Executive under any of the Company's employee benefit plans, pension plans, stock plans, programs and arrangements.

(d) A termination of the Executive's employment by the Company without Cause or by the Executive for an event that would constitute Good Reason following a Change in Control that occurs, in either event, prior to a Change in Control, but occurs (i) not more than 180 days prior to the date on which a Change in Control occurs and (ii) (x) at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control or (y) otherwise arose in connection with, or in anticipation of, a Change in Control, shall be deemed to be a termination or removal of the Executive without Cause within the first 24 months after a Change in Control for purposes of this Agreement and the date of such Change in Control shall be deemed to be the date immediately preceding the date the Executive's employment terminates.

3. Notice of Termination.

Any termination of the Executive's employment with the Company and its subsidiaries as contemplated by Section 2 shall be communicated by written "Notice of Termination" to the other party hereto. Any "Notice of Termination" shall indicate the effective date of termination which shall not be less than 30 days or more than 60 days after the date the Notice of Termination is delivered (the "Termination Date"), the specific provision in this Agreement relied upon, and, except for a termination pursuant to Section 2(d), will set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination including, if applicable, the failure by the Company, after provision of written notice by the Executive, to effect a remedy pursuant to the final clause of Section 2(b)(ii) or 2(b)(v).

4. Termination Benefits.

Subject to the conditions set forth in Section 2, the following benefits shall be paid or provided to the Executive:

(a) Compensation.

The Company shall pay to the Executive two times the sum of (i) "Base Pay", which shall be an amount equal to the greater of (A) the Executive's rate of annual base salary (prior to any deferrals) at the Termination Date or (B) the Executive's rate of annual base salary (prior to any deferrals) immediately prior to the Change in Control, plus (ii) "Incentive Pay", which shall be an amount equal to the greater of (X) the target annual bonus payable to the Executive under the Company's incentive compensation plan or any other annual bonus plan for the fiscal year of the Company in which the Change in Control occurred or (Y) the highest annual bonus earned by the Executive under the Company's incentive compensation plan or any other annual bonus plan (whether paid currently or on a deferred basis) during the three fiscal years of the Company immediately preceding the fiscal year of the Company in which the Change in Control occurred. In addition, the Executive shall receive a pro rata portion of the

target bonus for the fiscal year in which the Executive's termination of employment occurs.

(b) Welfare Benefits.

For a period of 24 months following the Termination Date (the "Continuation Period"), the Company shall arrange to provide the Executive with benefits (the "Employee Benefits"), including travel accident, major medical, dental care and other welfare benefit programs, substantially similar to those in effect immediately prior to the Change in Control, or, if greater, to those that the Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination, or denial described in Section 2(b)(ii)(D)). If and to the extent that any benefit described in this Section 4(b) is not or cannot be paid or provided under any policy, plan, program or arrangement of the Company or any subsidiary, as the case may be, then the Company will itself pay or provide for the payment to the Executive, the Executive's dependents and beneficiaries, of such Employee Benefits along with, in the case of any benefit which is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Company or any subsidiary, an additional amount such that after payment by the Executive, or the Executive's dependents or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Employee Benefits otherwise receivable by the Executive pursuant to this Section 4(b) will be reduced to the extent comparable welfare benefits are actually received by the Executive from another employer during the Continuation Period, and any such benefits actually received by the Executive shall be reported by the Executive to the Company. In addition, the Executive shall receive additional age and service credit for the Continuation Period for purposes of the Executive's eligibility to receive any retiree medical benefits.

(c) Retirement Benefits.

The Executive shall be deemed to be completely vested in the Executive's currently accrued benefits under the Company's Employees' Pension Plan and the Company's Pension Restoration Plan or other supplemental pension plan ("SERP") in effect as of the date of the Change in Control (collectively, the "Plans"), regardless of the Executive's actual vesting service credit thereunder. In addition, the Executive shall be deemed to earn age and service credit for benefit calculation purposes thereunder for the Continuation Period. The additional retirement benefits to be paid pursuant to the Plans shall be calculated as though the Executive's compensation rate for the years during the Continuation Period equaled the sum of Base Pay plus Incentive Pay. Any benefits payable pursuant to this Section 4(c) that are not payable out of the Plans for any reason (including but not limited to any applicable benefit limitations under the Employee Retirement Income Security Act of 1974, as amended, or any restrictions relating to the qualification of the Company's Employees' Pension Plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"))

shall be paid directly by the Company out of its general assets at the time such benefits would be payable under the applicable Plan.

(d) Stock Based Compensation Plans.

(i) Any issued and outstanding stock options shall vest and become exercisable on the Termination Date (to the extent they have not already become vested and exercisable) and any other stock-based awards under any compensation plan or program maintained by the Company (including, without limitation, awards of restricted stock and book value appreciation units) and the Executive's rights thereunder shall vest on the Termination Date (to the extent they have not already vested) and any performance criteria under any such compensation plan or program shall be deemed met at target as of the Termination Date.

(ii) If and to the extent that any benefit or entitlement (or portion thereof) described in paragraph (i) above is not able to be implemented by the Company under the then applicable terms of any plan, program or award agreement applicable to the Executive, the Company shall pay to the Executive cash and/or other property (including, without limitation, common stock of the Company or any successor thereto) with a value, as determined by the Board, equal to the value of any such option, award or other entitlement (or portion thereof) that the Executive was not able to receive under paragraph (i) above, and such payment shall be in full satisfaction of the option, award or other entitlement (or portion thereof) to which such payment relates.

(e) Deferred Compensation.

The Company shall pay to the Executive all other amounts accrued or earned by the Executive through the Termination Date and amounts otherwise owing under the then existing plans and policies of the Company, including but not limited to, all amounts of compensation previously deferred by the Executive (together with any accrued interest or other earnings thereon) and not yet paid by the Company.

(f) Outplacement Services.

If so requested by the Executive, outplacement services shall be provided to the Executive by a professional outplacement firm or provider selected by the Executive that is reasonably acceptable to the Company at a cost to the Company not in excess of \$30,000.

(g) The Company shall pay to the Executive the amounts due pursuant to Sections 4(a) and 4(d)(ii), in a lump sum on the first business day of the month following the Termination Date. The Company shall pay to the Executive the amounts

due pursuant to Section 4(e) in accordance with the terms and conditions of the existing plans and policies of the Company.

5. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined (as hereafter provided) that any payment (other than the Gross-Up payments provided for in this Section 5) or benefit provided by the Company or any of its subsidiaries to or for the benefit of the Executive, whether paid or payable or provided pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, stock appreciation right or similar right, restricted stock, deferred stock or the lapse or termination of any restriction on, deferral period for, or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) by reason of being considered "contingent on a change in ownership or control" of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to any such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"). The Gross-Up Payment shall be in an amount such that, after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax and any income tax imposed upon the Gross-Up Payment, the Executive retains an amount of Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) Subject to the provisions of Section 5(f), all determinations required to be made under this Section 5, including whether an Excise Tax is payable by the Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid by the Company to the Executive and the amount of such Gross-Up Payment, if any, shall be made by the Company's outside auditors immediately prior to the Change in Control (the "Accounting Firm"). The Executive shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and the Executive within 30 days after the Change in Control Date, the Termination Date, if applicable, and any such other time or times as may be requested by the Company or the Executive. If the Accounting Firm determines that any Excise Tax is payable by the Executive, the Company shall pay the required Gross-Up Payment to the Executive within five business days after receipt of such determination and calculations with respect to any Payment to the Executive. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall, at the same time as it makes such determination, furnish the Company and the Executive an opinion that the Executive has substantial authority not to report any Excise Tax on the Executive's federal, state or local income or other tax return. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision

thereto) and the possibility of similar uncertainty regarding applicable state of local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that a Gross-Up Payment which will not have been made by the Company should have been made (an "Underpayment'), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to Section 5(f) and the Executive thereafter is required to make a payment of any Excise Tax, the Executive shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and the Executive as promptly as possible. Any such Underpayment shall be promptly paid by the Company to, or for the benefit of, the Executive within five business days after receipt of such determination and calculations.

(c) The Company and the Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or the Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Section 5(b). Any determination by the Accounting Firm as to the amount of the Gross-Up Payment shall be binding upon the Company and the Executive.

(d) The federal, state and local income or other tax returns filed by the Executive shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Executive. The Executive shall make proper payment of the amount of any Excise Tax, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of the Executive's federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of the Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, the Executive shall, within five business days, pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Section 5(b) shall be borne by the Company. If such fees and expenses are initially paid by the Executive, the Company shall reimburse the Executive the full amount of such fees and expenses within five business days after receipt from the Executive of a statement therefor and reasonable evidence of payment thereof.

(f) The Executive shall notify the Company in writing of any claim, by the Internal Revenue Service or any other taxing authority that, if successful, would require the payment by the Company of a Gross-Up Payment or any additional Gross-Up

Payment. Such notification shall be given as promptly as practicable but no later than 10 business days after the Executive actually receives notice of such claim, and the Executive shall further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by the Executive). The Executive shall not pay such claim prior to the earlier of (x) the expiration of the 30-day period following the date on which the Executive gives such notice to the Company and (y) the date that any payment with respect to such claim is due. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) provide the Company with any written records or documents in the Executive's possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and shall indemnify and hold harmless the Executive, on an after-tax basis, for and against any Excise Tax or income tax including interest and penalties with respect thereto, imposed as a result of such contest and payment of costs and expenses. Without limiting the foregoing provisions of this Section 5(f), the Company shall control all proceedings taken in connection with the contest of any claim contemplated by this Section 5(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that the Executive may participate therein at the Executive's own cost and expense) and may, at its option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to the Executive on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income or other tax, including interest or penalties with respect thereto, imposed with respect to such

advance; and provided further, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(g) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(f), the Executive receives any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 5(f)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(f), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of any such advance shall offset, to the extent thereof, the amount of any Gross-Up Payment required to be paid by the Company to the Executive pursuant to this Section 5.

6. No Mitigation Obligation; Obligations Absolute. The payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment or other benefit provided in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise, except as expressly provided in the second to last sentence of Section 4(b) and Section 13 hereof. The obligations of the Company to make the payments and provide the benefits provided herein to the Executive are absolute and unconditional and may not be reduced under any circumstances, including without limitation any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Executive or any third party at any time.

7. Legal Fees and Expenses.

It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of the Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if, following a Change in Control, it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person

takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive any or all of the benefits provided or intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel of the Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection the Company and the Executive agree that a confidential relationship shall exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for all reasonable attorneys' fees and related expenses incurred by the Executive in good faith in connection with any of the foregoing; provided, however, that the Company shall have no obligation hereunder to pay any attorneys' fees or related expenses with respect to any frivolous claims made by the Executive. Payments by the Company shall be made within 10 business days after receipt of the Executive's written request for payment accompanied by such evidence of fees and expenses as the Company may reasonably require.

8. Continuing Obligations.

The Executive hereby agrees that all documents, records, techniques, business secrets and other information which have come into the Executive's possession from time to time during the Executive's employment with the Company shall be deemed to be confidential and proprietary to the Company and, except for personal documents and records of the Executive, shall be returned to the Company. The Executive further agrees to retain in confidence any confidential information known to him concerning the Company and its subsidiaries and their respective businesses so long as such information is not otherwise publicly disclosed, except that Executive may disclose any such information required to be disclosed in the normal course of the Executive's employment with the Company or pursuant to any court order or other legal process or as necessary to enforce the Executive's rights under this Agreement.

9. Successors.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance reasonably satisfactory to the Executive to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of such successor entity to

enter into such agreement prior to the effective date of any such succession (or, if later, within three business days after first receiving a written request for such agreement) shall constitute a breach of this Agreement and shall entitle the Executive to terminate employment pursuant to Section 2(a)(ii) and to receive the payments and benefits provided under Section 4. As used in this Agreement, "Company" shall mean the Company as herein before defined and any successor to its business and/or assets as aforesaid which executes and delivers the Agreement provided for in this Section 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive dies while any amounts are payable to him hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's designee or, if there is no such designee, to the Executive's estate.

10. Notices.

For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service such as FedEx, UPS, or Purolator, addressed to the Company (to the attention of the Secretary of the Company, with a copy to the General Counsel of the Company) at its principal executive office and to the Executive at the Executive's principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

11. Governing Law.

THE VALIDITY, INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

12. Miscellaneous.

No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar

provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement (or in any employment or other written agreement relating to the Executive). Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any subsidiary prior to or following any Change in Control. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any law or government regulation or ruling. In the event that the Company refuses or otherwise fails to make a payment when due and it is ultimately decided that the Executive is entitled to such payment, such payment shall be increased to reflect an interest factor, compounded annually, equal to the prime rate in effect as of the date the payment was first due plus two points. For this purpose, the prime rate shall be based on the rate identified by Chase Manhattan Bank as its prime rate.

Notwithstanding anything in this Agreement to the contrary, if any right or entitlement of the Executive under this Agreement would cause a transaction involving the Company to be ineligible for "pooling of interests" accounting treatment and that transaction would, but for such right or entitlement hereunder, be eligible for such accounting treatment (each as determined by the Company's outside auditors), the Board may, unilaterally and without notice, modify, adjust or terminate any such right or entitlement so that the transaction will be eligible for "pooling of interests" accounting treatment (as determined by the Company's outside auditors); provided, however, that any such right or entitlement that is modified, adjusted or terminated under this paragraph shall be fully reinstated (with retroactive payments, if necessary) if the transaction which caused such modification, adjustment or termination to be made is not consummated or if "pooling of interest" accounting treatment is not applied to such transaction.

13. Reduction for Other Severance.

Any payments or other benefits provided to the Executive under this Agreement shall be reduced by any payments or other benefits, under any severance plan or employment agreement, which the Executive is eligible to receive as a result of the termination of the Executive's employment.

14. Separability.

The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

15. Non-assignability.

This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder, except as provided in Section 9. Without limiting the foregoing, the Executive's right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than a transfer by will or by the laws of descent or distribution, and in the event of any attempted assignment or transfer by the Executive contrary to this Section 15 the Company shall have no liability to pay any amount so attempted to be assigned or transferred to any person other than the Executive or, in the event of death, the Executive's designated beneficiary or, in the absence of an effective beneficiary designation, the Executive's estate.

16. Effectiveness; Term.

This Agreement will be effective and binding as of the date first above written immediately upon its execution and shall continue in effect through the second anniversary of such date; provided, however, that the term of this Agreement shall automatically be extended for an additional day for each day that passes so that there shall at any time be two years remaining in the term unless the Company provides written notice to the Executive that it does not wish the term of this Agreement to continue to be so extended, in which case the Agreement shall terminate on the second anniversary of such notice if there has not been a Change in Control prior to such second anniversary. In the event that a Change in Control has occurred during the term of this Agreement, then this Agreement shall continue to be effective until the second anniversary of such Change in Control. Notwithstanding any other provision of this Agreement, if, prior to a Change in Control, the Executive ceases for any reason to be an employee of the Company and any subsidiary (other than a termination of employment pursuant to Section 2(d) hereof), thereupon without further action the term of this Agreement shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect. For purposes of this Section 16, the Executive shall not be deemed to have ceased to be an employee of the Company and any subsidiary by reason of the transfer of the Executive's employment between the Company and any subsidiary, or among any subsidiaries. Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under Sections 4 through 9 will survive any termination or expiration of this Agreement or the termination of the Executive's employment following a Change in Control for any reason whatsoever.

17. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

18. Prior Agreement. This Agreement supersedes and terminates any and all prior similar agreements by and among Company (and/or a subsidiary) and the Executive.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the day and year first above set forth.

AMERADA HESS CORPORATION

By: /s/ John B. Hess

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

/s/ John A. Gartman

Signature

March 18, 2002

Mr. John J. O'Connor
6 Stonefalls Court
Ryebrook, NY 10573

Dear John:

This letter will confirm our understanding concerning your participation in the Amerada Hess Corporation Pension Restoration Plan (the "PRP") and the deferred compensation you will receive in connection with your employment by Amerada Hess Corporation (the "Corporation") on October 15, 2001.

The Compensation and Management Development Committee of the Corporation's Board of Directors has determined that you will receive Prior Service (as defined in Section 4.1 of the PRP) for thirty-three (33) years of related experience acquired prior to the date of your employment by the Corporation for the purpose of determining PRP benefits provided, however, that the five-year service requirements for vesting and pre-retirement death benefits under the PRP shall be based on actual service with the Corporation, and the ten-year service requirements for early and disability retirement under the PRP will not include your Prior Service until you have reached five years of service with the Corporation. However, you shall be deemed to be completely vested in your PRP benefits described herein on and as of the date of a Change in Control (as defined in the Change in Control Termination Benefits Agreement dated March 6, 2002, between you and the Corporation) regardless of your actual vesting service credit under the PRP as of such date.

In general, PRP benefits are calculated as a life annuity based on the formula of the Corporation's Employees' Pension Plan (the "Pension Plan") as though your Prior Service counted under that plan, and there were no legal limits on qualified plan benefits or annual compensation. The resulting amount is reduced as necessary to account for any payment before age 65 or in any form other than a life annuity based on the actuarial factors used to determine Pension Plan benefits. Then the amount is reduced by subtracting any benefits payable from the Pension Plan. Finally, the PRP amount is reduced by:

"... the monthly benefit actually payable to or on behalf of the Member under the qualified and nonqualified pension plans of any prior employers derived from periods of employment with such employers for which credit for Prior Service was granted, or such amounts as would be payable from investments made with the proceeds of lump sum payments received by the Member from such other plans in a manner determined by the Committee at the time credit for such Prior Service is granted"

You have advised us that you have received or are entitled to receive the following payments representing your accrued pension benefits under the qualified and non-qualified pension plans of your previous employers:

Mobil \$274,793.26 paid in a lump sum from a non-qualified plan on April 30, 1996, plus interest for the month of April, making the effective date of the amount March 31, 1996;

 \$6,865.41 per month as a life annuity from a qualified plan commencing on November 1, 2007, or an actuarially reduced life annuity commencing earlier at your option (the "Mobil Pension");

BHP \$750,482.44 paid in a lump sum from non-qualified plan in August 1997, converted from Australian dollar payment of A\$1,014,165.46 at exchange rate of US\$.74 per A\$1.00; no qualified plan benefit due;

Texaco \$134,747 paid in a lump sum on March 1, 2002 from a qualified plan (the "Texaco Pension");

 \$255,568 payable over 10 years starting March 1, under Supplement #1 of the non-qualified plan; and

 \$247,914 (valued as of December 31, 2001) payable 10 years starting January 1, 2012 under Supplement #3 of the non-qualified plan.

The amounts shown for Texaco Supplements #1 and #3 are the values of ten-year streams of payments.

We have estimated your incremental combined tax rate for all relevant dates as 45% (federal and state income tax, and Medicare portion of FICA), and as a result, the net available amount of the non-qualified plan distributions shown above will be reduced by 45%, resulting in a lesser amount available to you for investment (the "Tax-adjusted Mobil Benefit," the "Tax-adjusted BHP Benefit," the "Tax-adjusted Texaco Benefit #1," and the "Tax-adjusted Texaco Benefit #3," respectively) as shown below.

Tax-adjusted Mobil Benefit	\$151,136.29
Tax-adjusted BHP Benefit	\$412,765.34
Tax-adjusted Texaco Benefit #1	\$140,562.40
Tax-adjusted Texaco Benefit #3	\$136,352.70

Based on this information, your PRP benefit will be calculated as described below.

1. Annual benefits payable to you monthly pursuant to the Corporation's PRP upon your retirement under the Pension Plan will be the amount described in paragraph A below, less the sum of paragraphs B, C, D, E, F, G and H below.
 - A. The life annuity amount calculated under the PRP, subject to any reduction for early payment specified by the Corporation's Employees' Pension Plan (the "Pension Plan").
 - B. The annual benefit actually payable to you as a life annuity under the Pension Plan based on your Credited Service, determined without regard to the Prior Service granted under the PRP.
 - C. A life annuity determined by the Pension Plan actuaries to be the actuarial equivalent of the Mobil Pension determined at the time of your retirement, taking into account any Mobil Pension payments already made at that time.
 - D. A life annuity determined by the Pension Plan actuaries to be the actuarial equivalent of the projected value of the Texaco Pension, assuming that it was invested on March 1, 2002 at an annual rate of interest 1% greater than the average annual rate of one-year U.S. Treasury bills in effect during the 12 months ending on December 31 of each prior year rounded up to the next one-quarter percent, compounded annually from March 1, 2002, until the date of your retirement, based on the mortality rates used under the Pension Plan to determine actuarial equivalent values at the time of retirement, and the interest rate which would be used by the Pension Benefit Guaranty Corporation for purposes of determining the present value of a lump sum distribution on plan termination as of January 1 of the calendar year in which your retirement occurs.
 - E. A life annuity determined by the Pension Plan actuaries to be the actuarial equivalent of the projected value of the Tax-adjusted Mobil Benefit, assuming such benefit had been invested on March 31, 1996 at an annual rate of interest 1% greater than the average annual rate of one-year U.S. Treasury bills in effect during the 12 months ending on December 31 of each prior year rounded up to the next one-quarter percent, compounded annually from March 31, 1996, until the date of your retirement (grossed up to reflect the fact that no income taxes will be

payable on the portion of the annuity derived from the initial after-tax amount), based on the mortality rates used under the Pension Plan to determine actuarial equivalent values at the time of retirement, and the interest rate which would be used by the Pension Benefit Guaranty Corporation for purposes of determining the present value of a lump sum distribution on plan termination as of January 1 of the calendar year in which your retirement occurs.

- F. A life annuity determined by the Pension Plan actuaries to be the actuarial equivalent of the projected value of the Tax-adjusted BHP Benefit, assuming such benefit had been invested on August 31, 1997 at an annual rate of interest 1% greater than the average annual rate of one-year U.S. Treasury bills in effect during the 12 months ending on December 31 of each prior year rounded up to the next one-quarter percent, compounded annually from August 31, 1997, until the date of your retirement (grossed up to reflect the fact that no income taxes will be payable on the portion of the annuity derived from the initial after-tax amount), based on the mortality rates used under the Pension Plan to determine actuarial equivalent values at the time of retirement, and the interest rate which would be used by the Pension Benefit Guaranty Corporation for purposes of determining the present value of a lump sum distribution on plan termination as of January 1 of the calendar year in which your retirement occurs.
- G. A life annuity determined by the Pension Plan actuaries to be the actuarial equivalent of the projected value of the Tax-adjusted Texaco Benefit #1, assuming that it is invested on March 1, 2002 at an annual rate of interest 1% greater than the average annual rate of one-year U.S. Treasury bills in effect during the 12 months ending on December 31 of each prior year rounded up to the next one-quarter percent, compounded annually from March 1, 2002, until the date of your retirement (grossed up to reflect the fact that no income taxes will be payable on the portion of the annuity derived from the initial after-tax amount), based on the mortality rates used under the Pension Plan to determine actuarial equivalent values at the time of retirement, and the interest rate which would be used by the Pension Benefit Guaranty Corporation for purposes of determining the present value of a lump sum distribution on plan termination as of January 1 of the calendar year in which your retirement occurs.

H. A life annuity determined by the Pension Plan actuaries to be the actuarial equivalent of the projected value of the Tax-adjusted Texaco Benefit #3, assuming that it was invested on November 1, 2001 at an annual rate of interest 1% greater than the average annual rate of one-year U.S. Treasury bills in effect during the 12 months ending on December 31 of each prior year rounded up to the next one-quarter percent, compounded annually from November 1, 2001, until the date of your retirement (grossed up to reflect the fact that no income taxes will be payable on the portion of the annuity derived from the initial after-tax amount), based on the mortality rates used under the Pension Plan to determine actuarial equivalent values at the time of retirement, and the interest rate which would be used by the Pension Benefit Guaranty Corporation for purposes of determining the present value of a lump sum distribution on plan termination as of January 1 of the calendar year in which your retirement occurs.

2. If you should die while employed by the Corporation under circumstances in which a pre-retirement Qualified Joint and Survivor Annuity would be payable to your surviving spouse under the Pension Plan, benefits will be paid to your survivor under the PRP calculated as described in Paragraph 1 above as of the date of your death. Such benefit will be paid to your surviving spouse at the same time and in the same manner as the survivor benefit under the Pension Plan, and shall be subject to the same actuarial adjustments as those that apply to a benefit payable under the Pension Plan.
3. If your employment with the Corporation should terminate after you have five years of service with the Corporation, but before you are eligible to retire under the Pension Plan, benefits will be calculated as described in Paragraph 1 above as of the date your employment terminates. The amount being paid by the Corporation under this Paragraph will be reduced by any amount subsequently paid under the terms of the Pension Plan, actuarially adjusted to match the form of payments made under this Paragraph. Such reduction shall be made at the time Pension Plan payments commence.

All benefits will be actuarially adjusted to reflect any form of payment other than an annuity for your lifetime only, in accordance with the terms of the Pension Plan.

Nothing contained in the Pension Plan, PRP or this letter shall be construed as a contract of employment or as changing the normal terms of the employment relationship.

Mr. John J. O'Connor
March 18, 2002
Page 6

To qualify for the deferred compensation payments described above, you must sign and return the enclosed copy of this letter by May 17, 2002. If you do not sign and return the letter by then, the deferred compensation payments will not be made available to you in the future.

The deferred compensation plan described above is unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974. You would have the status of a general unsecured creditor of the Corporation with respect to plan payments. The plan constitutes a mere promise to make benefit payments in the future. Your rights with respect to any such payments would not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by your creditors or the creditors of your beneficiaries.

Please indicate your acceptance of and agreement to the foregoing by signing the enclosed copy of this letter in the space provided below and returning it to me.

Yours truly,
AMERADA HESS CORPORATION

/s/ John B. Hess

By: John B. Hess

Accepted and Agreed to by:

/s/ John J. O'Connor

March 18, 2002

John J. O'Connor

Date

AMERADA HESS CORPORATION

JOHN B. HESS
Chairman of the Board

1185 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10036-2677
(212) 536-8514

March 18, 2002

Mr. F. Borden Walker
307 Heights Road
Ridgewood, NJ 07450

Dear Borden:

This letter will confirm our understanding concerning your participation in the Amerada Hess Corporation Pension Restoration Plan (the "PRP") and the deferred compensation you will receive in connection with your continued employment by Amerada Hess Corporation (the "Corporation").

The Compensation and Management Development Committee of the Corporation's Board of Directors has determined that you will receive Prior Service (as defined in Section 4.1 of the PRP) for nineteen (19) years of related experience with Mobil Oil Corporation ("Mobil") acquired prior to the date of your employment by the Corporation on July 15, 1996 for the purpose of determining PRP benefits.

In general, PRP benefits are calculated as a life annuity based on the formula of the Corporation's Employees' Pension Plan (the "Pension Plan") as though your Prior Service counted under that plan, and there were no legal limits on qualified plan benefits or annual compensation. The resulting amount is reduced as necessary to account for any payment before age 65 or in any form other than a life annuity based on the actuarial factors used to determine Pension Plan benefits. Then the amount is reduced by subtracting any benefits payable from the Pension Plan. Finally, the PRP amount is reduced by:

"... the monthly benefit actually payable to or on behalf of the Member under the qualified and nonqualified pension plans of any prior employers derived from periods of employment with such employers for which credit for Prior Service was granted, or such amounts as would be payable from investments made with the proceeds of lump sum payments received by the Member from such other plans in a manner determined by the Committee at the time credit for such Prior Service is granted"

You have advised us that as a result of your employment with Mobil you have a total accrued and vested benefit of \$4,892.42 per month payable at age 65 from a combination of Mobil's qualified and non-qualified retirement plans. The life annuity

equivalent of this Mobil pension will be coordinated with the PRP benefit at the time of your retirement as described above. For this purpose, the actuarial factors used by the Pension Plan shall be applied to the Mobil benefit to account for any payment before age 65.

Nothing contained in the Pension Plan, PRP or this letter shall be construed as a contract of employment or as changing the normal terms of the employment relationship.

To qualify for the deferred compensation payments described above, you must sign and return the enclosed copy of this letter by May 17, 2002. If you do not sign and return the letter by then, the deferred compensation payments will not be made available to you in the future.

The deferred compensation plan described above is unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974. You would have the status of a general unsecured creditor of the Corporation with respect to plan payments. The plan constitutes a mere promise to make benefit payments in the future. Your rights with respect to any such payments would not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by your creditors or the creditors of your beneficiaries.

Please indicate your acceptance of and agreement to the foregoing by signing the enclosed copy of this letter in the space provided below and returning it to me.

Yours truly,

AMERADA HESS CORPORATION

/s/ John B. Hess

By: John B. Hess

Accepted and Agreed to by:

/s/ H. Borden Walker

March 18, 2002

H. Borden Walker

Date

Exploration & Production

Amerada Hess made acquisitions in 2001 that provide both immediate production and significant growth opportunities internationally and domestically. The transformational event of 2001 was the acquisition of Triton Energy Limited, which added high-impact growth opportunities to the Corporation's upstream portfolio. Drilling successes in 2001 and early in 2002 spanned the globe and were made both on properties acquired during the year and on previously identified prospects.

At the end of 2001, proved reserves exceeded 1.4 billion barrels of oil equivalent, the largest reserve base in the Corporation's history. Production increased 16% on a barrel of oil equivalent basis in 2001. The primary reasons for the increase were the Triton and Gulf of Mexico natural gas acquisitions, a full year of production from the Amerada Hess operated Conger and Northwestern Fields in the Gulf of Mexico and production from the Gassi El Agreb redevelopment project in Algeria.



Ceiba Field production operations onboard the FPSO Sendje Ceiba.



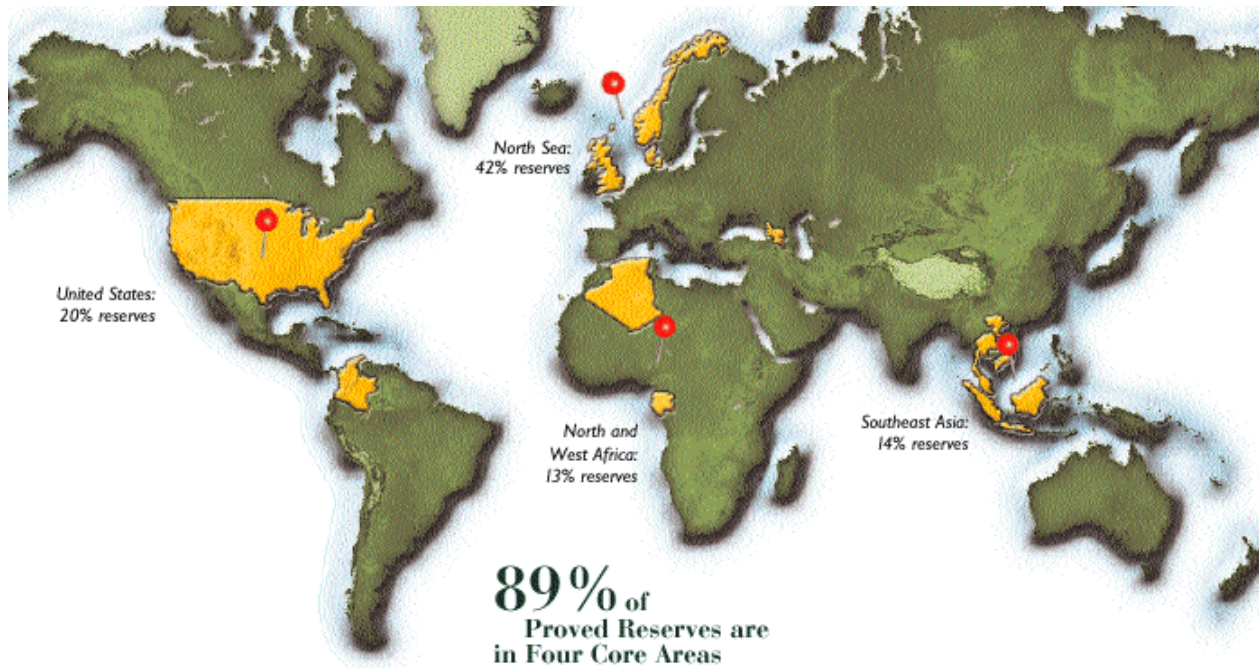
Successful appraisal well being drilled on the *Oveng Field*.

Equatorial Guinea

A new floating production, storage and offloading vessel (FPSO), the *Sendje Ceiba*, was installed and commenced operation late in January 2002 on the *Ceiba Field* (AHC 85%), offshore Equatorial Guinea, replacing an existing FPSO in a safe, cost-efficient operation that was completed in just 14 days, minimizing field downtime.

The *Sendje Ceiba* has expanded production facilities and water injection capability which will extend field life and maximize oil recovery. Gross oil production from the *Ceiba Field* resumed at a rate in excess of 50,000 barrels of oil per day. Water injection has begun, additional wells are being tied in and artificial lift pumps will be installed late in 2002.

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Successful appraisal wells were drilled on the Okume and Oveng prospects in 2001. These wells identified substantial hydrocarbon accumulations. Amerada Hess drilled its first exploration well offshore Equatorial Guinea in the Rio Muni Basin and made the Ebano discovery. The second exploration well drilled by Amerada Hess made the Akom discovery. Preliminary reserve estimates indicate that Ebano and Akom are commercial developments. Amerada Hess has an 85% working interest in Okume, Oveng, Ebano and Akom. Development plans encompassing these four discoveries will be submitted to the Government of Equatorial Guinea in the second half of 2002.



Geologists studying data relating to Equatorial Guinea prospects in the Corporation's Dallas office.

United States

In the United States, production increased to 148,000 barrels of oil equivalent per day in 2001 from 115,000 barrels per day in 2000, primarily driven by the acquisition of LLOG and other Gulf of Mexico reserves as well as a full year of production from the Conger Field (AHC 37.50%) and the Northwestern Field (AHC 50%). Early in 2002, Amerada Hess brought the Tulane Field (AHC 100%) into production.

The 2001 acquisitions have achieved a 20% reserve increase to date, meeting the Corporation's performance targets. The Corporation drilled 23 successful wells on these properties in 2001, rapidly bringing natural gas to market. The Breton Sound Block 51 production facility (AHC 100%), with a capacity of 40,000 Mcf of natural gas per day and 3,000 barrels of oil per day, is scheduled for startup in April 2002. Eight wells will be brought onstream through that facility.



Drilling rig in the *Northwestern Field*, Gulf of Mexico.

Amerada Hess acquired a 27.50% interest in the Llano Field in 2001. A subsequent appraisal well encountered about 400 feet of net pay. Development plans are expected to be finalized in 2002.

On Garden Banks Block 244, in which Amerada Hess has a 27% interest, an exploration well encountered 347 feet of net pay. Development options are being analyzed. Exploration wells on East Breaks Block 599 (AHC 33%) and Green Canyon Block 507 (AHC 50%) encountered 85 and 130 feet of net pay, respectively, and are being evaluated for development potential.

United Kingdom

The Corporation's production in the United Kingdom averaged 174,500 barrels of oil equivalent per day in 2001, the same as in 2000. Increased production from the Bittern Field and several other areas contributed to maintaining production levels.

The Juno Field will be brought onstream late in 2002. Peak production for Amerada Hess is expected to reach 90,000 Mcf of natural gas per day in 2004. The Skene Field came onstream late in 2001. The Corporation's share of production will average about 25,000 Mcf of natural gas equivalent per day.

The Clair Field (AHC 9.29%) also is being developed; production is expected to begin in 2004. The York Field, operated by Amerada Hess with a 71% interest, is likely to be developed with first production late in 2003. Other fields being evaluated for development include Atlantic and Cromarty.

Norway

In Norway, the large scale waterflood project for the Valhall Field, in which Amerada Hess has a 28.09% interest, is proceeding. Initial water injection is scheduled for 2003. When fully operational, the waterflood project should increase the Corporation's share of production to 30,000 barrels of crude oil and natural gas liquids per day from 22,200 barrels per day in 2001.

Denmark

Net production from the South Arne Field, operated by Amerada Hess with a 57.48% interest, averaged 20,000 barrels of oil per day and 43,000 Mcf of natural gas per day in 2001. Two exploration wells will be drilled in Denmark in 2002.

Faroe Islands

Amerada Hess drilled an exploration well in the Faroe Islands (AHC 42.96%) that encountered significant hydrocarbons and may open up a new oil producing province. The Corporation will drill an appraisal well on an offsetting block (AHC 42.96%) in United Kingdom waters in 2002.

Colombia

The Corporation's share of production from the Cusiana and Cupiagua Fields averaged 26,000 barrels of oil per day in the fourth quarter of 2001. Net production in 2002 is forecast at about 23,000 barrels of oil per day.

Gabon

Production in Gabon averaged 9,800 barrels of oil per day in December 2001, up from 6,300 barrels per day in December 2000, due to production from the recently developed Atora Field. The Toucan discovery (AHC 38.75%) was made during 2001 and is being appraised. The possibility of bringing Toucan into production through the facilities of the nearby Rabi Kounga Field (AHC 7.75%) is being evaluated.

Indonesia

Amerada Hess is now the operator in the Pangkah Block. Development of the Pangkah discovery is being evaluated. Development of the Sungai Kenawang discovery (AHC 25%) also is being assessed, possibly in conjunction with Pulau Gading (AHC 25%). Amerada Hess obtained 40% interests in Tanjung Aru Blocks A and D, both of which offer high-impact potential exploration prospects. Exploration wells are likely to be drilled in 2002.



Amerada Hess drilling the first oil discovery in the *Faroe Islands*.



Production of natural gas from the *Pailin Field* will increase in 2002 when phase two comes onstream.

Malaysia

Drilling in 2002 in Malaysia will concentrate on Block SB 302 (AHC 50%). The Cendor discoveries on Block PM 304 (AHC 41%) are being evaluated. In the joint development area (AHC 25%) between Malaysia and Thailand, pipeline approval was received in 2001 and development is proceeding. Natural gas sales are scheduled to commence late in 2003 or early in 2004.

Thailand

Amerada Hess' share of production from the Pailin Field (AHC 15%) averaged 26,500 Mcf of natural gas equivalent per day in 2001. Phase two of the development of the Pailin Field proceeded with several successful wells in 2001. Phase two is expected to come onstream in mid-2002 and will increase the Corporation's production to about 50,000 Mcf per day of natural gas equivalent.

Refining

HOVENSA, the joint venture between Amerada Hess and Petroleos de Venezuela, operates a world class merchant refinery, strategically located in the Caribbean for both crude oil imports and product shipments. With a crude oil processing capacity of 495,000 barrels per day and a 140,000 barrel per day fluid catalytic cracking unit, the refinery supplies the joint venture partners with refined products for the East Coast. HOVENSA also markets products in the Caribbean and in California where it is able to meet California's strict environmental standards. A delayed coking unit is being constructed and will enhance the refinery's profitability.

Construction of the 58,000 barrel per day coking unit will be completed in the second quarter and start up will begin immediately thereafter.

The economics of the coker are underpinned by a 115,000 barrel per day supply contract with Petroleos de Venezuela for heavy Merey crude oil, which sells at a discount to crude oils now being purchased by the refinery. HOVENSA currently purchases about 155,000 barrels per day of Mesa crude oil. Upon completion of the coker, about two-thirds of the crude oil processed at the Virgin Islands refinery will come from Venezuela.

The Corporation's other refining facility is the Port Reading, New Jersey fluid catalytic cracking unit. That unit runs at a rate of about 55,000 barrels per day and supplies gasoline for HESS retail facilities in the New York metropolitan area.



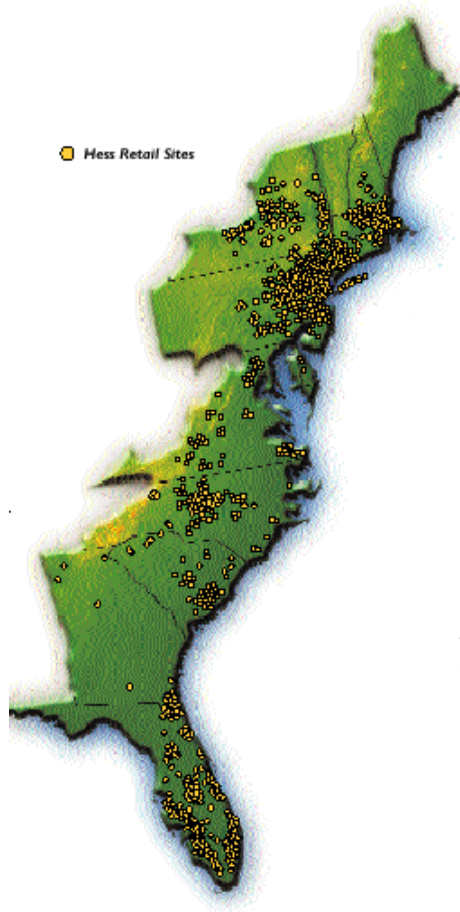
The Port Reading fluid catalytic cracking unit in New Jersey produces high-quality, clean-burning gasoline for northeast markets.



The 58,000 barrel per day delayed coking unit at the HOVENSA refinery in the Virgin Islands will enable the refinery to process lower cost, heavy crude oil while producing products that meet the highest environmental standards for Amerada Hess and its joint venture partner, Petroleos de Venezuela.

Marketing

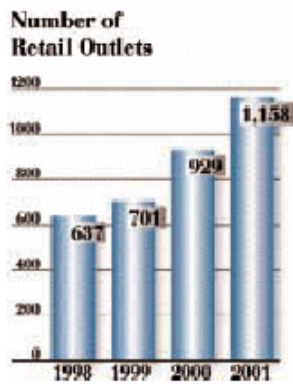
The Corporation's HESS retail network grew to 1,158 facilities at year-end 2001 from 929 at year-end 2000. HESS EXPRESS stores with several fast food offerings, a proprietary coffee, fountain service and convenience items are pacesetters in the industry.



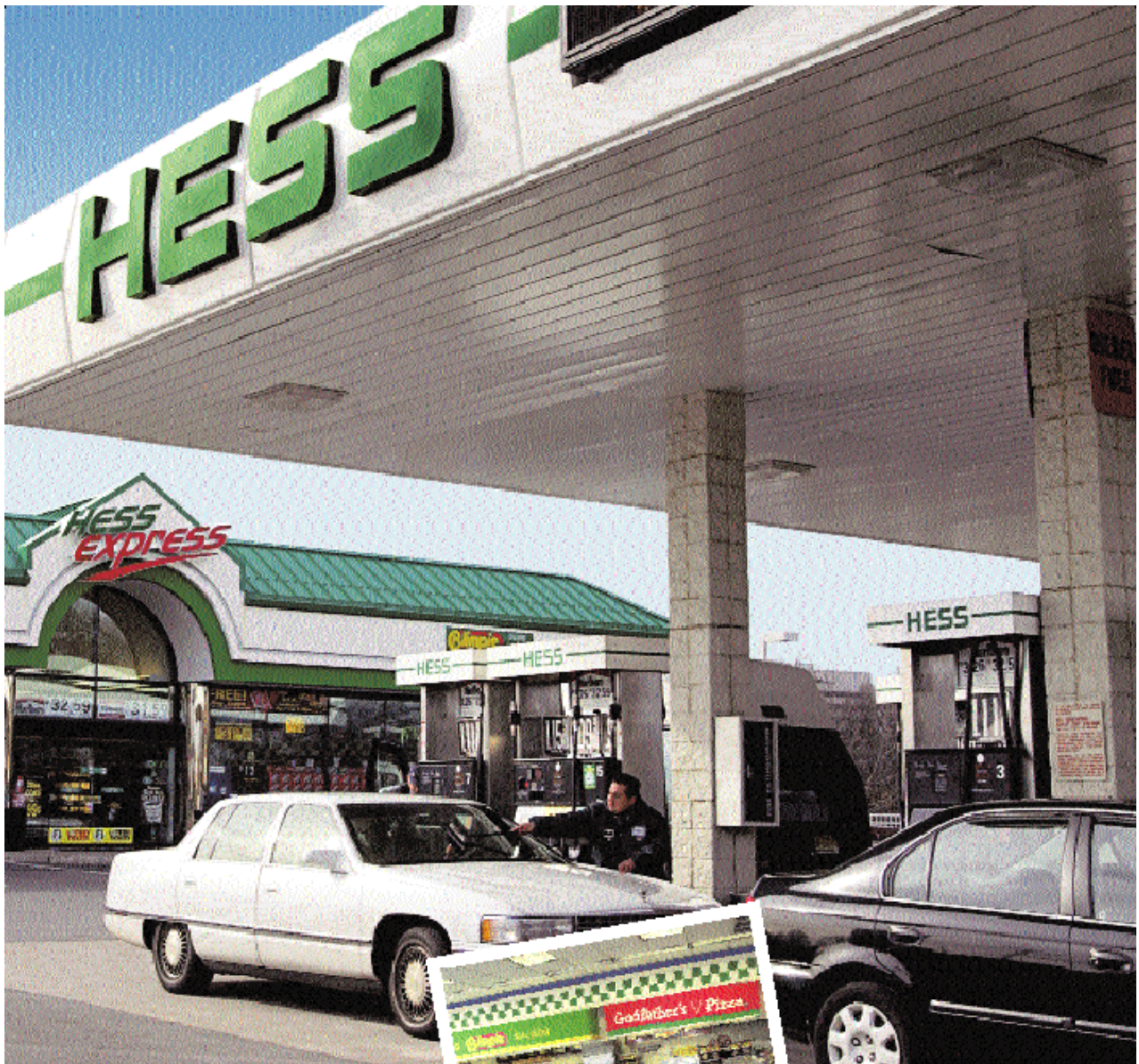
Our vision is to be the leading independent convenience retailer on the East Coast.

The growth in HESS retail marketing facilities continued in 2001 with the formation of the WilcoHess joint venture that owns and operates 141 retail facilities, primarily in North Carolina, South Carolina and Virginia and the acquisition of 53 retail facilities in the Boston metropolitan area and southern New Hampshire.

The WilcoHess joint venture introduced the HESS brand in North Carolina and Virginia and strengthened the brand in South Carolina. The New England acquisition established HESS as the leading independent retailer in the Boston metropolitan area. These transactions and the annual building program of new HESS EXPRESS retail facilities solidified HESS as the leading independent convenience retailer on the East Coast.



During 2002, HESS will further expand its retail network by building 25 new facilities that will include HESS EXPRESS stores and upgrading 30 existing retail sites to add HESS EXPRESS stores.



HESS EXPRESS retail facility in Woodbridge, New Jersey featuring several fast food offerings, fountain service, Hess' Mountain Top coffee and consumer convenience items.



Financial Review

Amerada Hess Corporation and Consolidated Subsidiaries

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

Consolidated Results of Operations

Net income amounted to \$914 million in 2001, \$1,023 million in 2000 and \$438 million in 1999. Operating earnings (income excluding special items) amounted to \$945 million in 2001, \$987 million in 2000 and \$307 million in 1999.

The after-tax results by major operating activity for 2001, 2000 and 1999 are summarized below:

<i>Millions of dollars</i>	2001	2000	1999
Exploration and production	\$ 923	\$ 868	\$ 324
Refining, marketing and shipping	235	288	133
Corporate	(78)	(43)	(31)
Interest	(135)	(126)	(119)
Operating earnings	945	987	307
Special items	(31)	36	131
Net income	\$ 914	\$1,023	\$ 438
Net income per share (diluted)	\$10.25	\$11.38	\$4.85

Comparison of Results

Exploration and Production: Operating earnings from exploration and production activities increased by \$55 million in 2001, primarily due to higher crude oil and natural gas sales volumes, partially offset by lower average crude oil selling prices and higher exploration expenses. Operating earnings increased by \$544 million in 2000, largely due to significantly higher selling prices for crude oil and United States natural gas.

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

	2001	2000	1999
Crude oil (per barrel)			
United States	\$23.29	\$23.97	\$16.71
Foreign	24.58	25.53	18.07
Natural gas liquids (per barrel)			
United States	18.64	22.30	13.59
Foreign	18.91	23.41	14.29
Natural gas (per Mcf)			
United States	3.99	3.74	2.14
Foreign	2.54	2.20	1.79

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

	2001	2000	1999
Crude oil			
(thousands of barrels per day)			
United States	63	55	55
Foreign	212	185	159
Total	275	240	214
Natural gas liquids			
(thousands of barrels per day)			
United States	14	12	10
Foreign	9	9	8
Total	23	21	18
Natural gas			
(thousands of Mcf per day)			

United States	424	288	338
Foreign	388	391	305
	—	—	—
Total	812	679	643
	—	—	—
Barrels of oil equivalent (thousands of barrels per day)	433	374	339
	—	—	—

On a barrel of oil equivalent basis, the Corporation's oil and gas production increased by 16% in 2001 and 10% in 2000. The increase in United States crude oil and natural gas production in 2001 was primarily due to the acquisition of producing properties in the Gulf of Mexico and production from the Conger and Northwestern fields which commenced in late 2000. The increase in foreign crude oil production reflects production from fields acquired in the purchase of Triton Energy Limited in August 2001. Increased foreign crude oil production also includes the first full year of production from the Corporation's interest in a redevelopment project in Algeria. Crude oil equivalent production is expected to increase to 475,000 barrels per day in 2002, largely from increased production from the Ceiba Field in Equatorial Guinea.

Increased production in 2000 compared with 1999 primarily resulted from a full year of production from the South Arne Field in Denmark and new production from the Bittern Field in the United Kingdom. Increased natural gas production in 2000 resulted from new and existing fields in the United Kingdom, Denmark and Thailand and offset lower natural gas production in the United States.

Production expenses were higher in 2001 and 2000, primarily reflecting increased oil and gas production volumes. In both years, production expense per barrel also increased due to the mix of producing fields. Depreciation, depletion and amortization charges increased in 2001, principally reflecting higher per-barrel costs and production volumes in fields acquired in the Gulf of Mexico and in the Triton acquisition. Depreciation and related costs were also higher in 2000 compared with 1999, reflecting higher production volumes, while per barrel costs were comparable. Exploration expense was higher in 2001 and 2000, reflecting increased drilling and seismic purchases. The 2001 increase principally reflects exploration activity in the North Sea and on Triton properties in West Africa. General and administrative expenses related to exploration and production operations were comparable in each of the last three years. The total cost per barrel (production, depreciation, exploration and administrative expenses) was \$13.30 in 2001, \$11.70 in 2000 and \$11.75 in 1999.

Exploration and production earnings in 2001 include income of \$48 million from the resolution of a United Kingdom income tax dispute. The tax settlement relates to refunds of Advance Corporation Taxes and deductions for non-United Kingdom exploratory drilling. Excluding the settlement, the effective income tax rate on exploration and production earnings was 40%, compared with 41% in 2000 and 44% in 1999. Generally, this rate will exceed the U.S. statutory rate because of special petroleum taxes in certain foreign countries.

Crude oil and natural gas selling prices continue to be volatile and are below the average selling prices received in 2001. The negative effect of lower selling prices on the Corporation's 2002 earnings will be partially mitigated by its hedging program.

Refining, Marketing and Shipping: Operating earnings from refining, marketing and shipping activities amounted to \$235 million in 2001, \$288 million in 2000 and \$133 million in 1999. The Corporation's downstream operations include HOVENSA L.L.C. (HOVENSA), a refining joint venture 50% owned with a subsidiary of Petroleos de Venezuela S.A. (PDVSA), accounted for on the equity method. Additional refining and marketing operations include a fluid catalytic cracking facility in Port Reading, New Jersey, retail gasoline stations, an energy marketing group, shipping and trading.

HOVENSA: The Corporation's share of HOVENSA's income was \$58 million in 2001, \$121 million in 2000 and \$7 million in 1999. The decrease in 2001 was primarily due to lower charge rates at crude oil processing units and the fluid catalytic cracking unit, as well as increased operating expenses and slightly lower refined product margins. Turnarounds at the fluid catalytic cracking unit and at a crude unit contributed to the lower volumes and higher costs. The significant increase in the Corporation's share of HOVENSA's earnings in 2000 compared with 1999 reflected improved refining margins. The Corporation's share of HOVENSA's refining crude runs amounted to 202,000 barrels per day in 2001, 211,000 in 2000 and 209,000 in 1999. Income taxes on the Corporation's share of HOVENSA's results are offset by available loss carryforwards.

Operating earnings from refining, marketing and shipping 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 \$39 million in 2001, \$48 million in 2000 and \$47 million in 1999. Interest is reflected in non-operating income in the income statement.

Retail, energy marketing and other: Earnings from retail gasoline operations improved significantly in 2001, reflecting higher margins and increased sales volumes. Retail results in 2000 were lower than in 1999 as selling prices generally did not keep pace with rising product costs. Results from energy marketing activities were lower in 2001 largely reflecting losses on the sale of purchased natural gas. Energy marketing results were higher in 2000 than in 1999. Earnings from the Corporation's catalytic cracking facility in New Jersey were higher in 2001, reflecting improved margins and a shutdown for scheduled maintenance in 2000. Earnings from the catalytic cracking facility were also higher in 2000 compared with 1999 reflecting higher refining margins.

Marketing expenses increased in 2001 and 2000 compared with the prior years, principally reflecting expanded retail and energy marketing activities. Total refined product sales volumes increased to 141 million barrels from 134 million barrels in 2000 and 126 million barrels in 1999.

The Corporation has a 50% voting interest in a consolidated partnership which trades energy commodities and derivatives. The Corporation also takes trading positions in addition to its hedging program. The Corporation's after tax income from trading activities, including its share of the earnings of the trading partnership, amounted to \$45 million in 2001, \$22 million in 2000 and \$19 million in 1999. Expenses of the trading partnership are included in marketing expenses in the income statement.

Refining and marketing results will continue to be volatile, reflecting competitive industry conditions and supply and demand factors, including the effects of weather. Refining margins were weak in the third and fourth quarters of 2001 and continue to be depressed.

Corporate: Net corporate expenses amounted to \$78 million in 2001, \$43 million in 2000 and \$31 million in 1999. The increase in 2001 reflects increases in certain administrative expenses, including officer severance, charitable contributions, professional fees and bank fees, as well as an increased provision for United States taxes on foreign source income. The increase in 2000 compared with 1999 principally reflects lower earnings of an insurance subsidiary and higher compensation and related costs.

Interest: After-tax interest was \$135 million in 2001, \$126 million in 2000 and \$119 million in 1999. The increase in 2001 reflects increased borrowings related to acquisitions, partially offset by lower interest rates. The increase in 2000 compared with 1999 reflects higher interest rates. Capitalized interest, before income taxes, was \$44 million, \$3 million and \$16 million in 2001, 2000 and 1999. Interest expense is expected to continue to increase in 2002, due to higher average outstanding debt.

Consolidated Operating Revenues: Sales and other operating revenues increased by 12% in 2001 compared with 2000. The increase was primarily due to higher sales volumes of purchased natural gas related to energy marketing activities, as well as increased refined products sold. Crude oil and natural gas production volumes were also higher. Sales and other operating revenues increased by 70% in 2000, principally reflecting significantly higher crude oil, natural gas and refined product selling prices.

Special Items

After-tax special items in 2001, 2000 and 1999 are summarized below:

<i>Millions of dollars</i>	<i>Total</i>	<i>Exploration and Production</i>	<i>Refining, Marketing and Shipping</i>	<i>Corporate</i>
2001				
Charge related to Enron bankruptcy	\$(19)	\$(19)	\$ —	\$—
Severance accrual	(12)	(10)	(2)	—
Total	\$(31)	\$(29)	\$ (2)	\$—
2000				
Gain on termination of acquisition	\$ 60	\$ —	\$ —	\$60
Cost associated with research and development venture	(24)	—	(24)	—
Total	\$ 36	\$ —	\$ (24)	\$60
1999				
Gain on asset sales	\$176	\$ 30	\$146	\$—
Income tax benefits	54	54	—	—
Impairment of assets and operating leases	(99)	(65)	(34)	—
Total	\$131	\$ 19	\$112	\$—

In 2001, the Corporation recorded an after-tax charge of \$19 million for estimated losses due to the bankruptcy of certain subsidiaries of Enron Corporation. The accrual principally reflects losses on receivables representing less than 10% of the Corporation's crude oil and natural gas hedges. In addition, the Corporation recorded a net charge of \$12 million for severance expenses resulting from cost reduction initiatives. The cost reduction program principally relates to exploration and production operations and reflects the elimination of approximately 150 positions. Substantially all of the severance will be paid in 2002 and early 2003. The expected future annual benefit is approximately \$15 million after income taxes.

In 2000, the gain on termination of a proposed acquisition of another oil company principally reflects foreign currency gains on pound sterling contracts which were purchased in anticipation of the acquisition. These contracts were sold resulting in an after-tax gain of \$53 million. Also included in this special item is income from a fee on termination of the acquisition, partially offset by transaction costs. The charge of \$24 million reflects costs associated with an alternative fuel research and development venture.

In 1999, the gain on asset sales of \$146 million reflects the sale of the Corporation's Gulf Coast and Southeast pipeline terminals and certain retail sites. The Corporation also sold natural gas properties in California, resulting in an after-tax gain of \$30 million. Special income tax benefits of \$54 million represent the United States tax impact of certain prior year foreign exploration activities and the recognition of capital losses.

Asset impairments in 1999 include \$34 million for the Corporation's crude oil storage terminal in St. Lucia. Net charges of \$38 million were also recorded in 1999 for the write-down in book value of the Corporation's interest in the Trans Alaska Pipeline System. The Corporation also recorded a 1999 net charge of \$27 million for the additional decline in value of a drilling service fixed-price contract due to lower market rates.

Liquidity and Capital Resources

On August 14, 2001, the Corporation acquired Triton Energy Limited, a publicly held international oil and gas exploration and production company. The cost of the acquisition was approximately \$3.2 billion, including the assumption of Triton debt. The Corporation financed the acquisition principally with new borrowings and existing credit lines. The Corporation accounted for the acquisition as a purchase and consolidated Triton's results from August 14, 2001.

Net cash provided by operating activities, including changes in operating assets and liabilities amounted to \$1,960 million in 2001, \$1,795 million in 2000 and \$746 million in 1999. The changes principally reflect improved operating results and working capital changes in 2000 compared with 1999. Excluding changes in balance sheet items, operating cash flow was \$2,135 million, \$1,948 million and \$1,116 million in 2001, 2000 and 1999, respectively.

During 2001, the Corporation completed its \$300 million stock repurchase program. Since inception of the program in March 2000, the Corporation repurchased 4,521,900 shares.

Principally as a result of the Triton acquisition, total debt increased to \$5,665 million at December 31, 2001 from \$2,050 million at December 31, 2000. The Corporation's debt to capitalization ratio increased to 53.6% at December 31 compared with 34.6% at year-end 2000. In connection with the acquisition, the Corporation issued \$2.5 billion of public debentures on August 15, 2001. Of the total, \$500 million bears interest at 5.3% and is due in 2004, \$500 million bears interest at 5.9% and is due in 2006, \$750 million bears interest at 6.65% and is due in 2011 and \$750 million bears interest at 7.3% and is due in 2031. The Corporation has set a goal to reduce debt by \$600 million by the end of 2002. In connection with achieving that goal, the Corporation may sell certain non-core assets. In the first quarter of 2002, the Corporation sold its gas marketing business in the United Kingdom for approximately \$150 million.

Loan agreement covenants allow the Corporation to borrow an additional \$2.5 billion for the construction or acquisition of assets at December 31, 2001. At December 31, the Corporation has \$929 million of additional borrowing capacity available under its revolving credit agreements and has additional unused lines of credit for \$214 million under uncommitted arrangements with banks. In the first quarter of 2002, the Corporation issued \$600 million of public debentures, due in 2033, to refinance existing debt.

Following is a table showing aggregated information about certain contractual obligations at December 31, 2001:

<i>Millions of dollars</i>	<i>Total</i>	<i>Payments due by Period</i>			
		<i>2002</i>	<i>2003 and 2004</i>	<i>2005 and 2006</i>	<i>Thereafter</i>
Short-term notes	\$ 106	\$106	\$ —	\$ —	\$ —
Long-term debt, including capital leases	5,559	276	537	1,320	3,426
Operating leases	1,118	98	195	110	715

The Corporation has off-balance sheet financings primarily related to retail gasoline station leases. The commitments under these leases are included in the operating lease obligations shown in the accompanying table. The net present value of the off-balance sheet financings is \$380 million at December 31, 2001, using interest rates inherent in the leases. The Corporation's December 31, 2001 debt to capitalization ratio would increase from 53.6% to 55.2% if the off-balance sheet financings were included.

None of the Corporation's debt or lease obligations would be terminated, nor would principal or interest payments be accelerated, solely as a result of a credit rating downgrade. However, if the Corporation's credit rating were reduced below investment grade, certain fees and interest rates would increase and the Corporation could no longer issue commercial paper but could replace commercial paper borrowings with borrowings under its revolving credit facility. This would result in increased annual interest and related costs of approximately \$10 million, based on commercial paper outstanding at December 31, 2001. The Corporation may be required to provide additional security under a lease with aggregate payments of \$54 million and to comply with more stringent financial covenants contained in debt instruments assumed in the Triton acquisition. The Corporation would have been in compliance with such covenants as of December 31, 2001, even if its credit rating were below investment grade. In addition, certain contracts with trading counterparties would require cash margin or collateral. The amount of potential margin fluctuates depending on trading volumes and market prices and at December 31, 2001 was estimated to be approximately \$90 million.

In the normal course of business, 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, 2001, the Corporation's contingent obligations under such guarantees totaled \$77 million. The Corporation has agreed to purchase 50% of HOVENSA's refined products at market prices, after any sales by HOVENSA to unaffiliated parties. After completion of the HOVENSA coker project, the Corporation has an obligation to provide funding of up to \$15 million to meet HOVENSA's senior debt obligations, if required.

The Corporation has commitments to purchase goods and services in the normal course of business. The Corporation's estimated 2002 capital expenditures are \$1,450 million, of which approximately 30% is contractually committed.

At December 31, 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:

<i>Millions of dollars</i>	<i>Total</i>
Letters of credit	\$37
Guarantees	28
	—
	\$65

The Corporation conducts exploration and production activities in many foreign countries, including the United Kingdom, Norway, Denmark, Gabon, Indonesia, Thailand, Azerbaijan, Algeria, Malaysia, Colombia and Equatorial Guinea. The Corporation also has a note due from a Venezuelan company. Therefore, the Corporation is subject to the risks associated with foreign operations. These exposures may include political risk, credit risk and currency risk. There have not been any material adverse effects on the Corporation's results of operations or financial condition as a result of its dealings with foreign entities.

Capital Expenditures

The following table summarizes the Corporation's capital expenditures in 2001, 2000 and 1999:

<i>Millions of dollars</i>	2001	2000	1999
Exploration and production			
Exploration	\$ 171	\$167	\$101
Production and development	1,250	536	626
Acquisitions	3,640	80	—
	5,061	783	727
Refining, marketing and shipping			
Operations	110	109	70
Acquisitions	50	46	—
	160	155	70
Total	\$5,221	\$938	\$797

Capital expenditures in 2001 include \$2,720 million for the Triton acquisition, excluding the assumption of debt. In addition, \$920 million was spent on purchases of crude oil and natural gas reserves in the Gulf of Mexico and onshore Louisiana. Capital expenditures above do not include an investment of \$86 million in 2001 for a 50% interest in a retail marketing and gasoline station joint venture in the southeastern United States.

During 2000, the Corporation acquired from the Algerian National Oil Company a 49% interest in three producing Algerian oil fields. The Corporation paid \$55 million in 2000 for the redevelopment project and will invest in excess of \$400 million in future years for new wells, workovers of existing wells and water injection and gas compression facilities. A significant portion of the future expenditures will be funded by the cash flows from these fields. The Corporation also purchased an additional 1.04% interest in three fields in Azerbaijan.

During 2000, the Corporation acquired the remaining outstanding stock of the Meadville Corporation for \$168 million in cash, deferred payments and preferred stock. The Corporation also purchased certain energy marketing operations for approximately \$30 million in 2000.

Capital expenditures in 2002, are currently expected to be approximately \$1,450 million. It is anticipated that these expenditures will be financed by internally generated funds.

Derivative Instruments

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

The Corporation uses futures, forwards, options and swaps to reduce the effects of changes in the selling prices of crude oil and natural gas. These instruments fix the selling prices of a portion of the Corporation's products and the related gains or losses are an integral part of the Corporation's selling prices. At December 31, the Corporation has open hedge positions equal to 25% of its estimated 2002 worldwide crude oil production. The Corporation also has hedges covering 60% of its 2002 United States natural gas production and 40% of 2003 production. The Corporation also uses derivatives in its energy marketing activities to fix the purchase prices of energy products sold under fixed-price contracts. As market conditions change, the Corporation may adjust its hedge positions.

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

The Corporation uses value at risk to estimate the potential effects of changes in fair values of derivatives and other instruments used in hedging activities and derivatives and commodities used in trading activities. This method determines the maximum potential negative one-day change in fair value with 95% confidence. The analysis is based on historical simulation and other assumptions. The value at risk is summarized below:

<i>Millions of dollars</i>	<i>Hedging Activities</i>	<i>Trading Activities</i>
2001		
At December 31	\$35	\$13
Average for the year	33	17
High during the year	45	22
Low during the year	17	12
2000		
At December 31	\$36	\$16
Average for the year	25	15
High during the year	36	18
Low during the year	17	9

The Corporation may use interest-rate swaps to balance exposure to interest rates. At December 31, 2001, the interest rate on 87% of the Corporation's debt is fixed and there are no interest rate swaps. The Corporation's outstanding debt of \$5,665 million has a fair value of \$5,800 million at December 31, 2001 (debt of \$2,050 million at December 31, 2000 had a fair value of \$2,149 million). A 10% change in interest rates would change the fair value of debt at December 31, 2001 by \$230 million. The impact of a 10% change in interest rates on the fair value at December 31, 2000 would have been \$110 million.

The Corporation uses foreign exchange contracts to reduce its exposure to fluctuating foreign exchange rates, principally the pound sterling. At December 31, 2001, the Corporation has \$136 million of notional value foreign exchange contracts (\$438 million at December 31, 2000). Generally, the Corporation uses these foreign exchange contracts to fix the exchange rate on net monetary liabilities of its North Sea operations. The change in fair value of the foreign exchange contracts from a 10% change in the exchange rate is estimated to be \$14 million at December 31, 2001 (\$40 million at December 31, 2000).

The Corporation's trading activities consist of a consolidated trading partnership, in which the Corporation owns a 50% voting interest, and its proprietary trading accounts. Trading transactions are marked-to-market and are reflected in income currently. The information that follows represents 100% of the trading partnership and the Corporation's proprietary accounts. The fair values of unrealized positions related to these trading activities amounted to net losses of \$58 million at December 31, 2001 and \$92 million at December 31, 2000. Changes in fair value reflect new positions added, contracts settled and changes in market prices of existing positions. There was no material change in fair value related to changes in valuation techniques and assumptions. Net gains recorded in income for 2001 amounted to \$218 million, of which \$34 million was unrealized. After expenses and income taxes, the Corporation's share of net trading income was \$45 million.

The table below summarizes the sources used in determining fair values for trading activities at December 31, 2001:

Source of fair value	Total	Percentage of total fair value by year of maturity		
		2002	2003	2004
Prices actively quoted	73%	66%	5%	2%
Other external sources	18	18	—	—
Internal estimates	9	8	1	—
Total	100%	92%	6%	2%

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

Millions of dollars	At Dec. 31 2001
Investment grade determined by outside sources	\$260
Investment grade determined internally*	110
Less than investment grade	24
Not determined	4
	\$398

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

Critical Accounting Policies

Accounting policies 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.

The Corporation uses the successful efforts method of accounting for oil and gas producing activities. Costs to acquire or lease unproved oil and gas properties are capitalized. Costs incurred in connection with the drilling and equipping of successful exploratory wells are also capitalized. If proved reserves are not found, these costs are charged to expense. Other exploration costs, including seismic, are charged to expense as incurred. Development costs, which include the costs of drilling and equipping development wells, are capitalized. Depreciation, depletion, and amortization of capitalized costs of proved oil and gas properties are computed on the unit-of-production method on a field-by-field basis.

As required by FAS No. 121, the carrying values of significant assets are reviewed for indications of impairment whenever events or circumstances indicate that the entire carrying values may not be recoverable. To determine whether an impairment has occurred, the Corporation estimates the undiscounted future cash flows from the assets and compares them to their carrying values. For oil and gas properties, the future cash flows are based on estimates of reserves and future oil and gas prices. Assets that have carrying amounts in excess of undiscounted future cash flows are impaired by reducing their book value to fair value based on discounted cash flows. There were asset impairments totaling \$72 million, after income taxes, in 1999 and no material impairments in 2000 or 2001.

In accordance with FAS No. 142, goodwill can no longer be amortized and must be tested for impairment annually. The impairment test is calculated at the reporting unit level, which for the Corporation is the exploration and production segment. The Corporation has recorded \$982 million of goodwill in connection with the purchase of Triton. No impairment of goodwill is required if the fair value of the exploration and production segment exceeds its recorded value.

The determination of asset and goodwill impairment depends on judgements about oil and gas reserves, future prices and timing of future cash flows. Significant long-term declines in crude oil and natural gas prices could lead to asset and goodwill impairments.

The Corporation has hedged a portion of its future crude oil and natural gas production. The hedging contracts correlate to the selling prices of crude oil or natural gas and are designated as hedges. Therefore, gains or losses on these instruments are recorded in income in the period in which the production is sold. At December 31, the Corporation has \$249 million of deferred hedging gains after income taxes.

Environment and Safety

Improvement in environmental and safety performance continues to be a goal of the Corporation. In addition, the Corporation is committed to complying with all laws and regulations covering environment, health and safety wherever it operates. Where existing laws and regulations may not provide an adequate standard of care, the Corporation has developed internal standards of performance to protect the environment, its employees and the communities in which it operates. The Corporation's awareness of its environmental responsibilities and environmental regulations at the federal, state and local levels have led to programs on energy conservation, pollution control and waste minimization and treatment. To ensure that the Corporation meets its goals and the requirements of regulatory authorities, the Corporation also has programs for compliance evaluation, facility auditing and employee training to monitor operational activities. The trend toward environmental performance improvement raises the Corporation's operating costs and requires increased capital investments.

The Port Reading refining facility and the HOVENSA refinery manufacture both conventional and reformulated gasolines that are cleaner burning than required under U.S. regulations. In addition, the Corporation's gasoline is cleaner than the national average (excluding California). The benzene and sulfur content in the Corporation's gasoline is approximately one-half and one-third, respectively, of the national average. The HOVENSA refinery also has desulfurization capabilities enabling it to produce low-sulfur diesel fuel.

The regulation of motor fuels in the United States and elsewhere continues to be an area of considerable change and will require large capital expenditures in future years. 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, EPA adopted regulations to reduce substantially the allowable sulfur content of diesel fuel by 2006. The EPA and individual states are also considering restrictions or a prohibition on the use of MTBE, a gasoline additive that is produced by Port Reading and HOVENSA and is used primarily to meet United States regulations requiring oxygenation of reformulated gasolines. New York, Connecticut and several other states have already adopted bans on MTBE use beginning in 2003.

The Corporation and HOVENSA continue to review options to determine the most cost effective compliance strategies for these upcoming fuel regulations. The costs to comply will depend on a variety of factors, including the availability of suitable technology and contractors, the outcome of anticipated litigation regarding the diesel sulfur rule and whether the minimum oxygen content requirement for reformulated gasoline remains in place if MTBE is banned. Other fuel regulations are also under consideration, which could result in additional capital expenditures. Capital expenditures necessary to comply with the low sulfur gasoline requirements at Port Reading are expected to be approximately \$70 million over the next three years. Capital expenditures to comply with low-sulfur gasoline and diesel fuel requirements at HOVENSA are presently expected to be \$460 million over the next four years. HOVENSA expects to finance these capital expenditures through cash flow and, if necessary, future borrowings.

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 significant, "Superfund" sites where the Corporation has been named a potentially responsible party. The Corporation expects that existing reserves for environmental liabilities will adequately cover costs to assess and remediate known sites.

The Corporation spent \$8 million in 2001, \$7 million in 2000 and \$8 million in 1999 for remediation. Capital expenditures for facilities, primarily to comply with federal, state and local environmental standards, were \$6 million in 2001, \$5 million in 2000 and \$2 million in 1999.

The Corporation's environmental programs were reinforced in 2001 with the establishment of environmental management systems based on the ISO-14001 model throughout all of the Corporation's operations. In addition, the Corporation's Environmental, Health and Safety Council and Advisory Groups continued to establish objectives and targets, monitor performance, and perform strategic reviews.

The Corporation strives to provide a safe working environment for its employees, contractors, customers and the public. To achieve this goal, the Corporation sets performance objectives and targets for continual improvement. Programs are in place to enhance safety awareness and knowledge of safety policies. Inspections and audits are used to monitor performance.

Forward Looking Information

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

Dividends

Cash dividends on common stock totaled \$1.20 per share (\$.30 per quarter) during 2001 and \$.60 per share (\$.15 per quarter) during 2000.

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 2001 and 2000 were as follows:

Quarter Ended	2001		2000	
	High	Low	High	Low
March 31	\$79.45	\$66.25	\$65.75	\$47.81
June 30	90.40	73.40	70.13	61.06
September 30	82.39	59.07	74.94	57.25
December 31	68.96	53.75	76.25	58.13

Quarterly Financial Data

Quarterly results of operations for the years ended December 31, 2001 and 2000 follow:

Millions of dollars, except per share data	Sales and other operating revenues	Operating earnings	Special items	Net income	Net income per share (diluted)
2001					
First	\$ 4,183	\$337	\$ —	\$ 337	\$3.79
Second	3,461	357	—	357	3.98
Third	2,888	166	—	166	1.86
Fourth	2,881	85	(31)^(a)	54	.61
Total	\$13,413	\$945	\$(31)	\$ 914	
2000					
First	\$ 2,831	\$224	\$ —	\$ 224	\$2.47
Second	2,644	202	—	202	2.24
Third	2,833	257	—	257	2.86
Fourth	3,685	304	36 ^(b)	340	3.83
Total	\$11,993	\$987	\$ 36	\$1,023	

(a) Reflects after tax charges of \$19 million for estimated losses resulting from the bankruptcy of certain subsidiaries of Enron Corporation and \$12 million for accrued severance costs.

(b) Includes a net gain of \$60 million on termination of an acquisition, partially offset by a charge of \$24 million for costs associated with a research and development venture.

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



Statement of Consolidated Income

Amerada Hess Corporation and Consolidated Subsidiaries

For the Years Ended December 31

Millions of dollars, except per share data

	2001	2000	1999
Revenues			
Sales (excluding excise taxes) and other operating revenues	\$13,413	\$11,993	\$7,039
Non-operating income			
Gain on asset sales	—	—	273
Equity in income of HOVENSA L.L.C.	58	121	7
Other	142	163	142
Total revenues	13,613	12,277	7,461
Costs and Expenses			
Cost of products sold	8,735	7,883	4,240
Production expenses	711	557	487
Marketing expenses	663	542	387
Exploration expenses, including dry holes and lease impairment	368	289	261
Other operating expenses	224	234	217
General and administrative expenses	313	224	232
Interest expense	194	162	158
Depreciation, depletion and amortization	967	714	649
Impairment of assets and operating leases	—	—	128
Total costs and expenses	12,175	10,605	6,759
Income before income taxes	1,438	1,672	702
Provision for income taxes	524	649	264
Net Income	\$ 914	\$ 1,023	\$ 438
Net Income Per Share			
Basic	\$ 10.38	\$ 11.48	\$ 4.88
Diluted	10.25	11.38	4.85

Statement of Consolidated Retained Earnings

For the Years Ended December 31

Millions of dollars, except per share data

	2001	2000	1999
Balance at Beginning of Year	\$3,069	\$2,287	\$1,904
Net income	914	1,023	438
Dividends declared — common stock (\$1.20 per share in 2001; \$.60 per share in 2000 and 1999)	(107)	(54)	(55)
Common stock acquired and retired	(69)	(187)	—
Balance at End of Year	\$3,807	\$3,069	\$2,287

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

Amerada Hess Corporation and Consolidated Subsidiaries

	At December 31	
<i>Millions of dollars; thousands of shares</i>	2001	2000
Assets		
Current Assets		
Cash and cash equivalents	\$ 37	\$ 312
Accounts receivable		
Trade	2,889	2,949
Other	73	47
Inventories	550	401
Other current assets	397	406
Total current assets	3,946	4,115
Investments and Advances		
HOVENSA L.L.C	889	831
Other	747	219
Total investments and advances	1,636	1,050
Property, Plant and Equipment		
Exploration and production	15,194	10,499
Refining, marketing and shipping	1,433	1,399
Total — at cost	16,627	11,898
Less reserves for depreciation, depletion, amortization and lease impairment	8,462	7,575
Property, plant and equipment — net	8,165	4,323
Note Receivable	395	443
Goodwill	982	—
Deferred Income Taxes and Other Assets	245	343
Total Assets	\$15,369	\$10,274

At December 31

	2001	2000
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable — trade	\$ 1,807	\$ 1,875
Accrued liabilities	1,115	1,158
Taxes payable	414	440
Notes payable	106	7
Current maturities of long-term debt	276	58
	<u>3,718</u>	<u>3,538</u>
Long-Term Debt	5,283	1,985
	<u> </u>	<u> </u>
Deferred Liabilities and Credits		
Deferred income taxes	1,111	510
Other	350	358
	<u> </u>	<u> </u>
Total deferred liabilities and credits	1,461	868
Stockholders' Equity		
Preferred stock, par value \$1.00, 20,000 shares authorized 3% cumulative convertible series		
Authorized — 330 shares		
Issued — 327 shares in 2001 and 2000 (\$16 million liquidation preference)	—	—
Common stock, par value \$1.00		
Authorized — 200,000 shares		
Issued — 88,757 shares in 2001; 88,744 shares in 2000	89	89
Capital in excess of par value	903	864
Retained earnings	3,807	3,069
Accumulated other comprehensive income	108	(139)
	<u> </u>	<u> </u>
Total stockholders' equity	4,907	3,883
	<u> </u>	<u> </u>
Total Liabilities and Stockholders' Equity	\$15,369	\$10,274
	<u> </u>	<u> </u>

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

Statement of Consolidated Cash Flows

Amerada Hess Corporation and Consolidated Subsidiaries

For the Years Ended December 31

Millions of dollars

	2001	2000	1999
Cash Flows From Operating Activities			
Net income	\$ 914	\$ 1,023	\$ 438
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation, depletion and amortization	967	714	649
Impairment of assets and operating leases	—	—	128
Exploratory dry hole costs	204	133	69
Lease impairment	38	33	36
Gain on asset sales	—	—	(273)
Provision for deferred income taxes	64	164	62
Undistributed earnings of affiliates	(52)	(119)	7
	<u>2,135</u>	<u>1,948</u>	<u>1,116</u>
Changes in other operating assets and liabilities			
(Increase) decrease in accounts receivable	650	(1,792)	(155)
(Increase) decrease in inventories	(131)	(23)	80
Increase (decrease) in accounts payable and accrued liabilities	(553)	1,617	(175)
Increase (decrease) in taxes payable	(185)	272	53
Changes in prepaid expenses and other	44	(227)	(173)
	<u>1,960</u>	<u>1,795</u>	<u>746</u>
Cash Flows From Investing Activities			
Capital expenditures			
Exploration and production	(2,341)	(783)	(727)
Refining, marketing and shipping	(160)	(155)	(70)
	<u>(2,501)</u>	<u>(938)</u>	<u>(797)</u>
Acquisition of Triton Energy Limited, net of cash acquired	(2,720)	—	—
Payment received on note	48	48	24
Investment in affiliates	(86)	(38)	(59)
Proceeds from asset sales and other	54	26	432
	<u>(5,205)</u>	<u>(902)</u>	<u>(400)</u>
Cash Flows From Financing Activities			
Issuance (repayment) of notes	99	(11)	15
Long-term borrowings	3,060	—	990
Repayment of long-term debt	(54)	(396)	(1,348)
Cash dividends paid	(94)	(54)	(54)
Common stock and warrants acquired	(100)	(220)	—
Stock options exercised	59	59	18
	<u>2,970</u>	<u>(622)</u>	<u>(379)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(275)	271	(33)
Cash and Cash Equivalents at Beginning of Year	312	41	74
Cash and Cash Equivalents at End of Year	\$ 37	\$ 312	\$ 41

See accompanying notes to consolidated financial statements.

Statement of Consolidated Changes in Preferred Stock, Common Stock and Capital in Excess of Par Value

Amerada Hess Corporation and Consolidated Subsidiaries

<i>Millions of dollars; thousands of shares</i>	<i>Preferred Stock</i>		<i>Common stock</i>		<i>Capital in excess of par value</i>
	<i>Number of shares</i>	<i>Amount</i>	<i>Number of shares</i>	<i>Amount</i>	
Balance at January 1, 1999	—	\$—	90,357	\$90	\$764
Cancellations of nonvested common stock awards (net)	—	—	(3)	—	—
Employee stock options exercised	—	—	322	1	18
Balance at December 31, 1999	—	—	90,676	91	782
Distributions to trustee of nonvested common stock awards (net)	—	—	461	—	28
Common stock acquired and retired	—	—	(3,475)	(3)	(31)
Employee stock options exercised	—	—	1,082	1	69
Issuance of preferred stock	327	—	—	—	16
Balance at December 31, 2000	327	—	88,744	89	864
Distributions to trustee of nonvested common stock awards (net)	—	—	38	—	1
Common stock acquired and retired	—	—	(1,078)	(1)	(11)
Employee stock options exercised	—	—	1,053	1	69
Warrants purchased	—	—	—	—	(20)
Balance at December 31, 2001	327	\$—	88,757	\$89	\$903

Statement of Consolidated Comprehensive Income

<i>Millions of dollars</i>	<i>For the Years Ended December 31</i>		
	2001	2000	1999
Components of Comprehensive Income			
Net income	\$ 914	\$1,023	\$438
Change in foreign currency translation adjustment	(2)	(17)	(7)
Unrealized gains on oil and gas hedges, after tax			
FAS 133 transition adjustment	100	—	—
Reclassification of deferred hedging gains to income	(74)	—	—
Net change in fair value of hedges	223	—	—
	249	—	—
Comprehensive Income	\$1,161	\$1,006	\$431

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Amerada Hess Corporation and Consolidated Subsidiaries

1. Summary of Significant Accounting Policies

Nature of Business: Amerada Hess Corporation and subsidiaries (the "Corporation") engage in the exploration for and the production, purchase, transportation and sale of crude oil and natural gas. These activities are conducted primarily in the United States, United Kingdom, Norway, Denmark and Equatorial Guinea. The Corporation also has oil and gas activities in Algeria, Azerbaijan, Colombia, 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 and depreciable lives, pension liabilities, environmental obligations, dismantlement costs and income taxes.

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

Investments in affiliated companies, 20% to 50% owned, including HOVENSA, are stated at cost of acquisition plus the Corporation's equity in undistributed net income since acquisition, except as stated below. The change in the equity in net income of these companies is included in non-operating income in the income statement. The Corporation consolidates a 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 in which it has an interest based on sales to customers. Differences between natural gas volumes sold and the Corporation's share of natural gas production are not material.

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

Inventories: Crude oil and refined product inventories are valued at the lower of cost or market, except for inventories held for trading purposes which are marked to market. For inventories valued at cost, the Corporation uses principally the last-in, first-out (LIFO) inventory method.

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

Exploration and Development Costs: Oil and gas exploration and production activities are accounted for using the successful efforts method. Costs of acquiring undeveloped oil and gas leasehold acreage, including lease bonuses, brokers' fees and other related costs, are capitalized.

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

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

The Corporation does not carry the capitalized costs of exploratory wells as assets for more than one year, unless oil and gas reserves are found and classified as proved, or additional exploration is underway or planned. If exploratory wells do not meet these conditions, the costs are charged to expense.

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

Provisions for impairment of undeveloped oil and gas leases are based on periodic evaluations and other factors.

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

Retirement of Property, Plant and Equipment: Costs of property, plant and equipment retired or otherwise disposed of, less accumulated reserves, are reflected in net income.

Impairment of Long-Lived Assets: The Corporation reviews longlived assets, including oil and gas properties, 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. The net present value of future cash flows is based on the Corporation's estimates, including future oil and gas prices applied to projected production profiles, discounted at a rate commensurate with the risks involved. Oil and gas prices used for determining asset impairments may differ from those used at year-end in the standardized measure of discounted future net 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 goodwill impairment test has two steps. The first, identifies potential impairments by comparing the fair value of a reporting unit with its book value, including goodwill. If the fair value of the reporting unit exceeds the carrying amount, goodwill is not impaired and the second step is not necessary. If the carrying value exceeds the fair value, the second step calculates the possible impairment loss by comparing the implied fair value of goodwill with the carrying amount. If the implied goodwill is less than the carrying amount, a write-down is 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 charged against income as incurred. Renewals and improvements are treated as additions to property, plant and equipment, and items replaced are treated as retirements.

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

Employee Stock Options and Nonvested Common Stock Awards: The Corporation uses the intrinsic value method to account for employee stock options. Because the exercise prices of employee stock options equal or exceed the market price of the stock on the date of grant, the Corporation does not recognize compensation expense. The Corporation records compensation expense for nonvested common stock awards ratably over the vesting period.

Foreign Currency Translation: The 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 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 uses futures, forwards, options and swaps, individually or in combination, to reduce the effects of fluctuations in crude oil, natural gas and refined product prices. The Corporation also uses derivatives in its energy marketing activities to fix the purchase and selling prices of energy products. 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 gains or losses are recorded in other comprehensive income. These transactions meet the requirements for hedge accounting, including correlation. The Corporation reclassifies hedging gains and losses included in 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.

Trading: Energy trading activities are marked to market, with gains and losses recorded in operating revenue.

2. Acquisition of Triton Energy Limited

In 2001, the Corporation acquired 100% of the outstanding ordinary shares of Triton Energy Limited, an international oil and gas exploration and production company. The Corporation's consolidated financial statements include Triton's results of operations from August 14, 2001. The acquisition of Triton increases the size and scope of the Corporation's exploration and production operations, providing access to long-lived international reserves and exploration potential.

The Corporation accounted for the acquisition as a purchase using the accounting standards established in Statements of Financial Accounting Standards No. 141, *Business Combinations*, and No. 142, *Goodwill and Other Intangible Assets*. The accounting rules require that the goodwill arising from the purchase method of accounting not be amortized, however, it must be tested for impairment at least annually.

The estimated fair values of assets acquired and liabilities assumed at August 14, 2001 follow:

Millions of dollars

Current assets (net of cash acquired)	\$ 101
Investments and advances	447
Property, plant and equipment	2,605
Other assets	7
Goodwill	982
	<hr/>
Total assets acquired	4,142
	<hr/>
Current liabilities	(282)
Long-term debt, average rate 6.3%, due through 2007	(555)
Deferred liabilities and credits	(585)
	<hr/>
Total liabilities assumed	(1,422)
	<hr/>
Net assets acquired	\$ 2,720
	<hr/>

The goodwill is assigned to the exploration and production segment and is not deductible for tax purposes. Since the acquisition, goodwill has increased \$4 million, mainly related to minor changes in contingent liabilities. Additional adjustments to the purchase price allocation, including estimated assumed liabilities, may still be required.

The following pro forma results of operations present information as if the Triton acquisition occurred at the beginning of each year:

Millions of dollars, except per share data

	2001	2000
Pro forma revenue	\$13,936	\$12,620
Pro forma income	\$ 914	\$ 1,010
Pro forma earnings per share		
Basic	\$ 10.38	\$ 11.34
Diluted	\$ 10.25	\$ 11.24
	<hr/>	<hr/>

3. Special Items

2001: The Corporation recorded a charge of \$29 million (\$19 million after income taxes) for estimated losses due to the bankruptcy of certain subsidiaries of Enron Corporation. The charge reflects losses on less than 10% of the Corporation's crude oil and natural gas hedges. In addition, the Corporation recorded \$18 million (\$12 million after income taxes) for severance expenses resulting from cost reduction initiatives. The cost reduction program reflects the elimination of approximately 150 positions, principally in exploration and production operations. The severance will be paid primarily in 2002 with the remainder in early 2003. Substantially all of the pre-tax cost of the special items is reflected in general and administrative expense in the income statement.

2000: The Corporation recorded a gain of \$97 million (\$60 million after income taxes) from the termination of its proposed acquisition of another oil company. The income principally reflects foreign currency gains on pound sterling contracts which were purchased in anticipation of the acquisition. These contracts were subsequently liquidated at an after-tax gain of \$53 million. The Corporation also recorded income from a termination payment which was received from the other company, partially offset by transaction costs. The combined results of this transaction were recorded as a special item in the Corporate segment. Refining and marketing results included a charge of \$38 million (\$24 million after income taxes) for costs associated with an alternative fuel research and development venture. Both of the special items are reflected in non-operating income in the income statement.

1999: The Corporation recorded a gain of \$274 million (\$176 million after income taxes) from the sale of its Gulf Coast and Southeast pipeline terminals, natural gas properties in California and certain retail sites. Exploration and production results included special income tax benefits of \$54 million, reflecting the timing of deductions for certain prior year foreign drilling costs and capital losses.

Exploration and production earnings also included an impairment of \$59 million (\$38 million after income taxes) for the Corporation's interest in the Trans Alaska Pipeline System. Refining and marketing results included an asset impairment of \$34 million (with no income tax benefit) for the Corporation's crude oil storage terminal in St. Lucia, due to the nonrenewal of a major third party storage contract. The Corporation also accrued \$35 million (\$27 million after income taxes) for a further decline in the value of a drilling service fixed-price contract due to lower market rates. During 2000, \$41 million of drilling contract payments were charged against the reserve and the remaining balance of \$14 million was reversed to income.

Gains on asset sales are included on a separate line in non-operating income in the income statement. The impairment of carrying values of the Alaska pipeline and the crude oil storage terminal and the loss on the drilling service contract are reflected in a separate impairment line in the income statement.

4. Inventories

Inventories at December 31 are as follows:

<i>Millions of dollars</i>	2001	2000
Crude oil and other charge stocks	\$ 108	\$ 103
Refined and other finished products	440	502
Less: LIFO adjustment	(111)	(281)
	437	324
Materials and supplies	113	77
	550	401
Total	\$ 550	\$ 401

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, previously wholly owned by the Corporation.

The Corporation accounts for its investment in HOVENSA using the equity method. Summarized financial information for HOVENSA as of December 31, 2001, 2000 and 1999 and for the years then ended follows:

<i>Millions of dollars</i>	2001	2000	1999
Summarized Balance Sheet			
At December 31			
Current assets	\$ 491	\$ 523	\$ 433
Net fixed assets	1,846	1,595	1,328
Other assets	35	37	27
Current liabilities	(294)	(425)	(282)
Long-term debt	(365)	(131)	(150)
Deferred liabilities and credits	(23)	(22)	(26)
	1,690	1,577	1,330
Partners' equity	\$ 1,690	\$ 1,577	\$ 1,330
Summarized Income Statement			
For the periods ended December 31			
Total revenues	\$ 4,209	\$ 5,243	\$ 3,082
Costs and expenses	(4,089)	(4,996)	(3,064)
	120	247	18
Net income(a)	\$ 120	\$ 247	\$ 18

(a) The Corporation's share of HOVENSA's income was \$58 million in 2001, \$121 million in 2000 and \$7 million in 1999.

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 \$1,500 million during 2001, \$2,080 million during 2000 and \$1,196 million during 1999. The Corporation sold crude oil to HOVENSA for approximately \$110 million during 2001, \$98 million during 2000 and \$81 million during 1999. 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, 2001, this amount was \$77 million.

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 \$63 million in cash and a 10-year note from PDVSA V.I. for \$563 million bearing interest at 8.46% per annum and requiring principal payments over its term. At December 31, 2001 and December 31, 2000, the principal balance of the note was \$443 million and \$491 million, respectively. In addition, there is a \$125 million, 10-year, contingent note, which was not valued for accounting purposes. PDVSA V.I.'s payment obligations under both notes are guaranteed by PDVSA and secured by a pledge of PDVSA V.I.'s interest in the joint venture.

6. Short-Term Notes and Related Lines of Credit

Short-term notes payable to banks amounted to \$106 million at December 31, 2001 and \$7 million at December 31, 2000. The weighted average interest rates on these borrowings were 2.5% and 6.8% at December 31, 2001 and 2000, respectively. At December 31, 2001, the Corporation has uncommitted arrangements with banks for unused lines of credit aggregating \$214 million.

7. Long-Term Debt

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

<i>Millions of dollars</i>	2001	2000
Fixed rate debentures, weighted average rate 6.8%, due through 2031	\$3,483	\$ 990
Fixed rate debentures, weighted average rate 6.3%, due through 2007	503	—
6.1% Marine Terminal Revenue Bonds—Series 1994— City of Valdez, Alaska, due 2024	20	20
Pollution Control Revenue Bonds, weighted average rate 6.6%, due through 2022	53	53
Fixed rate notes, payable principally to insurance companies, weighted average rate 8.5%, due through 2014	645	645
Revolving Credit Facility with banks, weighted average rate 2.5%, due through 2006	32	—
Commercial paper, weighted average rate 2.8%	539	—
Project lease financing, weighted average rate 5.1%, due through 2014	174	178
Notes payable for asset purchases, weighted average rate 6.3%, due through 2003	98	147
Capitalized lease obligations, weighted average rate 5.9%, due through 2009	7	7
Other loans, weighted average rate 9.1%, due through 2019	5	3
	<u>5,559</u>	<u>2,043</u>
Less amount included in current maturities	276	58
Total	<u>\$5,283</u>	<u>\$1,985</u>

The aggregate long-term debt maturing during the next five years is as follows (in millions): 2002—\$276 (included in current liabilities); 2003—\$28; 2004—\$509; 2005—\$223 and 2006— \$1,097.

The Corporation's long-term debt agreements contain restrictions on the amount of total borrowings and cash dividends allowed. At December 31, 2001, the Corporation is permitted to borrow an additional \$2.5 billion for the construction or acquisition of assets. At year-end, the amount available for payment of dividends is \$943 million.

In August 2001, the Corporation issued \$2.5 billion of public debentures of which \$500 million bears interest at 5.30% and is due in 2004, \$500 million bears interest at 5.90% and is due in 2006, \$750 million bears interest at 6.65% and is due in 2011 and \$750 million bears interest at 7.30% and is due in 2031. In the first quarter of 2002, the Corporation issued \$600 million of public debentures bearing interest at 7.125%, due in 2033.

The Corporation has a \$1.5 billion revolving credit agreement, which expires in January 2006 and bears interest at .725% above the London Interbank Offered Rate. A facility fee of .15% per annum is currently payable on the amount of the credit line. The interest rate and facility fee are increased if the Corporation's public debt rating is lowered. At December 31, 2001, the Corporation had \$929 million of additional borrowing capacity available under its revolving credit agreement. Outstanding commercial paper of \$539 million is supported by this credit line and therefore is classified as long-term.

In 2001, 2000 and 1999, the Corporation capitalized interest of \$44 million, \$3 million and \$16 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 2001, 2000 and 1999 was \$121 million, \$173 million and \$145 million, respectively.

8. Stock Based Compensation Plans

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

The Corporation's stock option activity in 2001, 2000 and 1999 consisted of the following:

	Options (thousands)	Weighted- average exercise price per share
Outstanding at January 1, 1999	3,095	\$56.21
Granted	1,804	55.66
Exercised	(322)	53.22
Forfeited	(70)	58.08
Outstanding at December 31, 1999	4,507	56.18
Granted	870	60.39
Exercised	(1,082)	54.41
Outstanding at December 31, 2000	4,295	57.47
Granted	1,674	60.91
Exercised	(1,053)	56.28
Forfeited	(42)	61.79
Outstanding at December 31, 2001	4,874	\$58.87
Exercisable at December 31, 1999	2,702	\$56.52
Exercisable at December 31, 2000	3,425	56.73
Exercisable at December 31, 2001	3,216	57.85

Exercise prices for employee stock options at December 31, 2001 ranged from \$49.19 to \$84.61 per share. The weighted-average remaining contractual life of employee stock options is 8 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 2001, 2000 and 1999, respectively: risk-free interest rates of 4.1%, 5.4% and 5.9%; expected stock price volatility of .244, .225 and .207; dividend yield of 2.0%, 1.0% and 1.1%; and an expected life of seven years. The Corporation's net income would have been reduced by approximately \$13 million in 2001, \$17 million in 2000 and \$6 million in 1999 (\$.15 per share in 2001, \$.19 per share in 2000 and \$.07 per share in 1999, diluted) if option expense were recorded using the fair value method.

The weighted-average fair values of options granted for which the exercise price equaled the market price on the date of grant were \$16.20 in 2001, \$20.04 in 2000 and \$18.45 in 1999.

Total compensation expense for nonvested common stock was \$12 million in 2001, \$7 million in 2000 and \$10 million in 1999. Awards of nonvested common stock were as follows:

	<i>Shares of nonvested common stock awarded (thousands)</i>	<i>Weighted- average price on date of grant</i>
Granted in 1999	24	\$56.07
Granted in 2000	519	59.65
Granted in 2001	108	67.25

At December 31, 2001, the number of common shares reserved for issuance is as follows (in thousands):

1995 Long-Term Incentive Plan Future awards	872
Stock options outstanding	4,874
Stock appreciation rights	15
Total	<u>5,761</u>

9. Foreign Currency Translation

Foreign currency gains amounted to \$7 million after income taxes in 2001. In 2000, after-tax foreign currency gains amounted to \$45 million, including the gain of \$53 million related to the termination of the proposed acquisition of another oil company. After-tax foreign currency gains amounted to \$17 million in 1999.

The balance in accumulated other comprehensive income related to foreign currency translation was a reduction of \$141 million at December 31, 2001 compared with a reduction of \$139 million at December 31, 2000.

10. Pension Plans

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

<i>Millions of dollars</i>	2001	2000
Reconciliation of pension benefit obligation		
Benefit obligation at January 1	\$ 589	\$501
Service cost	20	18
Interest cost	41	37
Actuarial (gain) loss	(5)	34
Acquisition of business	7	25
Benefit payments	(29)	(26)
Pension benefit obligation at December 31	<u>623</u>	<u>589</u>
Reconciliation of fair value of plan assets		
Fair value of plan assets at January 1	543	534
Actual return on plan assets	(39)	(13)
Employer contributions	12	14
Acquisition of business	8	34
Benefit payments	(29)	(26)
Fair value of plan assets at December 31	<u>495</u>	<u>543</u>
Funded status at December 31		
Funded status	(128)	(46)
Unrecognized prior service cost	5	6
Unrecognized loss (gain)	76	(5)

Accrued pension liability

\$ (47)

\$ (45)

Pension expense consisted of the following:

<i>Millions of dollars</i>	2001	2000	1999
Service cost	\$ 20	\$ 18	\$ 22
Interest cost	41	37	34
Expected return on plan assets	(48)	(45)	(41)
Amortization of prior service cost	1	2	1
Amortization of net gain	—	(1)	—
	—	—	—
Pension expense	\$ 14	\$ 11	\$ 16

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 pension plans at December 31 were as follows:

	2001	2000
Discount rate	7.0%	7.0%
Expected long-term rate of return on plan assets	9.0%	8.7%
Rate of compensation increases	4.5%	4.5%

The Corporation also has a nonqualified supplemental pension plan covering certain employees. The supplemental pension plan provides for incremental pension payments from the Corporation's funds so that total pension payments equal amounts that would have been payable from the Corporation's principal pension plan were it not for limitations imposed by income tax regulations. The benefit obligation related to this unfunded plan totaled \$59 million at December 31, 2001 and \$47 million at December 31, 2000. Pension expense for the plan was \$9 million in 2001 and \$7 million in 2000 and 1999. The Corporation has accrued \$44 million for this plan at December 31, 2001 (\$35 million at December 31, 2000). The trust established to fund the supplemental plan held assets valued at \$23 million at December 31, 2001 and \$19 million at December 31, 2000.

11. Provision for Income Taxes

The provision (benefit) for income taxes consisted of:

<i>Millions of dollars</i>	2001	2000	1999
United States Federal			
Current	\$ 78	\$ 92	\$ 6
Deferred	49	62	82
State	27	22	6
	154	176	94
Foreign			
Current	356	371	189
Deferred	14	102	(15)
	370	473	174
Adjustment of deferred tax liability for foreign income tax rate change	—	—	(4)
Total	\$524(a)	\$649	\$264(b)

(a) Includes benefit of \$48 million relating to prior year refunds of United Kingdom Advance Corporation Taxes and deductions for exploratory drilling.

(b) Includes a benefit of \$54 million representing deductions for certain prior year foreign drilling costs and capital losses.

Income before income taxes consisted of the following:

<i>Millions of dollars</i>	2001	2000	1999
United States	\$ 385	\$ 497	\$397
Foreign*	1,053	1,175	305

Total

\$1,438

\$1,672

\$702

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

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

<i>Millions of dollars</i>	2001	2000
Deferred tax liabilities		
Fixed assets and investments	\$1,168	\$ 350
Foreign petroleum taxes	209	202
Other	118	97
Total deferred tax liabilities	1,495	649
Deferred tax assets		
Accrued liabilities	176	99
Net operating and capital loss carryforwards	350	171
Tax credit carryforwards	32	122
Other	44	28
Total deferred tax assets	602	420
Valuation allowance	(93)	(111)
Net deferred tax assets	509	309
Net deferred tax liabilities	\$ 986	\$ 340

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

	2001	2000	1999
United States statutory rate	35.0%	35.0%	35.0%
Effect of foreign operations, including foreign tax credits	1.1	3.5	3.0
State income taxes, net of Federal income tax benefit	1.2	.8	.6
Prior year adjustments	(1.4)	(.6)	(.8)
Other	.5	.1	(.2)
Total	36.4%	38.8%	37.6%

The Corporation has not recorded deferred income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations. Undistributed earnings amounted to approximately \$2 billion at December 31, 2001, excluding amounts which, if remitted, generally would not result in any additional U.S. income taxes because of available foreign tax credits. If the earnings of such foreign subsidiaries were not indefinitely reinvested, a deferred tax liability of approximately \$160 million would have been required.

For income tax reporting at December 31, 2001, the Corporation has alternative minimum tax credit carryforwards of approximately \$32 million, which can be carried forward indefinitely. At December 31, 2001, a net operating loss carryforward of approximately \$780 million is also available to offset income of the HOVENSA joint venture partners. In addition, a foreign exploration and production subsidiary has a net operating loss carryforward of approximately \$560 million.

Income taxes paid (net of refunds) in 2001, 2000 and 1999 amounted to \$605 million, \$249 million and \$141 million, respectively.

12. Net Income Per Share

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

<i>Thousands of shares</i>	2001	2000	1999
Common shares—basic	88,031	89,063	89,692
Effect of dilutive securities			
Stock options	468	339	152
Nonvested common stock	425	358	436
Convertible preferred stock	205	118	—
Common shares—diluted	89,129	89,878	90,280

Diluted common shares include shares that would be outstanding assuming the exercise of stock options, the fulfillment of restrictions on nonvested shares and the conversion of preferred stock. The table excludes the effect of out-of-the-money options on 139,000 shares, 1,063,000 shares and 1,609,000 shares in 2001, 2000 and 1999, respectively.

13. Leased Assets

The Corporation and certain of its subsidiaries lease floating production systems, drilling rigs, tankers, gasoline stations, office space and other assets for varying periods. At December 31, 2001, future minimum rental payments applicable to noncancelable operating leases with remaining terms of one year or more (other than oil and gas leases) are as follows:

<i>Millions of dollars</i>	<i>Operating Leases</i>
2002	\$ 98
2003	100
2004	95
2005	57
2006	53
Remaining years	715
Total minimum lease payments	1,118
Less income from subleases	21
Net minimum lease payments	\$1,097

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 leases, was as follows:

<i>Millions of dollars</i>	2001	2000	1999
Total rental expense	\$206	\$199	\$156
Less income from subleases	63	86	51
Net rental expense	\$143	\$113	\$105

14. Financial Instruments, Hedging and Trading Activities

On January 1, 2001, the Corporation adopted FAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. This statement requires that the Corporation recognize all derivatives on the balance sheet at fair value and establishes criteria for using derivatives as hedges.

The January 1, 2001 transition adjustment resulting from adopting FAS No. 133 was a cumulative increase in other comprehensive income of \$100 million after income taxes (\$145 million before income taxes). Substantially all of the transition adjustment results from crude oil and natural gas cash flow hedges. The transition adjustment did not have a material effect on net income or retained earnings. The accounting change also affected current assets and liabilities.

Hedging: The Corporation uses futures, forwards, options and swaps, individually or in combination, to reduce the effects of fluctuations in crude oil, natural gas and refined product selling prices. The Corporation also uses derivatives in its energy marketing activities to fix the purchase and selling prices of energy products. 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 gains or losses are recorded in other comprehensive income. The Corporation's use of fair value hedges is not material.

The Corporation reclassifies hedging gains and losses from accumulated other comprehensive income to earnings at the time the hedged transactions are recognized. Results from exploration and production activities in 2001 were increased \$74 million after income taxes (\$106 million before income taxes) by reclassified hedge gains. This included \$53 million after income taxes (\$82 million before income taxes) associated with the transition adjustment at the beginning of the year. The impact of hedging on refining and marketing results was immaterial. The ineffective portion of hedges is included in current earnings in cost of products sold. The amount of hedge ineffectiveness was not material during the year ended December 31, 2001.

The Corporation produced 109 million barrels of crude oil and natural gas liquids and 296 million Mcf of natural gas in 2001. At December 31, 2001, the Corporation's crude oil and natural gas hedging activities included commodity futures, option and swap contracts. Crude oil hedges mature in 2002 and cover 29 million barrels of crude oil production (88 million barrels of crude oil in 2000). The Corporation has natural gas hedges covering 143 million Mcf of natural gas production at December 31, 2001, which mature in 2002 and 2003 (20 million Mcf of natural gas at December 31, 2000).

Since the contracts described above are designated as hedges and correlate to price movements of crude oil and natural gas, any gains or losses resulting from market changes will be offset by losses or gains on the Corporation's production. At December 31, 2001, after-tax deferred gains in accumulated other comprehensive income from the Corporation's crude oil and natural gas hedging contracts expiring through 2003 were \$249 million (\$374 million before income taxes), including \$164 million of unrealized gains. Of the total amount, \$226 million matures during 2002. Creditworthiness of counterparties to hedging transactions is reviewed regularly and full performance is expected. Deferred gains were \$100 million at December 31, 2000, of which \$131 million represented unrealized gains.

In its energy marketing business, the Corporation has entered into fixed-price sales contracts with a fair value of \$115 million, offset by financial instruments which fix the future purchase price. These contracts mature generally through 2003. There is no significant concentration of credit risk with counterparties.

Commodity Trading: The Corporation, principally through a consolidated partnership, trades energy commodities, including futures, forwards, options and swaps, based on expectations of future market conditions. The Corporation's net income from trading activities, including its share of the earnings of the trading partnership amounted to \$45 million in 2001, \$22 million in 2000 and \$19 million in 1999.

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 \$136 million of notional value foreign currency forward and purchased option contracts maturing in 2002 (\$438 million at December 31, 2000) and \$225 million in letters of credit outstanding (\$365 million at December 31, 2000). Of the total letters of credit outstanding at December 31, 2001, \$37 million represents contingent liabilities; the remaining \$188 million relates to liabilities recorded on the balance sheet. Notional amounts do not quantify risk or represent assets or liabilities of the Corporation, but are used in the calculation of cash settlements under the contracts.

Fair Value Disclosure: The carrying amounts of cash and cash equivalents, short-term debt and long-term, variable-rate debt approximate fair value. The Corporation estimates the fair value of its long-term, fixed-rate note receivable and debt generally using discounted cash flow analysis based on current interest rates for instruments with similar maturities. Interest-rate swaps and foreign currency exchange contracts are valued based on current termination values or quoted market prices of comparable contracts. The Corporation's valuation of commodity contracts considers quoted market prices, 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 instruments used in hedging and trading activities:

Millions of dollars, asset (liability)	Fair Value At Dec. 31	
	2001	2000
Commodities	\$ 54	\$ 6
Futures and forwards		
Assets	154	374
Liabilities	(323)	(436)
Options		
Held	420	1,069
Written	(466)	(1,096)
Swaps		
Assets	1,472	1,752
Liabilities	(1,109)	(1,442)

The carrying amounts of the Corporation's financial instruments and commodity contracts, including those used in the Corporation's hedging and trading activities, generally approximate their fair values at December 31, 2001 and 2000, except as follows:

Millions of dollars, asset (liability)	2001		2000	
	Balance Sheet Amount	Fair Value	Balance Sheet Amount	Fair Value
Long-term, fixed-rate note receivable	\$ 443	\$ 440	\$ 491	\$ 467
Fixed-rate debt	(4,936)	(5,070)	(1,991)	(2,090)

Market and Credit Risks: The Corporation's financial instruments expose it to market and credit risks and may at times be concentrated with certain counterparties or groups of counterparties. The credit worthiness of counterparties is subject to continuing review and full performance is anticipated. In its trading activities, the Corporation reduces its risk related to certain counterparties by requiring collateral, generally cash.

In its trading activities, the Corporation has net receivables of \$398 million at December 31, 2001, which are concentrated with counterparties, as follows: domestic and foreign trading companies—33%, banks and major financial institutions—23%, gas and power marketers—18% and integrated energy companies—16%.

15. Future Accounting Changes

The Corporation adopted FAS No. 141, *Business Combinations*, and FAS No. 142, *Goodwill and Other Intangible Assets*, for the Triton acquisition and related goodwill. The remaining provisions of these standards apply in 2002. The Corporation has not determined what the future effect of the remaining provisions will be.

The Financial Accounting Standards Board also recently issued FAS No. 143, *Accounting for Asset Retirement Obligations*. This statement significantly changes the method of accruing for costs associated with the retirement of fixed assets for which a legal retirement obligation exists, such as the dismantlement of oil and gas production facilities. This standard becomes effective in 2003. The Corporation has not yet determined what the future effect of adopting this new accounting standard will be on its income and financial position.

16. Litigation and Contingencies

In 1998, Triton Energy Limited (Triton) became a defendant in a lawsuit filed against it and Thomas G. Finck and Peter Rugg, in their capacities as former officers of Triton. The Corporation acquired Triton in August of 2001. The complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, in connection with disclosures concerning Triton's properties, operations, and value relating to a prospective sale in 1998 of Triton or all or a part of its assets. The lawsuits seek recovery of an unspecified amount of compensatory damages, fees and costs. Triton filed a motion to dismiss that was denied. Discovery is proceeding. A motion for class certification is pending. Triton believes its disclosures were accurate and intends to vigorously defend these actions but can make no assurance that the litigation will be resolved in its favor.

The Corporation is subject to other 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

Financial information by major geographic area for each of the three years ended December 31, 2001 follows:

<i>Millions of dollar</i>	<i>United States*</i>	<i>Europe</i>	<i>Africa, Asia and other</i>	<i>Consolidated</i>
2001				
Operating revenues	\$9,824	\$3,138	\$ 451	\$13,413
Property, plant and equipment (net)	2,469	2,322	3,374	8,165
2000				
Operating revenues	\$8,953	\$2,825	\$ 215	\$11,993
Property, plant and equipment (net)	1,558	2,269	496	4,323
1999				
Operating revenues	\$4,948	\$1,944	\$ 147	\$ 7,039
Property, plant and equipment (net)	1,289	2,396	367	4,052

* Includes shipping operations.

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

17. Segment Information (Continued)

The following table presents financial data by operating segment for each of the three years ended December 31, 2001:

<i>Millions of dollars</i>	<i>Exploration and Production</i>	<i>Refining, Marketing and Shipping</i>	<i>Corporate</i>	<i>Consolidated*</i>
2001				
Operating revenues				
Total operating revenues	\$ 4,812	\$9,454	\$ 2	
Less: Transfers between affiliates	855	—	—	
Operating revenues from unaffiliated customers	\$ 3,957	\$9,454	\$ 2	\$13,413
Operating earnings (loss)	\$ 923	\$ 235	\$(213)	\$ 945
Special items	(29)	(2)	—	(31)
Net income (loss)	\$ 894	\$ 233	\$(213)	\$ 914
Earnings of equity affiliates	\$ (2)	\$ 54	\$ —	\$ 52
Interest income	6	45	8	59
Interest expense	—	—	194	194
Depreciation, depletion, amortization and lease impairment	951	51	3	1,005
Provision (benefit) for income taxes	528	65	(69)	524
Investments in equity affiliates	580	1,052	—	1,632
Identifiable assets	10,412	4,797	160	15,369
Capital employed	7,534	2,999	39	10,572
Capital expenditures	5,061	155	5	5,221
2000				
Operating revenues				
Total operating revenues	\$ 3,970	\$8,813	\$ 2	
Less: Transfers between affiliates	792	—	—	
Operating revenues from unaffiliated customers	\$ 3,178	\$8,813	\$ 2	\$11,993
Operating earnings (loss)	\$ 868	\$ 288	\$(169)	\$ 987
Special items	—	(24)	60	36
Net income (loss)	\$ 868	\$ 264	\$(109)	\$ 1,023
Earnings of equity affiliates	\$ 1	\$ 121	\$ 6	\$ 128
Interest income	7	59	11	77
Interest expense	—	—	162	162
Depreciation, depletion, amortization and lease impairment	700	39	8	747
Provision (benefit) for income taxes	612	50	(13)	649
Investments in equity affiliates	147	894	—	1,041
Identifiable assets	4,688	4,976	610	10,274
Capital employed	2,817	2,747	369	5,933
Capital expenditures	783	154	1	938
1999				
Operating revenues				
Total operating revenues	\$ 2,947	\$4,541	\$ 1	
Less: Transfers between affiliates	450	—	—	
Operating revenues from unaffiliated customers	\$ 2,497	\$4,541	\$ 1	\$ 7,039
Operating earnings (loss)	\$ 324	\$ 133	\$(150)	\$ 307
Special items	19	112	—	131
Net income (loss)	\$ 343	\$ 245	\$(150)	\$ 438
Earnings of equity affiliates	\$ (9)	\$ 11	\$ 7	\$ 9
Interest income	12	50	1	63
Interest expense	—	—	158	158
Depreciation, depletion, amortization and lease impairment	641	42	2	685
Provision (benefit) for income taxes	184	118	(38)	264
Investments in equity affiliates	148	778	61	987
Identifiable assets	4,396	2,993	339	7,728

Capital employed	3,137	1,974	237	5,348
Capital expenditures	727	68	2	797

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

Report of Management

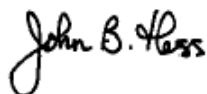
Amerada Hess Corporation and Consolidated Subsidiaries

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

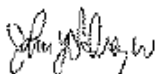
The Corporation maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that transactions are properly executed and recorded. Judgements are required to balance the relative costs and benefits of this system of internal controls.

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

The Audit Committee of the Board of Directors consists solely of independent directors. The Audit Committee meets periodically with the independent auditors, internal auditors and management to review and discuss the annual audit scope and plans, the adequacy of staffing, the system of internal controls and the results of examinations. At least annually, the Audit Committee meets with the independent auditors and with the internal auditors without management present. The Audit Committee also reviews the Corporation's financial statements with management and the independent auditors. This review includes a discussion of accounting principles, significant judgements inherent in the financial statements, disclosures and such other matters required by generally accepted auditing standards. Ernst & Young LLP and the Corporation's internal auditors have unrestricted access to the Audit Committee.



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



John Y. Schreyer
Executive Vice President and Chief Financial Officer

Report of Ernst & Young LLP, Independent Auditors

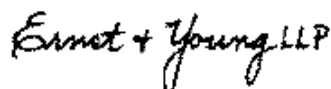
The Board of Directors and Stockholders
Amerada Hess Corporation

We have audited the accompanying consolidated balance sheet of Amerada Hess Corporation and consolidated subsidiaries as of December 31, 2001 and 2000 and the related consolidated statements of 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, 2001. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 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, 2001 and 2000 and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 14 to the consolidated financial statements, the Corporation adopted Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, effective January 1, 2001.



New York, NY
February 22, 2002

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Supplementary Oil and Gas Data

Amerada Hess Corporation and Consolidated Subsidiaries

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

The Corporation produces crude oil and/or natural gas in the United States, Europe, Gabon, Indonesia, Thailand, Azerbaijan and Algeria. With the acquisition of Triton Energy Limited in August 2001, the Corporation acquired producing properties and exploration interests in Equatorial Guinea, Colombia, and through an equity investee, the joint development area of Malaysia and Thailand. Exploration activities are also conducted, or are planned, in additional countries.

The Corporation also owns a 25% interest in an oil and gas exploration and production company that it accounts for on the equity method.

Costs Incurred in Oil and Gas Producing Activities

<i>For the Years Ended December 31 (Millions of dollars)</i>	<i>Total</i>	<i>United States</i>	<i>Europe</i>	<i>Africa, Asia and other</i>
2001				
Property acquisitions				
Proved	\$2,772	\$831	\$ —	\$1,941
Unproved	820	121	1	698
Exploration	297	107	87	103
Development	1,182	322	516	344
Share of equity investees' costs incurred	14	—	9	5
2000				
Property acquisitions				
Proved	\$ 80	\$ —	\$ —	\$ 80
Unproved	38	22	8	8
Exploration	252	119	49	84
Development	536	155	321	60
Share of equity investee's costs incurred	49	—	9	40
1999				
Property acquisitions				
Proved	\$ —	\$ —	\$ —	\$ —
Unproved	24	7	—	17
Exploration	232	72	76	84
Development	626	137	451	38
Share of equity investee's costs incurred	38	—	11	27

Capitalized Costs Relating to Oil and Gas Producing Activities

<i>At December 31 (Millions of dollars)</i>	2001	2000
Unproved properties	\$ 1,099	\$ 321
Proved properties	3,804	1,736
Wells, equipment and related facilities	10,291	8,442
Total costs	15,194	10,499
Less: Reserve for depreciation, depletion, amortization and lease impairment	7,907	7,006
Net capitalized costs	\$ 7,287	\$ 3,493
Share of equity investees' capitalized costs	\$ 655	\$ 196

The results of operations for oil and gas producing activities shown below exclude sales of purchased natural gas, non-operating income (including gains on sales of oil and gas properties), interest expense and gains and losses resulting from foreign currency 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.

Results of Operations for Oil and Gas Producing Activities

For the Years Ended December 31 (Millions of dollars)

	Total	United States	Europe	Africa, Asia and other
2001				
Sales and other operating revenues				
Unaffiliated customers	\$2,519	\$ 378	\$1,706	\$435
Inter-company	1,032	856	176	—
Total revenues	3,551	1,234	1,882	435
Costs and expenses				
Production expenses, including related taxes	711	213	374	124
Exploration expenses, including dry holes and lease impairment	368	156	103	109
Other operating expenses	153	80	25	48
Depreciation, depletion and amortization	913	368	446	99
Total costs and expenses	2,145	817	948	380
Results of operations before income taxes	1,406	417	934	55
Provision for income taxes	523	143	320	60
Results of operations	\$ 883	\$ 274	\$ 614	\$ (5)
Share of equity investees' results of operations	\$ 17	\$ —	\$ 12	\$ 5
2000				
Sales and other operating revenues				
Unaffiliated customers	\$2,153	\$ 146	\$1,813	\$194
Inter-company	944	792	152	—
Total revenues	3,097	938	1,965	194
Costs and expenses				
Production expenses, including related taxes	557	147	361	49
Exploration expenses, including dry holes and lease impairment	289	141	51	97
Other operating expenses	86	44	20	22
Depreciation, depletion and amortization	667	175	450	42
Total costs and expenses	1,599	507	882	210
Results of operations before income taxes	1,498	431	1,083	(16)
Provision for income taxes	613	158	442	13
Results of operations	\$ 885	\$ 273	\$ 641	\$ (29)
Share of equity investee's results of operations	\$ 2	\$ —	\$ (3)	\$ 5
1999				
Sales and other operating revenues				
Unaffiliated customers	\$1,548	\$ 192	\$1,242	\$114
Inter-company	450	450	—	—
Total revenues	1,998	642	1,242	114
Costs and expenses				
Production expenses, including related taxes	487	126	336	25
Exploration expenses, including dry holes and lease impairment	261	96	91	74
Other operating expenses	101	47	34	20
Depreciation, depletion and amortization	604	194	385	25
Impairment of assets and operating leases	94	59	—	35
Total costs and expenses	1,547	522	846	179

Results of operations before income taxes	451	120	396	(65)
Provision for income taxes	152	43	160	(51)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Results of operations	\$ 299	\$ 77	\$ 236	\$ (14)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Share of equity investee's results of operations	\$ (6)	\$ —	\$ (11)	\$ 5
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

Oil and Gas Reserves

	Crude Oil, Condensate and Natural Gas Liquids (Millions of barrels)						Natural Gas (Millions of Mcf)					
	United States	Europe	Africa, Asia and other ^(a)	Total	Equity Investees	World- wide	United States	Europe	Africa, Asia and other ^(a)	Total	Equity Investees	World- wide
Net Proved Developed and Undeveloped Reserves												
At January 1, 1999	169	434	92	695	16	711	780	1,009	266	2,055	280	2,335
Revisions of previous estimates	13	10	(2)	21	—	21	(32)	35	31	34	—	34
Extensions, discoveries and other additions	5	49	14	68	—	68	25	60	9	94	—	94
Purchases of minerals in-place	—	—	4	4	—	4	4	—	—	4	—	4
Sales of minerals in-place	—	—	(5)	(5)	—	(5)	(48)	—	—	(48)	(1)	(49)
Production	(24)	(55)	(6)	(85)	(2)	(87)	(124)	(106)	(5)	(235)	(2)	(237)
At December 31, 1999	163	438	97	698	14	712	605	998	301	1,904	277	2,181
Revisions of previous estimates	9	31	5	45	(1)	44	2	33	7	42	2	44
Extensions, discoveries and other additions	7	16	4	27	—	27	43	47	14	104	44	148
Purchases of minerals in-place	1	4	83	88	—	88	8	2	—	10	—	10
Sales of minerals in-place	—	(5)	(2)	(7)	—	(7)	—	(4)	—	(4)	—	(4)
Production	(24)	(65)	(7)	(96)	(2)	(98)	(106)	(131)	(12)	(249)	(3)	(252)
At December 31, 2000	156	419	180	755	11	766	552	945	310	1,807	320	2,127
Revisions of previous estimates	3	33	4	40	(1)	39	31	2	(17)	16	46	62
Extensions, discoveries and other additions	9	18	8	35	—	35	62	196	33	291	—	291
Purchases of minerals in-place	22	1	190	213	13	226	227	—	10	237	493	730
Sales of minerals in-place	—	—	—	—	—	—	—	(1)	—	(1)	(25)	(26)
Production	(28)	(63)	(18)	(109)	(2)	(111)	(155)	(131)	(10)	(296)	(7)	(303)
At December 31, 2001	162	408	364	934	21	955	717 ^(b)	1,011	326	2,054	827 ^(c)	2,881
Net Proved Developed Reserves												
At January 1, 1999	132	293	27	452	12	464	525	753	52	1,330	90	1,420
At December 31, 1999	136	351	26	513	10	523	477	841	119	1,437	87	1,524
At December 31, 2000	140	353	80	573	9	582	476	842	111	1,429	199	1,628
At December 31, 2001	144	318	196	658	7	665	580	709	111	1,400	220	1,620

(a) Includes estimates of reserves under production sharing contracts.

(b) Excludes 444 million Mcf of carbon dioxide gas for sale or use in company operations.

(c) Substantially all of these reserves are outside of the United States and Europe.

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

Future net cash flows are calculated by applying year-end oil and gas selling prices (adjusted for price changes provided by contractual arrangements, including hedges) to estimated future production of proved oil and gas reserves, less estimated future development and production costs and future income tax expenses. Future net cash flows are discounted at the prescribed rate of 10%. No recognition is given in the discounted future net cash flow estimates to depreciation, depletion, amortization and lease impairment, exploration expenses, interest expense, general and administrative expenses and changes in future prices and costs. The selling prices of crude oil and natural gas have decreased during 2001 and are highly volatile. The year-end prices which are required to be used for the discounted future net cash flows may not be representative of future selling prices.

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

<i>At December 31 (Millions of dollars)</i>	<i>Total</i>	<i>United States</i>	<i>Europe</i>	<i>Africa, Asia and other</i>
2001				
Future revenues	\$23,040	\$5,066	\$10,630	\$7,344
Less:				
Future development and production costs	10,335	1,817	4,889	3,629
Future income tax expenses	4,114	750	2,515	849
	14,449	2,567	7,404	4,478
Future net cash flows	8,591	2,499	3,226	2,866
Less: Discount at 10% annual rate	3,299	816	1,134	1,349
Standardized measure of discounted future net cash flows	\$ 5,292	\$1,683	\$ 2,092	\$1,517
Share of equity investees' standardized measure	\$ 543	\$ —	\$ 28	\$ 515
2000				
Future revenues	\$25,986	\$9,290	\$12,537	\$4,159
Less:				
Future development and production costs	8,672	1,551	4,808	2,313
Future income tax expenses	6,750	2,565	3,597	588
	15,422	4,116	8,405	2,901
Future net cash flows	10,564	5,174	4,132	1,258
Less: Discount at 10% annual rate	3,669	1,923	1,132	614
Standardized measure of discounted future net cash flows	\$ 6,895	\$3,251	\$ 3,000	\$ 644
Share of equity investee's standardized measure	\$ 305	\$ —	\$ 44	\$ 261
1999				
Future revenues	\$19,858	\$5,133	\$12,810	\$1,915
Less:				
Future development and production costs	6,500	1,396	4,484	620
Future income tax expenses	5,457	1,167	3,753	537
	11,957	2,563	8,237	1,157
Future net cash flows	7,901	2,570	4,573	758
Less: Discount at 10% annual rate	2,814	1,027	1,441	346
Standardized measure of discounted future net cash flows	\$ 5,087	\$1,543	\$ 3,132	\$ 412
Share of equity investee's standardized measure	\$ 237	\$ —	\$ 71	\$ 166

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

For the years ended December 31 (Millions of dollars)

	2001	2000	1999
Standardized measure of discounted future net cash flows at beginning of year	\$ 6,895	\$ 5,087	\$ 2,023
Changes during the year			
Sales and transfers of oil and gas produced during year, net of production costs	(2,840)	(2,540)	(1,511)
Development costs incurred during year	1,182	536	626
Net changes in prices and production costs applicable to future production	(4,346)	3,349	5,002
Net change in estimated future development costs	(838)	(931)	28
Extensions and discoveries (including improved recovery) of oil and gas reserves, less related costs	521	551	678
Revisions of previous oil and gas reserve estimates	231	396	244
Purchases (sales) of minerals in-place, net	1,186	230	(112)
Accretion of discount	1,087	832	288
Net change in income taxes	1,943	(840)	(2,289)
Revision in rate or timing of future production and other changes	271	225	110
Total	(1,603)	1,808	3,064
Standardized measure of discounted future net cash flows at end of year	\$ 5,292	\$ 6,895	\$ 5,087

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Ten-Year Summary of Financial Data

Amerada Hess Corporation and Consolidated Subsidiaries

Millions of dollars, except per share data

	2001	2000	1999 ^(c)
Statement of Consolidated Income			
Revenues			
Sales (excluding excise taxes) and other operating revenues			
Crude oil (including sales of purchased oil)	\$ 2,343	\$ 2,177	\$ 1,407
Natural gas (including sales of purchased gas)	4,762	3,470	1,856
Petroleum products	5,160	5,394	3,003
Other operating revenues	1,148	952	773
Total	13,413	11,993	7,039
Non-operating income			
Gain on asset sales	—	—	273
Equity in income of HOVENSA L.L.C.	58	121	7
Other	142	163	142
Total revenues	13,613	12,277	7,461
Costs and expenses			
Cost of products sold	8,735	7,883	4,240
Production expenses	711	557	487
Marketing expenses	663	542	387
Exploration expenses, including dry holes and lease impairment	368	289	261
Other operating expenses	224	234	217
General and administrative expenses	313	224	232
Interest expense	194	162	158
Depreciation, depletion and amortization	967	714	649
Impairment of assets and operating leases	—	—	128
Total costs and expenses	12,175	10,605	6,759
Income (loss) before income taxes	1,438	1,672	702
Provision (benefit) for income taxes	524	649	264
Net income (loss)	\$ 914 ^(a)	\$ 1,023 ^(b)	\$ 438 ^(d)
Net income (loss) per share			
Basic	\$ 10.38	\$ 11.48	\$ 4.88
Diluted	10.25	11.38	4.85
Dividends Per Share of Common Stock	\$ 1.20	\$.60	\$.60
Weighted Average Diluted Shares Outstanding (thousands)	89,129	89,878	90,280

(a) Reflects after-tax special charges aggregating \$31 million for losses related to the bankruptcy of certain subsidiaries of Enron and accrued severance.

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

(c) On January 1, 1999, the Corporation adopted the last-in, first-out (LIFO) inventory method for refining and marketing inventories.

(d) Includes after-tax gains on asset sales of \$176 million and special tax benefits of \$54 million, partially offset by impairment of assets and operating leases of \$99 million (after income taxes).

(e) Reflects after-tax special charges aggregating \$263 million representing impairments of assets and operating leases, a net loss on asset sales and accrued severance.

(f) After income taxes, the net gain was \$421 million.

(g) After income taxes, the net charge was \$416 million.

See accompanying notes to consolidated financial statements, including Note 2 on Acquisition of Triton Energy Limited in August of 2001.

1998	1997	1996	1995	1994	1993	1992
\$ 894	\$ 1,436	\$ 1,528	\$ 1,565	\$ 1,228	\$ 1,220	\$ 1,362
1,711	1,414	1,365	1,120	1,063	1,021	788
3,464	4,961	5,081	4,311	3,981	3,349	3,429
511	413	296	303	328	290	279
6,580	8,224	8,270	7,299	6,600	5,880	5,858
(26)	16	529(f)	96	42	—	—
(16)	—	—	—	—	—	—
83	120	125	125	49	17	100
6,621	8,360	8,924	7,520	6,691	5,897	5,958
4,373	5,578	5,386	4,501	3,795	3,509	3,214
518	557	621	611	601	626	684
379	329	264	259	261	247	229
349	422	384	382	331	351	324
224	232	129	186	124	242	234
271	236	238	263	230	229	238
153	136	166	247	245	157	147
662	663	722	840	868	759	765
206	80	—	584(g)	—	—	—
7,135	8,233	7,910	7,873	6,455	6,120	5,835
(514)	127	1,014	(353)	236	(223)	123
(55)	119	354	41	162	45	115
\$ (459) ^(e)	\$ 8	\$ 660	\$ (394)	\$ 74	\$ (268)	\$ 8
\$ (5.12)	\$.08	\$ 7.13	\$ (4.26)	\$.80	\$ (2.91)	\$.09
(5.12)	.08	7.09	(4.26)	.79	(2.91)	.09
\$.60	\$.60	\$.60	\$.60	\$.60	\$.60	\$.60
89,585	91,733	93,110	92,509	92,968	92,213	87,286

Ten-Year Summary of Financial Data

Amerada Hess Corporation and Consolidated Subsidiaries

Millions of dollars, except per share data

	2001	2000	1999
Selected Balance Sheet Data at Year-End			
Cash and cash equivalents	\$ 37	\$ 312	\$ 41
Working capital	228	577	249
Property, plant and equipment			
Exploration and production	\$15,194	\$10,499	\$ 9,974
Refining, marketing and shipping	1,433	1,399	1,091
Total — at cost	16,627	11,898	11,065
Less reserves	8,462	7,575	7,013
Property, plant and equipment — net	\$ 8,165	\$ 4,323	\$ 4,052
Total assets	\$15,369	\$10,274	\$ 7,728
Total debt	5,665	2,050	2,310
Stockholders' equity	4,907	3,883	3,038
Stockholders' equity per common share	\$ 55.11	\$ 43.58	\$ 33.51
Summarized Statement of Cash Flows			
Net cash provided by operating activities	\$ 1,960	\$ 1,795	\$ 746
Cash flows from investing activities			
Capital expenditures			
Exploration and production	(5,061)	(783)	(727)
Refining, marketing and other	(160)	(155)	(70)
Total capital expenditures	(5,221)	(938)	(797)
Proceeds from sales of property, plant and equipment and other	16	36	397
Net cash provided by (used in) investing activities	(5,205)	(902)	(400)
Cash flows from financing activities			
Issuance (repayment) of notes	99	(11)	15
Long-term borrowings	3,060	—	990
Repayment of long-term debt	(54)	(396)	(1,348)
Issuance of common stock	—	—	—
Cash dividends paid	(94)	(54)	(54)
Common stock acquired	(100)	(220)	—
Stock options exercised	59	59	18
Net cash provided by (used in) financing activities	2,970	(622)	(379)
Net increase (decrease) in cash and cash equivalents	\$ (275)	\$ 271	\$ (33)
Stockholder Data at Year-End			
Number of common shares outstanding (thousands)	88,757	88,744	90,676
Number of stockholders (based on number of holders of record)	6,481	7,709	7,416
Market price of common stock	\$ 62.50	\$ 73.06	\$ 56.75

1998	1997	1996	1995	1994	1993	1992
\$ 74	\$ 91	\$ 113	\$ 56	\$ 53	\$ 80	\$ 141
90	464	690	358	520	245	551
\$ 9,718	\$ 8,780	\$ 8,233	\$ 9,392	\$ 9,791	\$ 9,361	\$ 9,204
1,309	3,842	3,669	3,672	4,514	4,426	3,887
11,027	12,622	11,902	13,064	14,305	13,787	13,091
6,835	7,431	6,995	7,694	7,939	7,052	6,647
\$ 4,192	\$ 5,191	\$ 4,907	\$ 5,370	\$ 6,366	\$ 6,735	\$ 6,444
\$ 7,883	\$ 7,935	\$ 7,784	\$ 7,756	\$ 8,338	\$ 8,642	\$ 8,722
2,652	2,127	1,939	2,718	3,340	3,688	3,186
2,643	3,216	3,384	2,660	3,100	3,029	3,388
\$ 29.26	\$ 35.16	\$ 36.35	\$ 28.60	\$ 33.33	\$ 32.71	\$ 36.59
\$ 519	\$ 1,250	\$ 808	\$ 1,241	\$ 957	\$ 819	\$ 1,138
(1,307)	(1,158)	(788)	(626)	(532)	(755)	(917)
(132)	(188)	(73)	(66)	(64)	(593)	(641)
(1,439)	(1,346)	(861)	(692)	(596)	(1,348)	(1,558)
500	61	1,040	148	74	12	17
(939)	(1,285)	179	(544)	(522)	(1,336)	(1,541)
(14)	2	(72)	26	(54)	118	(160)
848	398	—	25	290	548	675
(317)	(209)	(795)	(689)	(642)	(168)	(524)
—	—	—	—	—	—	497
(55)	(55)	(56)	(56)	(56)	(42)	(64)
(59)	(122)	(8)	—	—	—	—
—	—	—	—	—	—	—
403	14	(931)	(694)	(462)	456	424
\$ (17)	\$ (21)	\$ 56	\$ 3	\$ (27)	\$ (61)	\$ 21
90,357	91,451	93,073	93,011	92,996	92,587	92,584
8,959	9,591	10,153	11,294	11,506	12,000	13,088
\$ 49.75	\$ 54.88	\$ 57.88	\$ 53.00	\$ 45.63	\$ 45.13	\$ 46.00

Ten-Year Summary of Operating Data

Amerada Hess Corporation and Consolidated Subsidiaries

	2001	2000	1999
Production Per Day (net)			
Crude oil (thousands of barrels)			
United States	63	55	55
United Kingdom	119	119	112
Norway	25	25	25
Denmark	20	25	7
Algeria	13	2	—
Colombia	10	—	—
Equatorial Guinea	6	—	—
Gabon	9	7	10
Indonesia	6	4	3
Azerbaijan	4	3	2
Canada and Abu Dhabi	—	—	—
Total	275	240	214
Natural gas liquids (thousands of barrels)			
United States	14	12	10
United Kingdom	7	6	5
Norway	1	2	2
Thailand	1	1	1
Canada	—	—	—
Total	23	21	18
Natural gas (thousands of Mcf)			
United States	424	288	338
United Kingdom	291	297	258
Denmark	43	37	3
Norway	25	24	31
Thailand	20	23	8
Colombia	1	—	—
Indonesia	8	10	5
Canada	—	—	—
Total	812	679	643
Well Completions (net)			
Oil wells	50	29	28
Gas wells	31	11	11
Dry holes	15	18	9
Productive Wells at Year-End (net)			
Oil wells	858	774	735
Gas wells	257	188	161
Total	1,115	962	896
Undeveloped Net Acreage at Year-End (thousands)			
United States	625	616	678
Foreign ^(a)	15,999	14,419	15,858
Total	16,624	15,035	16,536
Shipping			
Vessels owned or under charter at year-end	8	8	8
Total deadweight tons (thousands)	890	884	884
Refining (thousands of barrels per day)			
Amerada Hess Corporation	—	—	—
HOVENSA L.L.C. ^(c)	202	211	209
Petroleum Products Sold (thousands of barrels per day)			
Gasoline, distillates and other light products	322	304	284
Residual fuel oils	65	62	60
Total	387	366	344

Storage Capacity at Year-End (thousands of barrels)	36,298	37,487	38,343
Number of Employees (average)	10,838^(d)	9,891	8,485

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- (a) *Includes acreage held under production sharing contracts.*
 - (b) *Through ten months of 1998.*
 - (c) *Reflects 50% of HOVENSA refinery crude runs from November 1, 1998.*
 - (d) *Includes approximately 6,200 employees of retail operations.*

1998	1997	1996	1995	1994	1993	1992
37	35	41	52	56	60	62
109	126	135	135	122	80	86
27	30	28	26	24	26	30
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
14	10	9	10	9	8	7
3	1	—	—	—	—	—
—	—	—	—	—	—	—
—	—	6	17	18	22	23
190	202	219	240	229	196	208
8	8	9	11	12	12	11
6	6	7	7	7	4	1
2	2	2	1	1	1	2
—	—	—	—	—	—	—
—	—	—	2	2	2	2
16	16	18	21	22	19	16
294	312	338	402	427	502	602
251	226	254	239	209	188	153
—	—	—	—	—	—	—
28	30	30	28	24	29	32
—	—	—	—	—	—	—
—	—	—	—	—	—	—
3	1	—	—	—	—	—
—	—	63	215	186	168	138
576	569	685	884	846	887	925
28	42	39	33	28	48	33
20	11	25	41	44	49	20
25	24	40	50	24	37	22
721	860	854	2,154	2,160	2,189	2,082
252	447	455	1,160	1,146	1,115	966
973	1,307	1,309	3,314	3,306	3,304	3,048
748	915	891	1,440	1,685	1,854	1,819
16,927	10,180	7,455	5,871	4,570	4,310	3,168
17,675	11,095	8,346	7,311	6,255	6,164	4,987
9	14	13	16	17	15	21
952	1,602	1,236	2,010	2,265	2,398	3,223
419(b)	411	396	377	388	351	335
217	—	—	—	—	—	—
411	436	412	401	375	291	275
71	73	83	86	93	95	102
482	509	495	487	468	386	377
56,070	87,000	86,986	89,165	94,597	94,380	95,199
9,777	9,216	9,085	9,574	9,858	10,173	10,263

AMERADA HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

SUBSIDIARIES OF THE REGISTRANT

Name of Subsidiary	Organized under the laws of
Triton Energy Limited	Cayman Islands and Delaware
Amerada Hess Limited	United Kingdom
Hess Oil Virgin Islands Corp.	U.S. Virgin Islands
Hess Energy Trading Company, LLC	Delaware
Amerada Hess (Denmark) ApS	Denmark
Amerada Hess Gas Limited	United Kingdom
Amerada Hess Norge A/S	Norway
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
Tioga Gas Plant, Inc.	Delaware
A.H. Shipping Guaranty Corporation	Delaware
Amerada Hess Shipping Corporation	Liberia
Jamestown Insurance Company Limited	Bermuda
Hygrade Operators, Inc.	New York

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.