

**United States Senate**  
**Permanent Subcommittee on Investigations of the Committee on Governmental Affairs**  
**Amerada Hess Corporation**  
**Written Statement for Hearing on Thursday, July 15, 2004**

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Chairman Coleman, Senator Levin and Members of the Subcommittee, thank you for the opportunity to submit this written statement in connection with the hearing scheduled for July 15, 2004. Amerada Hess Corporation (AHC) commends the Subcommittee for examining the important questions surrounding transparency in global trade and markets. AHC is already involved in the United Nations Global Compact and the Extractive Industries Transparency Initiative dialogue and is pleased to share with the Subcommittee information about these activities.

Before addressing the subjects identified by the Subcommittee in its letter of July 6, 2004, we wish to tell you a little about AHC. AHC is a leading global independent energy company, engaged in the exploration and production of crude oil and natural gas, as well as in crude oil refining and in marketing refined petroleum products, natural gas and electricity. AHC employs over 11,000 people world-wide and over 9,000 in the US alone. AHC's headquarters are in New York City but its refining and marketing operations are headquartered in Woodbridge, New Jersey and its global exploration and production operations are headquartered in Houston, Texas. AHC currently has operations in the United Kingdom, Norway, Denmark, Algeria, Brazil, Peru, Equatorial Guinea, Gabon, Azerbaijan, Malaysia, Thailand and Indonesia. AHC owns jointly with Petroleos de Venezuela one of the largest oil refineries in the world located in the U.S. Virgin Islands. The Company operates a network of twenty-two petroleum terminals on the east coast of the United States. AHC markets refined petroleum products, as well as natural gas and electricity, to customers throughout the eastern part of the United States. To assist this effort, the Company operates approximately 1,250 HESS retail gasoline station and convenience store outlets from Massachusetts to Florida.

At AHC, we understand the importance of serving as a steward of the resources and environment on which we all depend. To that end, the Company adopted a Social Responsibility Policy Statement that guides our business practices and ensures that our employees remain committed to the highest standards of corporate citizenship and environmental responsibility. Each of our business units has incorporated an Environmental Management System based on the ISO-14000 series of international standards. AHC recognizes that cooperative relationships are integral to our goal of being the partner, supplier and neighbor of choice. We remain committed to continuous environmental, health and safety improvements and have reaffirmed our historic commitment to responsible corporate citizenship.

AHC's testimony is intended to address the Subcommittee's inquiries regarding the Company's business operations in Equatorial Guinea, the Company's policies and procedures regarding compliance with the Foreign Corrupt Practices Act as well as the Company's views regarding various transparency initiatives directed at combating illegal money laundering.

**1. AHC's Operations in Equatorial Guinea**

AHC began business in Equatorial Guinea in July 2001. The Company acquired its interests in Equatorial Guinea through its purchase of another oil company, Triton Energy

Limited. Triton had been active in Equatorial Guinea for a number of years prior to the acquisition through its subsidiary Triton Equatorial Guinea, Inc. and that company, which has now changed its name to Amerada Hess Equatorial Guinea, Inc. (“AHEG”), remains the AHC subsidiary operating in the country to this day. Because AHC only recently began its operations in Equatorial Guinea, the Company is understandably not in a position to address most of the Subcommittee’s questions regarding business practices prior to its acquisition of Triton.

AHC has interests in three blocks offshore Equatorial Guinea, Blocks F, G and L. A map showing the location of the three Blocks has already been produced to the Subcommittee’s staff. AHC operates Blocks F and G and has production facilities on the Ceiba Field on Block G. The Ceiba Field was discovered by Triton in 1999 and after a rapid development, first oil was produced in the fourth quarter of 2000. Production is across a floating production, storage and offloading vessel, the *Sendje Ceiba*.

AHC’s rights and obligations with respect to Equatoguinean interests are derived from production sharing contracts (PSCs) entered into with the government. AHC (through AHEG) holds an 85% interest in Block G and by virtue of the operation of the production sharing mechanism in the PSC has an entitlement to lift a proportion of the crude oil produced. Currently, net production to AHC is around 28,000 barrels of oil per day. Tankers are loaded at the *Sendje Ceiba* and AHC’s entitlement crude is marketed on the world market by AHC’s oil traders based in New York. The government of Equatorial Guinea receives royalties on oil sold and taxes on corporate profits as well as its own entitlement of crude oil under the PSC. The government lifts and sells its own entitlement; this is not done on its behalf by AHC.

In addition to the Ceiba Field, AHC has recently submitted a plan of development to the Equatoguinean government for a number of discoveries in northern Block G. Government approval of this plan of development is pending and expected imminently.

The Subcommittee’s letter inquires about certain of AHC’s business transactions in Equatorial Guinea. So far as we are aware, the only business arrangements since January 1, 1998 which involves AHC and in which Equatoguinean government officials, family members or entities controlled by these individuals have or have had an interest are the residential and office leases already disclosed to the Subcommittee’s staff, and the security contract with Sonavi (which we are expecting to terminate at the end of July 2004) already described to the Subcommittee staff. As the members of the Subcommittee will appreciate, there always exists a possibility that other entities with which we have business dealings in Equatorial Guinea may belong to government officials or their family members as we are rarely aware of the identity of the shareholders of the companies with which we work. Likewise, AHC has already supplied a comprehensive spreadsheet of payments made to the Equatoguinean government or government entities and has otherwise provided details of payments made to any government officials, family members or entities controlled by these individuals in previous submissions to the Subcommittee’s staff.

## **2. Safeguards Against Corrupt Practices**

AHC goes to considerable lengths to ensure ethical conduct of its business around the world and full compliance with the laws of the United States and other countries where it has operations. AHC’s policies in this regard are captured in its Code of Business Conduct and Ethics (the Code) and its Executive Directive # 26 (ED 26) copies of which have been previously

supplied to the Subcommittee's staff. All employees are issued a copy of the Code translated into their own language where necessary, and are required to sign an acknowledgement that they have read and understand its contents. An international toll-free telephone number and a website are published in the Code and in AHC's offices and facilities to allow employees to report (anonymously if they wish) any breaches of the Code to the Vice President, Audit and Compliance.

In addition to the Code, AHC's audit committee has issued a policy to the effect that all contractual payments to governments or government entities around the world should be made by wire transfer into a bank account in the name of the appropriate government or government department. This policy is intended to prevent any possibility of fraudulent endorsement of checks used to make such payments.

AHC conducts a rolling program of educational seminars on the FCPA, with a seminar being conducted in each of its major operational offices once every year. Similarly, AHC's internal audit function (outsourced to PricewaterhouseCoopers LLP) visits each non-US office at least once every year to audit compliance with the FCPA. AHC's ED 26 requires that even facilitating payments permitted by the FCPA be authorized in advance in the US by its Executive Vice President and General Counsel or its Vice President, Audit and Compliance, and that they be properly recorded as facilitating payments in the Company's books of account.

In implementation of the above and to ensure in-country compliance, AHC's West African production business has instituted a mandatory approval sequence for all payments or potential payments which are covered by AHC's FCPA compliance policies. This process requires the electronic routing of requests through appropriate management in Equatorial Guinea (who are empowered to refuse sanction but not to make the payment without further authority) and Houston, then to the Vice President, Audit and Compliance.

Contractual payments for oil revenues and taxes will only be made to bank accounts in the name of the government or an appropriate government department. Any payments for such items made by check before the introduction of the audit committee policy referred to above would only have been made by check drawn in favor of the government or an appropriate government department. The Subcommittee has previously inquired about payments made by AHC into accounts located at Riggs Bank in the United States. Payments made by AHC to accounts at Riggs Bank were made pursuant to the express terms of the PSC with the government of Equatorial Guinea. In addition, consistent with the policy set forth above, all payments were made into government denominated Riggs Bank accounts – not personal bank accounts. The Company understands that these payments are entirely legal and appropriate.

### **3. Transparency Initiatives**

AHC supports transparency initiatives within our own operations and as part of oil and gas industry associations. AHC is proud to be a member of the United Nations Global Compact which brings companies together with UN agencies, labor and civil society to support ten principles in the areas of human rights, labor and the environment. The tenth principle of the Global Compact is that "Businesses should work against all forms of corruption, including extortion and bribes". As part of its membership of the Global Compact, Amerada Hess has committed to advance responsible corporate citizenship so that business can be part of the solution to the challenges of globalization. In addition to the UN Global Compact, Amerada

Hess is currently evaluating participation in the Extractive Industries Transparency Initiative dialogue.

AHC hopes that the Subcommittee will find this testimony and information useful in conducting its inquiry. The Company has been pleased to work cooperatively with the Subcommittee and its staff over the last several months to understand better the strengths of the current system and to identify potential opportunities for reasonable improvement.

July 13, 2004