AMERADA HESS CORP
Form DEF 14A
March 27, 2002

SCHEDULE 14A
(Rule 14a-101)

Information Required in Proxy Statement

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]
Check the appropriate box:
[ ] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to § 240.14a-11(c) or § 240.14a-12

Amerada Hess Corporation

....
(Name of Registrant as Specified in Its Charter)

....

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.
[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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4) Proposed maximum aggregate value of transaction:

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

AMERADA HESS CORPORATION

1185 AVENUE OF THE AMERICAS
NEW YORK, N.Y. 10036

March 27, 2002

Dear Stockholder:

The annual meeting of stockholders will be held at the Hess Office Building, 1 Hess Plaza, Route 9, Woodbridge, New Jersey, on Wednesday, May 1, 2002, at 2:00 P.M., local time. The formal notice of annual meeting and proxy statement, which are contained in the following pages, outline the action to be taken by the stockholders at the meeting.

You are cordially invited to attend this meeting. The Hess Office Building can be reached, if you travel by car, from Exits 127 (northbound) and 130 (southbound) of the Garden State Parkway or Exit 11 of the New Jersey Turnpike or, if you travel by train, from the Metropark station in Iselin, New Jersey.

It is important that your shares be represented at the meeting whether or not you are personally able to attend. Accordingly, you are requested to sign, date and return the enclosed proxy promptly. Many stockholders will also be able to vote their shares by using a toll-free telephone number or over the internet. Please check your proxy card to see what methods are available to you and related instructions. Your cooperation will be appreciated.

Sincerely yours,

Chairman of the Board

and Chief Executive Officer

AMERADA HESS CORPORATION

1185 AVENUE OF THE AMERICAS
NEW YORK, N.Y. 10036

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Wednesday, May 1, 2002, at 2:00 P.M.

To the Stockholders:

The annual meeting of stockholders of Amerada Hess Corporation will be held at the Hess Office Building, 1 Hess Plaza, Route 9, Woodbridge, New Jersey, on Wednesday, May 1, 2002, at 2:00 P.M., local time, for the following purposes:

1. To elect five directors for the ensuing three-year term (pages 1 to 21 of proxy statement);

2. To act upon the ratification of the selection by the board of directors of Ernst & Young LLP as independent auditors (pages 21 and 22); and

3. To transact any other business which properly may be brought before the meeting.

All stockholders are cordially invited to attend, although only stockholders of record at the close of business on March 18, 2002 will be entitled to vote at the meeting.

By order of the board of directors,

Carl T. Tursi

Secretary

New York, New York

March 27, 2002

YOUR VOTE IS IMPORTANT

You are urged to date, sign and promptly return the accompanying form of proxy, or to use the methods of telephone or internet voting, so that if you are unable to attend the meeting your shares can be voted.

AMERADA HESS CORPORATION

PROXY STATEMENT

The enclosed proxy is solicited by the board of directors of Amerada Hess Corporation for use at the annual meeting of stockholders on May 1, 2002, at 2:00 P.M., local time.

The company s principal executive office is located at 1185 Avenue of the Americas, New York, New York 10036. The approximate date on which this proxy statement is first being sent to stockholders is March 27, 2002.

Holders of record of common stock of the company at the close of business on March 18, 2002 will be entitled to vote at the annual meeting. Each share of common stock will be entitled to one vote. On March 18, 2002, there were 88,905,677 shares of common stock outstanding. There are no other voting securities of the company outstanding. A majority of the outstanding shares of common stock, present in person or represented by proxy, will constitute a quorum at the annual meeting. Abstentions and broker non-votes will be counted for purposes of determining the presence of a quorum for the transaction of business.

If you are a registered stockholder, you can simplify your voting by using the internet or calling the toll-free number listed on the enclosed proxy card. Internet and telephone voting information is provided on the proxy card. A control number, located on the instruction sheet attached to the proxy card, is designated to verify a stockholder s identity and allow the stockholder to vote the shares and confirm that the voting instructions have been recorded properly. If you vote via the internet or by telephone, there is no need to return a signed proxy card. However, you may still vote by proxy by using the proxy card enclosed with this proxy statement.

Proxies in the form enclosed will be voted at the annual meeting in accordance with the specifications you make on the proxy. If you sign the proxy card and do not specify how your shares are to be voted, your shares will be voted:

- for the election of directors nominated herein and

- for the proposal to ratify the selection of Ernst & Young LLP as independent auditors for the fiscal year ending December 31, 2002.

You may revoke the proxy at any time prior to its use by delivering a written notice to the secretary of the company, by executing a later-dated proxy in a form permitted under Delaware law, or by attending the annual meeting and voting in person.

ELECTION OF DIRECTORS

At the annual meeting, five directors are to be elected to serve for a term of three years and until their successors are elected and qualified. It is intended that proxies will be voted for the nominees set forth herein. Directors are elected by a plurality of the votes cast. Accordingly, abstentions and broker non-votes will not affect tabulation of the vote for directors. It is expected that all candidates will be able to serve.

However, if one or more are unable to do so, the proxy holders will vote the proxies for the remaining nominees and for substitute nominees chosen by the board of directors unless it reduces the number of directors to be elected.

The following table presents information as of February 1, 2002 on the nominees for election as directors of the company and the directors continuing in their respective terms of office:

Nominees for Director

Class II

For the three-year term expiring in 2005

Name	Principal occupation and business experience	Age	Director since	Other directorships
Edith E. Holiday	Attorney; Former Assistant to the President of the United States and Secretary of the Cabinet; Former General Counsel, United States Department of the Treasury	49	1993	Beverly Enterprises, Inc. Canadian National Railway Digex Incorporated Hercules, Incorporated H.J. Heinz Company RTI International Metals, Inc. Director or trustee of various Franklin Templeton mutual funds
John J. O Connor	Executive Vice President; President, Worldwide Exploration and Production	55	2001	
Roger B. Oresman	Consulting Partner, Milbank, Tweed, Hadley & McCloy LLP (attorneys)	81	1969	
Robert N. Wilson	Senior Vice Chairman of the Board of Directors, Johnson & Johnson	61	1996	United States Trust Corporation
Robert F. Wright	Former President and Chief Operating Officer	76	1981	

Members of Board of Directors Continuing in Office

Class III

Term expiring in 2003

Name	Principal occupation and business experience	Age	Director since	Other directorships
Peter S. Hadley	Former Senior Vice President, Metropolitan Life Insurance Company	73	1991	
John B. Hess	Chairman of the Board and Chief Executive Officer	47	1978	

Members of Board of Directors Continuing in Office (Continued)

Name	Principal occupation and business experience	Age	Director since	Other directorships
William R. Johnson . .	Chairman, President and Chief Executive Officer H.J. Heinz Company	53	1996	PNC Bank The Clorox Company
John Y. Schreyer	Executive Vice President and Chief Financial Officer	62	1990	

Class I

Term expiring in 2004

Name	Principal occupation and business experience	Age	Director since	Other directorships
Nicholas F. Brady	Chairman, Darby Overseas Investments, Ltd. (investment firm); Former Secretary of the United States Department of the Treasury; Former Chairman of the Board, Dillon, Read & Co. Inc. (investment banking firm)	71	1994	C2, Inc. H.J. Heinz Company Director or trustee of various Templeton mutual funds
J. Barclay Collins II	Executive Vice President and General Counsel	57	1986	
Thomas H. Kean	President, Drew University; Former Governor of the State of New Jersey	66	1990	ARAMARK Corporation Fiduciary Trust Company International The Pepsi Bottling Group UnitedHealth Group Incorporated
Frank A. Olson	Chairman of the Board, The Hertz Corporation	69	1998	Becton Dickinson and Company White Mountains Insurance Group Ltd.

All of the nominees and directors named above have held substantially the positions or former positions indicated for the past five years, except as described below. Mr. O Connor was President of Worldwide Exploration and Production and a Senior Vice President of Texaco Inc. from January 1998 until October 2001, when he was employed by the company. From August 1994 to August 1997, Mr. O Connor served as chief executive officer of BHP Petroleum, the oil and gas exploration division of Broken Hill Proprietary Company. Mr. Johnson served in various senior executive positions at H.J. Heinz Company prior to his becoming president and chief executive officer in 1998. Mr. Olson retired as chief executive officer of The Hertz Corporation at the end of 1999 and continues as non-executive chairman of its board.

John B. Hess, Nicholas F. Brady, Thomas H. Kean and John Y. Schreyer may be deemed to be control persons of the company by virtue of their beneficial ownership of common stock in their capacity as executors of the estate of Leon Hess and as

trustees of certain related trusts. See Ownership of Voting Securities by Certain Beneficial Owners.

The audit committee of the board of directors is composed of Robert N. Wilson, Chairman, Edith E. Holiday, Thomas H. Kean, Frank A. Olson and Roger B. Oresman. During 2001, the board of directors reviewed the composition of the audit committee in view of rules of the New York Stock Exchange. The board determined that each member of the audit committee was independent within the meaning of these rules. The audit committee met four times in 2001. In addition, the audit committee held four telephone conference calls in 2001 with management and the independent auditors to review quarterly financial results.

The board of directors has adopted a written charter for the audit committee. A copy of this charter was included as an appendix to the company s proxy statement last year. As stated in the charter, the audit committee s principal responsibility is to provide assistance to the board of directors in fulfilling its oversight responsibility to the shareholders, the investment community and others relating to:

- the company s financial statements,
- the financial reporting practices of the company,
- the systems of internal accounting and financial controls,
- the internal audit function,
- the annual independent audit of the company s financial statements,
- the review of the independence of outside auditors, and
- the company s environmental and safety policies and compliance.

The board of directors compensation and management development committee is composed of Nicholas F. Brady, Chairman, Peter S. Hadley, William R. Johnson, Frank A. Olson and Robert N. Wilson. This committee met three times in 2001. The compensation and management development committee approves and administers the company s compensation policies for executive officers and approves the compensation of the chief executive officer, and is authorized to make awards of options, restricted stock and other stock and cash compensation permitted under the amended and restated 1995 long-term incentive plan. Also, this committee oversees the company s benefit plans. It recommends to the board of directors asset allocation targets and investment managers for the employees pension plan and appoints investment managers for the employees savings and stock bonus plan and the savings and stock bonus plan for retail operations employees. In addition, this committee reviews and approves policies relating to the professional development of the company s executives.

The directors and board affairs committee is composed of Nicholas F. Brady, Chairman, Edith E. Holiday and Thomas H. Kean. This committee is responsible for reviewing:

- the size and composition of the board, appropriate board practices and procedures,

board meeting content,

frequency and length of board meetings, and

composition and function of committees of the board of directors.

This committee also recommends for election as directors qualified candidates identified through various sources. Stockholders may suggest candidates by writing to the secretary of the company, including a brief summary of each candidate s qualifications. This committee met once in 2001.

The board of directors met twelve times in 2001. Each director attended at least 75% of the aggregate of all board of directors meetings and all meetings of committees of the board of directors on which he or she served during 2001.

Certain Transactions

In November 2001, the company merged into itself certain corporations controlled by Hess family members whose sole assets were shares of the company s common stock. In the merger, the shares held by such corporations were cancelled and new shares of the company s common stock in the same amounts (except for fractional shares settled in cash) were issued to the shareholders of these corporations. The audit committee and the board of directors each reviewed this transaction and, after considering the views of outside counsel and tax advisors, approved the transaction as fair to the company.

The company retained Milbank, Tweed, Hadley & McCloy LLP, of which Mr. Oresman is a consulting partner, to provide legal services in 2001. It is expected that the company s dealings with this firm will continue in 2002.

Section 16(a) Beneficial Ownership Reporting Compliance

On March 8, 2001, the company filed a Form 4 on behalf of Mr. Schreyer reporting his exercise of stock options in February 2001 but neglected to report sales during that month of an aggregate of 11,000 shares of the company s common stock. On March 20, 2001, the company filed an amended Form 4 for the month of February 2001 on behalf of Mr. Schreyer reporting the sale of these shares.

On March 11, 2002, the company filed on behalf of Mr. Brady a Form 4, due October 10, 2001, reporting his purchase of 2,300 shares of common stock on September 6, 2001.

Report of the Audit Committee

The audit committee of the board of directors oversees the company s financial reporting on behalf of the board. Management is responsible for the system of internal controls and for preparing financial statements. The independent auditors are responsible for expressing an opinion on the fair presentation of the audited financial statements in conformity with generally accepted accounting principles.

The audit committee operates in accordance with a charter approved by the board of directors.

In fulfilling its oversight responsibilities, the audit committee reviewed the audited December 31, 2001 financial statements of the company with management and the independent auditors. Management represented to the committee that these statements were prepared in accordance with generally accepted accounting principles. The audit committee also discussed accounting policies, significant judgements inherent in the financial statements, disclosures and other matters required by generally accepted auditing standards with management and the independent auditors. In addition, the committee has received from the independent auditors the annual independence disclosures required by Independence Standards Board Standard No. 1 and discussed with them their independence from management and the company. In that connection, the audit committee considered the compatibility of all non-audit services with the auditors independence and reaffirmed its previous decision that its independent auditor will not provide information technology consulting or outsourced internal audit services.

During 2001, the audit committee met with management, the internal auditors and independent auditors to discuss:

- the annual audit scope and plans for their respective audits,
- the adequacy of staffing and related fees,
- the results of their examinations, and
- the adequacy and effectiveness of accounting and financial controls.

The audit committee also met with the independent auditors and the internal auditors without management present.

In reliance on the reviews and discussions with management and the independent auditors, the audit committee recommended to the board of directors, and the board approved, the inclusion of the audited financial statements in the Annual Report on Form 10-K for the year ended December 31, 2001 to be filed with the Securities and Exchange Commission. The audit committee has also recommended the selection of, and the board of directors has selected, Ernst & Young LLP as independent auditors for 2002. The board has proposed that the stockholders ratify this selection at the annual meeting.

Robert N. Wilson, Chairman

Edith E. Holiday
Thomas H. Kean
Frank A. Olson
Roger B. Oresman

Executive Compensation and Other Information

Summary of Compensation

The following table sets forth information on compensation paid or accrued for each of the last three completed fiscal years to the chief executive officer and the four other most highly compensated executive officers, for services in all capacities to the company and its subsidiaries.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name and principal position	Year	Salary($)	Bonus($)*	Other annual compensation($)	Restricted stock award(s)($) ***	Securities underlying options/ SARs(#)	LTIP payouts($)	All other compensation($) ****
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
John B. Hess, Chairman of the Board and Chief Executive Officer	2001	1,000,000	1,500,000			200,000		8,500
	2000	1,000,000	1,865,000		3,012,500	100,000		8,500
	1999	1,000,000	1,150,000			150,000		8,000
J. Barclay Collins, Executive Vice President and General Counsel	2001	650,000	450,000			75,000		8,500
	2000	650,000	595,000		1,205,000	40,000		8,500
	1999	650,000	350,000			60,000		8,000
John J. O Connor** Executive Vice President and President, Worldwide Exploration and Production	2001	162,500	250,000		2,331,600	100,000		
	2000							
	1999							
John Y. Schreyer, Executive Vice President and Chief Financial Officer	2001	650,000	450,000			100,000		8,500
	2000	650,000	595,000		1,205,000	40,000		8,500
	1999	650,000	350,000			60,000		8,000
F. Borden Walker, Executive Vice President and President, Refining and Marketing	2001	550,000	200,000			75,000		6,800
	2000	525,000	175,000		602,500	20,000		8,500
	1999	475,000	100,000			15,000		8,000

* The cash bonuses shown above for each year are paid early in the following year.

** Mr. O Connor commenced employment with the company in October 2001. His annualized salary for 2001 was $750,000.

*** At December 31, 2001, the named executives each held shares of restricted common stock, subject to vesting pursuant to the company s restricted stock plan and incentive plan, in the following amounts and having the following aggregate market values at such date:

Mr. Hess	100,000 shares	$6,250,000
Mr. Collins	45,000 shares	$2,812,500
Mr. O Connor	40,000 shares	$2,500,000
Mr. Schreyer	45,000 shares	$2,812,500
Mr. Walker	20,000 shares	$1,250,000

To the extent paid on the company s common stock generally, dividends accrue on shares of restricted stock and are held in escrow until vesting, at which time they are paid with interest at short-term market rates to the named executives. At December 31, 2001, the named executives held book value appreciation units under the restricted stock plan in the following amounts and having the corresponding market value at such date:

Mr. Hess	50,000 units	$961,000
Mr. Collins	25,000 units	$480,500
Mr. O Connor	0 units	$ 0
Mr. Schreyer	25,000 units	$480,500
Mr. Walker	10,000 units	$192,200

Each book value appreciation unit entitles the holder to a cash payment equal to the increase, if any, in the book value per share of common stock over the five-year vesting period of the restricted stock. No further awards could be granted under the restricted stock plan after 1997.

**** Amounts shown in column (i) represent matching contributions of the company credited to the named executive officers under the company s employees savings and stock bonus plan.

Stock Options

On November 7, 2001, the compensation and management development committee approved awards of non-qualified stock options. No stock appreciation rights were granted to executive officers for 2001. The following table sets forth information concerning individual grants of stock options made under the incentive plan for the last fiscal year to each of the named executive officers:

Option/SAR Grants In Last Fiscal Year*

	Individual Grants				
Name (a)	**Number of securities underlying options/SARs granted(#) (b)**	**Percent of total options/SARs granted to employees in fiscal year (c)**	**Exercise or base price ($/Sh) (d)**	**Expiration date (e)**	**Grant date present value($)** (f)**
John B. Hess, Chairman of the Board and Chief Executive Officer	200,000	12.10	58.29	11/7/11	3,080,000
J. Barclay Collins, Executive Vice President	75,000	4.54	58.29	11/7/11	1,155,000
John J. O Connor Executive Vice President	100,000	6.05	58.29	11/7/11	1,540,000
John Y. Schreyer, Executive Vice President	100,000	6.05	58.29	11/7/11	1,540,000
F. Borden Walker, Executive Vice President	75,000	4.54	58.29	11/7/11	1,155,000

* This table includes information about stock options awarded by the compensation and management development committee effective November 7, 2001 as part of compensation in respect of the last fiscal year. These options become fully exercisable November 7, 2002, except that options may become exercisable earlier in full in cases of death, disability, normal retirement or change of control. At the discretion of the committee, upon early retirement of an awardee, options not then exercisable may become exercisable in proportion to the amount of time elapsed in the non-exercisability period to the early retirement date. The options remain exercisable until November 7, 2011, except in cases of termination of employment for reasons other than death, disability or normal retirement, in which case options remain exercisable only for specified periods. If a grantee s employment terminates before these options become exercisable, they will be forfeited.

** The grant date present values shown in the above table have been determined using the Black-Scholes option pricing model. This model, like all pricing models, requires assumptions, and therefore the amounts shown should not necessarily be considered indicative of the present value of the amounts that may actually be realized. The following assumptions were made for purposes of this valuation: expected life of seven years for each option; volatility of 24.5%; risk-free rate of return of 3.95%; and dividend yield of 2.1%.

The following table sets forth information as to the named executives regarding the values of unexercised options under the incentive plan as of the end of the last fiscal year:

Aggregated Option/SAR Exercises in Last Fiscal Year

and Fiscal Year-End Option/SAR Values

Name (a)	Shares acquired on exercise(#) (b)	Value realized($) (c)	Number of shares underlying unexercised options/ SARs at FY-end(#) (exercisable/ unexercisable) (d)	Value of unexercised in-the-money options/ SARs at FY-end($) (exercisable/ unexercisable) (e)
John B. Hess, Chairman of the Board and Chief Executive Officer			754,000/200,000	4,639,250/842,000
J. Barclay Collins, Executive Vice President	19,500	585,605	223,500/75,000	1,213,605/315,750
John J. O Connor, Executive Vice President			0/100,000	0/421,000
John Y. Schreyer, Executive Vice President	25,000	542,750	263,000/100,000	1,596,475/421,000
F. Borden Walker, Executive Vice President	5,000	135,000	101,500/75,000	631,275/315,750

Retirement Plans

The following table shows the estimated annual pension benefits payable to a covered participant at normal retirement age under the company s employees pension plan, a qualified defined benefit pension plan and a nonqualified supplemental plan that provides benefits, paid from a trust established and funded by the company, that would otherwise be paid to participants under the pension plan but for limitations imposed by the Internal Revenue Code:

Pension Plan Table