

AMERADA HESS CORP  
Form DEF 14A  
March 27, 2006

**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

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))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-11(c) or § 240.14a-12

**Amerada Hess Corporation**

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(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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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5) Total fee paid:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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**AMERADA HESS CORPORATION**

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

March 27, 2006

*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 3, 2006, 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 which methods are available to you and related instructions. Your cooperation will be appreciated.**

*Sincerely yours,*

*Chairman of the Board*

*and Chief Executive Officer*

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AMERADA HESS CORPORATION

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

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**Wednesday, May 3, 2006, 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 3, 2006, at 2:00 P.M., local time, for the following purposes:

1. To elect four directors for the ensuing three-year term (pages 2 to 26 of proxy statement);
  2. To act upon the ratification of the selection by the audit committee of the board of directors of Ernst & Young LLP as independent auditors (pages 26 and 27);
  3. To act upon a proposed amendment to the company's Restated Certificate of Incorporation adopted and recommended by the board of directors of the company to change the name of the company to Hess Corporation (page 28);
  4. To act upon a proposed amendment to the company's Restated Certificate of Incorporation adopted and recommended by the board of directors of the company to increase the number of shares of common stock which the company has authority to issue to 600,000,000 shares and the total number of shares of all classes of stock which the company has authority to issue to 620,000,000 shares (pages 29 to 31);
  5. To act upon a proposal to approve the performance incentive plan for senior officers of the company in order to permit the deductibility of certain compensation expense under Section 162(m) of the Internal Revenue Code (pages 32 and 33); and
  6. To transact any other business which properly may be brought before the meeting.
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All stockholders are cordially invited to attend, although only stockholders of record at the close of business on March 13, 2006 will be entitled to vote at the meeting.

By order of the board of directors,

George C. Barry

*Secretary*

New York, New York

March 27, 2006

**YOUR VOTE IS IMPORTANT**

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

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## 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 3, 2006, 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, 2006.

Holders of record of common stock of the company at the close of business on March 13, 2006 will be entitled to vote at the annual meeting. Each share of common stock will be entitled to one vote. On March 13, 2006, there were 93,460,419 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,

for the proposal to ratify the selection of Ernst & Young LLP as independent auditors for the fiscal year ending December 31, 2006,

for the proposal to amend the company's Restated Certificate of Incorporation to change the name of the company,

for the proposal to amend the Restated Certificate of Incorporation of the company to increase the number of authorized shares of common stock to 600,000,000 shares and the number of all classes of stock to 620,000,000 shares, and

for the proposal to approve the performance incentive plan for senior officers of the company.

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, four 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, 2006 on the nominees for election as directors of the company and the directors continuing in their respective terms of office:

#### Nominees for Director

Class III

For the three-year term expiring in 2009

Name	Principal occupation and business experience	Age	Director since	Other directorships
John B. Hess	Chairman of the Board and Chief Executive Officer	51	1978	
Craig G. Matthews	Former Vice Chairman and Chief Operating Officer, KeySpan Corporation (gas distribution, electrical generation and energy service company) Former Chief Executive Officer, President and Director, NUI, Inc. (natural gas distribution company)	62	2002	National Fuel Gas Company
Risa Lavizzo-Mourey	President and Chief Executive Officer, The Robert Wood Johnson Foundation	51	2004	Beckman Coulter Inc.
Ernst H. von Metzsch	Managing Member, Cambrian Capital, L.P. (investment firm); Former Senior Vice President and Partner, Wellington Management Company (investment company)	66	2003	

**Members of Board of Directors Continuing in Office**

## Class I

Term expiring in 2007

<b>Name</b>	<b>Principal occupation and business experience</b>	<b>Age</b>	<b>Director since</b>	<b>Other directorships</b>
Nicholas F. Brady	Chairman, Choptank Partners, Inc. (investment firm); 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)	75	1994	Director or trustee of various Franklin Templeton mutual funds Weatherford International Ltd.
J. Barclay Collins II	Executive Vice President and General Counsel	61	1986	
Thomas H. Kean	President, THK Consulting, LLC; Former President, Drew University; Former Governor of the State of New Jersey	70	1990	ARAMARK Corporation Franklin Resources, Inc. The CIT Group, Inc. The Pepsi Bottling Group UnitedHealth Group Incorporated
Frank A. Olson	Former Chairman of the Board and Chief Executive Officer, The Hertz Corporation	73	1998	White Mountains Insurance Group Ltd. Director or trustee of various Franklin Templeton mutual funds

## Class II

Term expiring in 2008

<b>Name</b>	<b>Principal occupation and business experience</b>	<b>Age</b>	<b>Director since</b>	<b>Other directorships</b>
Edith E. Holiday	Operating Trustee, TWE Holdings I and II Trusts (hold interests in Time Warner Entertainment L.P. and shares of Time Warner Inc. and Time Warner Cable Inc.); Former Assistant to the President of the United States and Secretary of the Cabinet; Former General Counsel, United States Department of the Treasury	53	1993	Canadian National Railway Company H.J. Heinz Company RTI International Metals, Inc. White Mountains Insurance Group Ltd. Director or trustee of various Franklin Templeton mutual funds
John J. O Connor	Executive Vice President; President, Worldwide Exploration and Production	59	2001	
F. Borden Walker	Executive Vice President; President, Marketing and Refining	52	2004	



Name	Principal occupation and business experience	Age	Director since	Other directorships
Robert N. Wilson	Chairman, Caxton Health Holdings LLC (investment firm); Former Vice Chairman of the Board of Directors, Johnson & Johnson	65	1996	Charles Schwab Corporation

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. Mr. Matthews served as president and chief executive officer of NUI, Inc. from February 2004 until December 2004. He served as vice chairman and chief operating officer of KeySpan Corporation from March 2001 to March 2002 and as its president and chief operating officer from 1999 to 2001. Mr. Olson retired as chief executive officer of The Hertz Corporation at the end of 1999 and as chairman in 2003. Prior to being named president and chief executive officer of The Robert Wood Johnson Foundation in January 2003, Ms. Lavizzo-Mourey served as a senior vice president of the foundation from April 2001 and prior thereto as a professor of medicine and director of the Institute on Aging at the University of Pennsylvania. In December 2002, Mr. von Metzsch withdrew from the partnership of Wellington Management Company, of which he had been a partner since 1979. Mr. Wilson retired as vice chairman of Johnson & Johnson in 2003 and became chairman of Caxton Health Holdings LLC in 2004.

John B. Hess, Nicholas F. Brady and Thomas H. Kean may be deemed to be control persons of the company by virtue of their beneficial ownership of common stock as described under Ownership of Voting Securities by Certain Beneficial Owners.

The board of directors has affirmatively determined that Mr. Brady, Ms. Holiday, Mr. Kean, Ms. Lavizzo-Mourey, Mr. Matthews, Mr. Olson, Mr. von Metzsch and Mr. Wilson are independent within the meaning of rules and standards of the New York Stock Exchange. The board determined that these directors not only met all bright-line criteria under these rules, but also that, based on all known relevant facts and circumstances, there did not exist any relationship that would compromise the independence of these directors. In particular, the board affirmatively determined that service by Messrs. Brady and Kean as executors of the estate of Leon Hess and as trustees of certain related trusts does not impair their independence because there are no factors relating to such service that would exert influence on their decisions with respect to matters affecting the company.

The board has approved a set of corporate governance guidelines in accordance with rules of the New York Stock Exchange. These guidelines set forth the key policies relating to corporate governance, including director qualification standards, director responsibilities and director compensation. The board has also approved a code of business conduct and ethics in accordance with rules of the New York Stock

Exchange and the Securities and Exchange Commission applicable to all directors, officers and employees, including the chief executive officer, senior financial officers and the principal accounting officer. The code is intended to provide guidance to directors and management to assure compliance with law and promote ethical behavior. Copies of the company's corporate governance guidelines and its code of business conduct and ethics may be found on the company's website at [www.hess.com](http://www.hess.com) and are also available without charge upon request to the company's corporate secretary at its principal executive office set forth on the first page of this proxy statement.

The board of directors met 12 times in 2005, at eight regularly scheduled meetings and four special meetings. Each director attended at least 75% of the aggregate of all board of directors meetings and all meetings of the committees of the board of directors on which he or she served during 2005.

Non-management directors meet without members of management present generally after each regularly scheduled board meeting. The chairman of the corporate governance and nominating committee, Nicholas F. Brady, presides at these meetings.

#### *Stockholder Communications*

Any stockholder who wishes to communicate or request a meeting with members of the board of directors or with only non-management directors may do so by writing to them in care of the Chairperson of the Corporate Governance and Nominating Committee, Amerada Hess Corporation, P.O. Box 2694, Easton, Maryland 21601. The stockholders may also communicate directly to the chairperson of this committee by e-mail to [directors@hess.com](mailto:directors@hess.com). Communications sent by mail or e-mail will be reviewed by the chairperson of the corporate governance and nominating committee and will be referred for resolution and response as deemed appropriate by the chairperson. If a stockholder requests a meeting, the corporate governance and nominating committee will decide whether the subject matter is a proper one to be addressed by the board and, if so, whether a meeting is warranted. The corporate governance and nominating committee will meet periodically to review all stockholder communications received.

The company expects all directors to attend the annual meeting of stockholders. All directors attended last year's annual meeting.

#### *Audit Committee*

The audit committee of the board of directors is composed of Robert N. Wilson, Chairman, Edith E. Holiday, Craig G. Matthews, Risa Lavizzo-Mourey and Frank A. Olson. The board has determined that each member of the audit committee is independent within the meaning of applicable rules of the Securities and Exchange Commission and the New York Stock Exchange. The board has also determined that Craig G. Matthews is the audit committee financial expert as this term is defined under applicable rules of the Securities and Exchange Commission. The audit

committee met six times in 2005. In addition, the audit committee held four telephone conference calls in 2005 with management and independent auditors to review quarterly financial results.

The board of directors has adopted a written charter for the audit committee in accordance with applicable rules of the New York Stock Exchange and the Securities and Exchange Commission. A copy of the charter is available on the company's website at [www.hess.com](http://www.hess.com) and is available without charge upon request to the company's corporate secretary at its principal executive office set forth on the first page of the proxy statement. 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 retention of outside auditors and review of their independence, and

the company's environmental, health, safety and social responsibility programs and compliance.

*Compensation and Management Development Committee*

The compensation and management development committee of the board of directors is composed of Thomas H. Kean, Chairman, Nicholas F. Brady, Frank A. Olson, Ernst H. von Metzsch and Robert N. Wilson. The board has determined that each member of this committee is independent within the meaning of applicable rules of the New York Stock Exchange. This committee met four times in 2005.

The board of directors has adopted a written charter for the compensation and management development committee in accordance with applicable rules of the New York Stock Exchange. A copy of this charter is available on the company's website, [www.hess.com](http://www.hess.com), and also available without charge upon request to the company's corporate secretary at the company's principal executive office set forth on the first page of this proxy statement. As stated in the charter, this committee's principal responsibilities are to:

approve the compensation of the company's chief executive officer,

monitor the company's compensation and benefit programs,

administer and make awards of stock-based compensation under the company's long-term incentive plans,

review management development and succession programs, and

prepare the annual report on executive compensation for the company's proxy statement.

*Corporate Governance and Nominating Committee and Consideration of Stockholder Recommended Candidates*

The corporate governance and nominating committee is composed of Nicholas F. Brady, Chairman, Edith E. Holiday and Thomas H. Kean. The board of directors has determined that each member of this committee is independent within the meaning of applicable rules of the New York Stock Exchange. The corporate governance and nominating committee met twice in 2005.

The board of directors has adopted a written charter for the corporate governance and nominating committee in accordance with applicable rules of the New York Stock Exchange. A copy of this charter is available on the company's website, [www.hess.com](http://www.hess.com), and is also available without charge upon request to the company's secretary at the company's principal executive office set forth on the first page of this proxy statement. As stated in this charter, this committee's principal responsibilities are to:

identify and recommend individuals to the board for nomination as members of the board and its committees consistent with criteria approved by the board,

make recommendations to the board relating to board practices and corporate governance, and

develop, recommend to the board and periodically review a set of corporate governance principles applicable to the company.

This committee recommends for election as directors qualified candidates identified through a variety of sources, including stockholder suggestions. Stockholders may suggest candidates by writing to the committee, in care of the secretary of the company at the company's principal executive office set forth on the first page of this proxy statement. Stockholder suggestions should include a summary of the candidate's qualifications, the information required by Securities and Exchange Commission rules for director nominees and contact information for the candidate. In accordance with the company's corporate governance guidelines approved by the board of directors, nominees are reviewed and recommended based on a variety of criteria including:

personal qualities and characteristics, education, background, accomplishments and reputation in the business community;

current knowledge of the energy industry or industries relevant to the company's business and relationships with individuals or organizations affecting the domestic and international areas in which the company does business;

ability and willingness to commit adequate time to board and committee matters;

the fit of the individual's skills and personality with those of other directors and potential directors in building a board that is effective, collegial and responsive to the needs of the company;

diversity of viewpoints, background and experience; and

compatibility with independence and other qualifications established by applicable law and rules.

The committee meets to recommend nominees for election at each annual meeting early in the year, generally at a February meeting. From time to time throughout the year, in advance of that meeting, members of the committee will be furnished appropriate materials regarding any new nominees and may from time to time meet with new potential candidates. Stockholder suggestions should be submitted no later than December 1 for consideration as nominees for election at the next annual meeting and otherwise in accordance with the company's policy and by-laws. The committee follows the same process of identifying and evaluating nominees recommended by stockholders as that for candidates recommended by any other source.

Each of the nominees for election at the 2006 annual meeting was initially recommended either by the non-management directors on the corporate governance and nominating committee (or its predecessor committee) or the chief executive officer. The committee currently does not retain a search firm to identify potential candidates and has not paid fees to any third parties to assist in identifying or evaluating potential nominees.

### **Certain Litigation**

Purported class actions that have been consolidated are pending in the United States District Court for the District of New Jersey against certain executive officers and former executive officers of the company alleging that these individuals sold shares of the company's common stock in advance of the company's acquisition of Triton Energy Limited ( Triton ) in 2001 in violation of federal securities laws. The company is advancing expenses to the individuals named in the above actions in accordance with its by-laws to defend these actions.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

On October 7, 2005, the company filed a Form 4 on behalf of Mr. Howard Paver, senior vice president of the company, reporting the sale on October 4, 2005 of 2,050 shares of the company's common stock. The sale should have been reported on a Form 4 filed by October 6, 2005. On December 9, 2005, the company filed a Form 4 on behalf of Mr. Robert Strode, senior vice president of the company, reporting the sale on April 5, 2005 of 1,984 shares of the company's common stock. The sale should have been reported by April 7, 2005. In each case these sales were made to satisfy tax liabilities upon vesting of shares of restricted stock and the late filings were due to miscommunication between the company and the agent administering the restricted stock program.

## 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 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, 2005 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.

During 2005, 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,

the adequacy and effectiveness of internal controls over financial reporting and disclosure controls and procedures,

issues raised on the company's hotline reporting system, and

all other applicable matters required to be discussed under Statement on Auditing Standards No. 61, as amended by Statement on Auditing Standards No. 90.

The audit committee also met separately 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, 2005 to be filed with the Securities and Exchange Commission. The audit committee has also selected Ernst & Young LLP as independent auditors for 2006. The board has proposed that the stockholders ratify this selection at the annual meeting.

Robert N. Wilson, Chairman

Edith E. Holiday  
Risa Lavizzo-Mourey  
Craig G. Matthews  
Frank A. Olson

## 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

Name and principal position	Year	Annual Compensation			Long-Term Compensation			All other compensation (\$) ***
		Salary (\$)	Bonus (\$)*	Other annual compensation (\$)	Awards		Payouts	
					Restricted stock award(s) (\$)**	Securities underlying options/SARs (#)	LTIP payouts (\$)	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
John B. Hess, Chairman of the Board and Chief Executive Officer	2005	1,100,000	3,300,000		3,415,060	114,000		12,600
	2004	1,000,000	2,900,000		2,897,200	120,000		12,300
	2003	1,000,000	2,250,000					12,000
J. Barclay Collins, Executive Vice President and General Counsel	2005	725,000	725,000		1,078,440	36,000		12,600
	2004	700,000	675,000		1,086,450	45,000		12,300
	2003	650,000	650,000					12,000
John J. O Connor, Executive Vice President and President, Worldwide Exploration and Production	2005	975,000	2,000,000		2,516,360	84,000		12,600
	2004	900,000	1,600,000		2,172,900	90,000		12,300
	2003	750,000	1,300,000					12,000
F. Borden Walker, Executive Vice President and President, Marketing and Refining	2005	750,000	750,000		1,123,375	37,500		12,600
	2004	700,000	700,000		1,086,450	45,000		12,300
	2003	650,000	500,000					12,000
John P. Rielly, Senior Vice President and Chief Financial Officer	2005	575,000	375,000		718,960	24,000		12,600
	2004	550,000	300,000		724,300	30,000		12,300
	2003	500,000	250,000					12,000

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

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\*\* At December 31, 2005, the named executives each held shares of restricted common stock, subject to vesting pursuant to the company's incentive plan, in the following amounts and having the following aggregate market values at such date:

Mr. Hess	178,000 shares
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