

# SECURITIES AND EXCHANGE COMMISSION

## FORM 8-A12B

Form for the registration/listing of a class of securities on a national securities exchange pursuant to  
Section 12(b)

Filing Date: **1994-05-13**  
SEC Accession No. **0000898430-94-000368**

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### FILER

#### ATLANTIC RICHFIELD CO /DE

CIK: **775483** | IRS No.: **230371610** | State of Incorpor.: **DE** | Fiscal Year End: **1231**  
Type: **8-A12B** | Act: **34** | File No.: **001-01196** | Film No.: **94528362**  
SIC: **2911** Petroleum refining

Business Address  
515 S FLOWER ST  
LOS ANGELES CA 90071  
2134863511

FORM 8-A

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FOR REGISTRATION OF CERTAIN CLASSES OF SECURITIES  
PURSUANT TO SECTION 12(b) OR (g) OF THE  
SECURITIES EXCHANGE ACT OF 1934

ATLANTIC RICHFIELD COMPANY

-----  
(Exact name of registrant as specified in its charter)

DELAWARE

23-0371610

-----  
(State of incorporation  
or organization)

(I.R.S. Employer  
Identification No.)

515 South Flower Street, Los Angeles, CA

90071

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(Address of principal executive offices)

(Zip Code)

Securities to be registered pursuant to Section 12(b) of the Act:

Title of each class  
to be so registered

Name of each exchange on which  
each class is to be registered

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\_\_\_% Exchangeable  
Notes due           , 199

-----  
New York Stock Exchange, Inc.

Securities to be registered pursuant to Section 12(g) of the Act:

NONE

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(Title of class)

Item 1. Description of Registrant's Securities to be Registered.  
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Registrant's Registration Statement on Form S-3 (File No. 33-53481) (the "Registration Statement") as filed with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Act of 1933, including the Preliminary Prospectus included therein dated May 5, 1994, (the "Preliminary Prospectus"), is incorporated herein and made a part hereof. Pursuant to Rule 12(b)-23, a copy of the Registration Statement and the Preliminary Prospectus are attached hereto. Reference is made to the material on the cover page and under the caption "Description of the Exchangeable Notes" on page 11 of the Preliminary Prospectus for a description of the Notes being registered. Reference is also made to the material under the caption "Relationship Between ARCO and Lyondell" on page 8 of the Preliminary Prospectus.

Item 2. Exhibits.  
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- 4.1 Form of proposed Exchangeable Notes included as Exhibit 4.1 to Registrant's Registration Statement on Form S-3 (No. 33-53481), filed with the Commission on May 5, 1994.
- 4.2 Indenture, dated as of January 1, 1992, between Registrant and The Bank of New York, Trustee, relating to the securities being registered, filed as Exhibit 4.3 to the Registrant's Registration Statement on Form S-3 (No. 33-44925), filed with the Commission on January 6, 1992, and incorporated herein by reference.
- 4.3 First Supplemental Indenture, dated as of May 1, 1994, between the Registrant and The Bank of New York, Trustee, included as Exhibit 4.2(b) to the Registrant's Registration Statement on Form S-3 (No. 33-53481), filed with the Commission on May 5, 1994.
- 10 Form of Registration Rights Agreement between the Registrant and Lyondell Petrochemical Company, included as Exhibit 10 to Registrant's Registration Statement on Form S-3 (No. 33-53481), filed with the Commission on May 5, 1994.
- 99 Registrant's Registration Statement on Form S-3 (No. 33-53481) and Preliminary Prospectus dated May 5, 1994, filed with the Commission on May 5, 1994.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereto duly authorized.

ATLANTIC RICHFIELD COMPANY

By /S/ TERRY G. DALLAS

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Terry G. Dallas  
Vice President and Treasurer

Date: May 12, 1994

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 5, 1994  
AND DECLARED EFFECTIVE ON MAY , 1994.

REGISTRATION NO. 33-53481  
22-

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
-----

FORM S-3  
REGISTRATION STATEMENT  
UNDER

THE SECURITIES ACT OF 1933  
-----

ATLANTIC RICHFIELD COMPANY  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

23-0371610  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

515 SOUTH FLOWER STREET  
LOS ANGELES, CALIFORNIA 90071  
213--486-3511  
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING  
AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

-----  
HOWARD L. EDWARDS, ESQ.  
CORPORATE SECRETARY  
ATLANTIC RICHFIELD COMPANY  
515 SOUTH FLOWER STREET  
LOS ANGELES, CALIFORNIA 90071  
213--486-1461  
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,  
INCLUDING AREA CODE, OF AGENT FOR SERVICE)

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COPIES OF COMMUNICATIONS TO:

DIANE A. WARD, ESQ. SENIOR COUNSEL--SECURITIES & FINANCE ATLANTIC RICHFIELD COMPANY 515 SOUTH FLOWER STREET LOS ANGELES, CALIFORNIA 90071 213--486-2808	JOHN W. WHITE, ESQ. CRAVATH, SWAINE & MOORE WORLDWIDE PLAZA 825 EIGHTH AVENUE NEW YORK, NEW YORK 10019 212--474-1732
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Approximate date of commencement of proposed sale to the public:  
AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE.  
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If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box.

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CALCULATION OF REGISTRATION FEE  
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<TABLE>  
<CAPTION>

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED (1)	PROPOSED MAXIMUM OFFERING PRICE PER EXCHANGEABLE NOTE (2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (2)	AMOUNT OF REGISTRATION FEE
<S> % Exchangeable Notes Due , 199 (3).....	<C> 39,921,400	<C> \$24.00	<C> \$958,113,600	<C> \$330,386

</TABLE>

- (1) Includes 4,921,400 Exchangeable Notes, which may be purchased by the Underwriters pursuant to their over-allotment option.
- (2) Estimated solely for purpose of computing the registration fee based on the closing price of the Common Stock, par value \$1.00 per share ("Lyondell Common Stock"), of Lyondell Petrochemical Company ("Lyondell") on April 29, 1994 of \$24.00 per share.
- (3) The shares of Lyondell Common Stock issuable upon exchange of such Exchangeable Notes are registered pursuant to a separate registration statement on Form S-3 filed concurrently herewith by Lyondell.

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The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.  
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SUBJECT TO COMPLETION, DATED MAY 5, 1994

35,000,000 EXCHANGEABLE NOTES

ATLANTIC RICHFIELD COMPANY

[LOGO OF ATLANTIC RICHFIELD COMPANY]

% EXCHANGEABLE NOTES DUE , 199

(SUBJECT TO EXCHANGE INTO SHARES OF COMMON STOCK, PAR VALUE \$1.00 PER SHARE, OF LYONDELL PETROCHEMICAL COMPANY)

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The principal amount of each of the % Exchangeable Notes due , 199 (each, an "Exchangeable Note") of Atlantic Richfield Company ("ARCO") being offered hereby will be \$ (the closing price of the common stock, par value \$1.00 per share (the "Lyondell Common Stock"), of Lyondell Petrochemical Company ("Lyondell") on , 1994, as reported on the New York Stock Exchange Composite Tape) (the "Initial Price"). The Exchangeable Notes will mature on , 199 . Interest on the Exchangeable Notes, at the rate of % of the principal amount per annum, is payable quarterly in arrears on , , and , beginning , 1994. Exchangeable Notes are not subject to redemption or any sinking fund prior to maturity.

At maturity (including as a result of acceleration or otherwise), the principal amount of each Exchangeable Note will be mandatorily exchanged by ARCO into a number of shares of Lyondell Common Stock (or, at ARCO's option, cash with an equal value) at the Exchange Rate (as defined herein). The Exchange Rate is equal to, subject to certain adjustments, (a) if the Maturity

Price per share of Lyondell Common Stock is greater than or equal to \$ \_\_\_\_\_ per share of Lyondell Common Stock (the "Threshold Appreciation Price"), \_\_\_\_\_ shares of Lyondell Common Stock per Exchangeable Note, (b) if the Maturity Price is less than the Threshold Appreciation Price but is greater than the Initial Price, a fractional share of Lyondell Common Stock per Exchangeable Note so that the value thereof at the Maturity Price equals the Initial Price and (c) if the Maturity Price is less than or equal to the Initial Price, one share of Lyondell Common Stock per Exchangeable Note. The "Maturity Price" means the average Closing Price (as defined herein) per share of Lyondell Common Stock on the 20 Trading Days (as defined herein) immediately prior to maturity. Accordingly, holders of the Exchangeable Notes will not necessarily receive an amount equal to the principal amount thereof. The Exchangeable Notes will be unsecured obligations of ARCO ranking pari passu with all of its other unsecured and unsubordinated indebtedness. Lyondell will have no obligations with respect to the Exchangeable Notes. See "Description of the Exchangeable Notes."

Attached hereto as Appendix A and included as part of this Prospectus is a prospectus of Lyondell covering the shares of Lyondell Common Stock which may be received by a holder of Exchangeable Notes at maturity. The Lyondell prospectus relates to an aggregate of 39,921,400 shares of Lyondell Common Stock.

PROSPECTIVE INVESTORS ARE ADVISED TO CONSIDER CAREFULLY THE INFORMATION CONTAINED UNDER "SPECIAL CONSIDERATIONS RELATING TO EXCHANGEABLE NOTES."

For a discussion of certain United States federal income tax consequences for holders of Exchangeable Notes, see "Certain United States Federal Income Tax Considerations."

The Lyondell Common Stock is listed on the New York Stock Exchange ("NYSE") under the symbol LYO.

Application has been made to list the Exchangeable Notes on the NYSE under the symbol " \_\_\_\_\_".

The Exchangeable Notes will be represented by Global Securities registered in the name of the nominee of The Depository Trust Company, which will act as the Depository. Interests in the Exchangeable Notes represented by Global Securities will be shown on, and transfers thereof will be effected only through, records maintained by the Depository and its direct and indirect participants. Except as described herein, Exchangeable Notes in definitive form will not be issued.

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 THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.  
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<TABLE>  
 <CAPTION>

	PRICE TO PUBLIC (1)	UNDERWRITING DISCOUNT	PROCEEDS TO ARCO (1) (2)
	<C>	<C>	<C>
	%	%	%
Per Exchangeable Note.....	\$	\$	\$
Total (3).....			

- 
- (1) Plus accrued interest, if any, from May \_\_\_\_\_, 1994.
  - (2) ARCO and the Company have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933.
  - (3) Before deducting expenses payable by ARCO estimated to be \$ \_\_\_\_\_.
  - (4) ARCO has granted the Underwriters an option, exercisable within 30 days

from the date hereof, to purchase up to an additional 4,921,400 Exchangeable Notes at the Price to Public, less Underwriting Discount, for the purpose of covering over-allotments, if any. If the Underwriters exercise such option in full, the total Price to Public, Underwriting Discount, and Proceeds to ARCO will be \$ , \$ and \$ , respectively. See "Underwriting."

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The Exchangeable Notes are offered subject to receipt and acceptance by the Underwriters, to prior sale and to the Underwriters' right to reject any order in whole or in part and to withdraw, cancel or modify the offer without notice. It is expected that delivery of Global Securities representing the Exchangeable Notes will be made to The Depository Trust Company on or about May , 1994. GOLDMAN, SACHS & CO.

MERRILL LYNCH & CO.

SALOMON BROTHERS INC

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The date of this Prospectus is May , 1994.

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+INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A +  
+REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE +  
+SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY +  
+OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT +  
+BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR +  
+THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE +  
+SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE +  
+UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF +  
+ANY STATE. +  
+++++

AVAILABLE INFORMATION

ARCO is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports with the Securities and Exchange Commission (the "Commission"). Reports, proxy statements, and other information filed by ARCO with the Commission pursuant to the informational requirements of the Exchange Act can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, Seven World Trade Center, 13th Floor, New York, New York 10048 and Chicago Regional Office, Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material can also be obtained upon written request addressed to the Securities and Exchange Commission, Public Reference Section, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Such reports, proxy statements and other information can also be inspected at the offices of the New York Stock Exchange, on which one or more of ARCO's securities are listed.

DOCUMENTS INCORPORATED BY REFERENCE

ARCO incorporates herein by this reference the following documents filed pursuant to the Exchange Act, which also have been filed with the Commission (File No. 1-1196):

(a) ARCO's Annual Report on Form 10-K for the year ended December 31, 1993; and

(b) ARCO's Current Report on Form 8-K dated March 28, 1994.

All documents filed by ARCO pursuant to Sections 13(a), 13(c), 13(d), 14 and 15(d) of the Exchange Act after the date hereof and prior to the termination of the offering of the Exchangeable Notes offered hereby (collectively with the documents referenced above the " '34 Act Reports") shall be deemed to be incorporated by reference herein and to be a part hereof from the date of filing of such documents.



ARCO WILL FURNISH WITHOUT CHARGE TO EACH PERSON, INCLUDING ANY BENEFICIAL OWNER, TO WHOM THIS PROSPECTUS IS DELIVERED, UPON WRITTEN OR ORAL REQUEST OF SUCH PERSON, A COPY OF ANY AND ALL OF THE '34 ACT REPORTS INCORPORATED HEREIN BY REFERENCE (NOT INCLUDING EXHIBITS TO SUCH REPORTS, UNLESS SUCH EXHIBITS ARE SPECIFICALLY INCORPORATED BY REFERENCE INTO SUCH REPORTS) AND ANY OTHER DOCUMENTS SPECIFICALLY IDENTIFIED HEREIN AS INCORPORATED BY REFERENCE INTO THE REGISTRATION STATEMENT TO WHICH THIS PROSPECTUS RELATES, OR INTO ANOTHER '34 ACT REPORT OF ARCO. REQUESTS SHOULD BE ADDRESSED TO: JUNE WORTH, SECURITIES REGULATION COORDINATOR, ATLANTIC RICHFIELD COMPANY, 515 SOUTH FLOWER STREET, LOS ANGELES, CALIFORNIA 90071 (TELEPHONE: 213-486-1450).

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE EXCHANGEABLE NOTES AND THE LYONDELL COMMON STOCK AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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#### SPECIAL CONSIDERATIONS RELATING TO EXCHANGEABLE NOTES

As described in more detail below, the trading price of the Exchangeable Notes may vary considerably prior to maturity (including by acceleration or otherwise, "Maturity") due to, among other things, fluctuations in the price of Lyondell Common Stock and other events that are difficult to predict and beyond ARCO's control.

#### COMPARISON TO OTHER DEBT SECURITIES; RELATIONSHIP TO LYONDELL COMMON STOCK

The terms of the Exchangeable Notes differ from those of ordinary debt securities in that the amount that a holder of the Exchangeable Notes will receive upon mandatory exchange of the principal amount thereof at Maturity is not fixed, but is based on the price of the Lyondell Common Stock as specified in the Exchange Rate (as defined under "Description of the Exchangeable Notes"). There can be no assurance that such amount receivable by such holder upon exchange at Maturity will be equal to or greater than the principal amount of the Exchangeable Notes. For example, if the Maturity Price of the Lyondell Common Stock is less than the Initial Price, such amount receivable upon exchange will be less than the principal amount paid for the Exchangeable Notes, in which case an investment in Exchangeable Notes may result in a loss.

In addition, the opportunity for equity appreciation afforded by an investment in the Exchangeable Notes is less than the opportunity for equity appreciation afforded by an investment in the Lyondell Common Stock because the amount receivable by holders of the Exchangeable Notes upon exchange at Maturity will only exceed the principal amount of such Exchangeable Notes if the Maturity Price exceeds the Threshold Appreciation Price (which represents an appreciation of % of the Initial Price). Holders of the Exchangeable Notes will only be entitled to receive upon exchange at Maturity % of any appreciation of the value of Lyondell Common Stock in excess of the Threshold Appreciation Price. Because the price of the Lyondell Common Stock is subject to market fluctuations, the value of the Lyondell Common Stock (or, at the option of the Company, the amount of cash) received by a holder of Exchangeable Notes upon exchange at Maturity, determined as described herein, may be more or less than the principal amount of the Exchangeable Notes.

It is impossible to predict whether the price of Lyondell Common Stock will rise or fall. Trading prices of Lyondell Common Stock will be influenced by Lyondell's operational results and by complex and interrelated political, economic, financial and other factors that can affect the commodity petrochemical and refining markets generally. See the prospectus relating to Lyondell and to Lyondell Common Stock attached hereto as Appendix A and

included as part of this Prospectus.

#### DILUTION OF LYONDELL COMMON STOCK

The amount that holders of the Exchangeable Notes are entitled to receive upon the mandatory exchange at Maturity is subject to adjustment for certain events arising from stock splits and combinations, stock dividends and certain other actions of Lyondell that modify its capital structure. See "Description of the Exchangeable Notes--Dilution Adjustments." Moreover, the amount to be received by Note holders upon exchange at Maturity may not be adjusted for other events, such as offerings of Lyondell Common Stock for cash or in connection with acquisitions, that may adversely affect the price of the Lyondell Common Stock and, because of the relationship of such amount to be received upon exchange to the price of Lyondell Common Stock, such other events may adversely affect the trading price of the Exchangeable Notes. There can be no assurance that Lyondell will not make offerings of Lyondell Common Stock or take such other action in the future or as to the amount of such offerings, if any. In addition, until such time as ARCO shall deliver shares of Lyondell Common Stock to holders of the Exchangeable Notes at Maturity thereof (in the event ARCO does not exercise its option to deliver cash), holders of the Exchangeable Notes will not be entitled to any rights with respect to the Lyondell Common Stock (including without limitation voting rights and the rights to receive any dividends or other distributions in respect thereof).

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#### POSSIBLE ILLIQUIDITY OF THE SECONDARY MARKET

It is not possible to predict how the Exchangeable Notes will trade in the secondary market or whether such market will be liquid or illiquid. Exchangeable Notes are novel and innovative securities and there is currently no secondary market for the Exchangeable Notes. The Underwriters currently intend, but are not obligated, to make a market in the Exchangeable Notes. There can be no assurance that a secondary market will develop or, if a secondary market does develop, that it will provide the holders of the Exchangeable Notes with liquidity of investment or that it will continue for the life of the Exchangeable Notes.

ARCO has applied for listing of the Exchangeable Notes on the NYSE. However, there can be no assurance that the Exchangeable Notes will not later be delisted or that trading in the Exchangeable Notes on the NYSE will not be suspended. In the event of a delisting or suspension of trading on such exchange, ARCO will apply for listing of the Exchangeable Notes on another national securities exchange or for quotation on another trading market. If the Exchangeable Notes are not listed or traded on any securities exchange or trading market, or if trading of the Exchangeable Notes is suspended, pricing information for the Exchangeable Notes may be more difficult to obtain, and the liquidity of the Exchangeable Notes may be adversely affected.

#### NO OBLIGATION ON THE PART OF LYONDELL WITH RESPECT TO THE EXCHANGEABLE NOTES

Lyondell has no obligations with respect to the Exchangeable Notes or amounts to be paid to holders thereof, including any obligation to take the needs of ARCO or of holders of the Exchangeable Notes into consideration for any reason. Lyondell will not receive any of the proceeds of the offering of the Exchangeable Notes made hereby and is not responsible for the determination of the timing of, prices for or quantities of the Exchangeable Notes to be issued or the determination or calculation of the amount to be paid upon mandatory exchange at Maturity.

#### WITHDRAWAL BY ARCO OF ACTIVE INVOLVEMENT IN LYONDELL

Following consummation of the offering, ARCO currently intends, but is not committed by any agreement or otherwise, to vote its shares of Lyondell Common

Stock proportionately to the votes cast by the non-ARCO stockholders, including with respect to the election of directors, except under certain circumstances. ARCO has agreed, during the period the Exchangeable Notes are outstanding, to limit certain of its rights as a stockholder of Lyondell, including its right to call a special meeting of stockholders, to take action by written consent, to solicit proxies in respect of the election of directors or certain other matters, and to initiate or solicit proposals by a single entity or group of affiliated entities to acquire all or substantially all of the Lyondell Common Stock or otherwise to acquire Lyondell. ARCO also intends to cause the five ARCO officers who currently serve on Lyondell's Board of Directors to resign following issuance of the Exchangeable Notes; however, ARCO will retain the right to nominate and vote for candidates for Lyondell's Board of Directors. ARCO is not required to retain its shares of Lyondell Common Stock pursuant to the terms of the Exchangeable Notes or otherwise. ARCO remains free to sell all or any portion of its Lyondell Common Stock in a public or private offering intended to result in widespread distribution or pursuant to a tender or exchange offer; subject to the foregoing, ARCO has agreed, during the period the Exchangeable Notes are outstanding, and continuing for a period of one year thereafter, not to sell all or any portion of its Lyondell Common Stock to a single entity or group of affiliated entities in a private transaction without the approval of Lyondell's Board of Directors. For all of these reasons, there can be no assurance that ARCO will have any influence over the actions and decisions taken and made by Lyondell following consummation of the offering.

#### ATLANTIC RICHFIELD COMPANY

Atlantic Richfield Company ("ARCO") was incorporated in 1870 under the laws of Pennsylvania as The Atlantic Refining Company. Atlantic Petroleum Storage Company, a predecessor to The Atlantic Refining Company, began operations in 1866. ARCO's principal executive offices are at 515 South Flower

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Street, Los Angeles, California 90071 (Telephone (213) 486-3511). ARCO's present name was adopted subsequent to the merger of Richfield Oil Corporation into The Atlantic Refining Company in 1966. In 1969, Sinclair Oil Corporation was merged into ARCO. In 1977, The Anaconda Company was merged into a wholly owned subsidiary of ARCO and, on December 31, 1981, that subsidiary was merged into ARCO. On May 7, 1985, ARCO was reincorporated in the State of Delaware. Unless indicated otherwise, the term "ARCO" as used herein refers to Atlantic Richfield Company or Atlantic Richfield Company and one or more of its consolidated subsidiaries.

ARCO, including its subsidiaries, constitutes one of the largest integrated enterprises in the petroleum industry, with its principal operations conducted in the United States. ARCO conducts operations in two business segments: resources and products. ARCO also owns a 49.9 percent equity interest in Lyondell, or 39,921,400 shares of Lyondell Common Stock, which operates petrochemical and petroleum processing businesses.

ARCO's resources segment includes the exploration, development and production of petroleum, which includes petroleum liquids (crude oil, condensate and natural gas liquids ("NGLs")) and natural gas, the purchase and sale of petroleum liquids and natural gas, and the mining and sale of coal. The exploration, development and production of all of ARCO's oil and gas interests in the State of Alaska and surrounding offshore waters are conducted through a wholly owned subsidiary, ARCO Alaska, Inc. The exploration, development and production of ARCO's oil and gas interests in foreign countries are conducted through the ARCO International Oil and Gas division. The mining and marketing of coal from surface and underground mines located in the western United States and in Australia are conducted through the ARCO Coal division.

In October 1993, ARCO reorganized the ARCO Oil and Gas division, which operated ARCO's Lower 48 exploration, development, production and marketing activities. The cornerstone of ARCO's program to reorganize its Lower 48 operations is Vastar Resources, Inc., a wholly-owned subsidiary ("Vastar"), which on a stand alone basis is one of the largest independent (non-integrated) oil and gas companies in the United States. Vastar is engaged in the exploration for and the development and production of natural gas and, to a lesser extent, crude oil in selected major producing basins in the Gulf of Mexico, the Gulf Coast, the San Juan Basin and the Mid-Continent areas. ARCO conducts its other operations in the Lower 48 through its ARCO Permian business unit, which exploits long-lived producing fields in the Permian and East Texas basins; its ARCO Western Energy business unit, which focuses on oil production primarily from five producing oil fields in California and related cogeneration operations; and ARCO Long Beach Inc., a wholly-owned subsidiary, which manages the optimized waterflood program for the Long Beach unit of the Wilmington Field pursuant to a contractual arrangement with the State of California and the City of Long Beach.

ARCO's products segment includes the refining and transportation of petroleum and petroleum products, the marketing of petroleum products on the West Coast and the manufacture and sale of intermediate chemicals and specialty products. The ARCO Products division is a refiner and marketer of refined petroleum products on the West Coast. ARCO Chemical Company, a subsidiary of which ARCO owns 83.3 percent ("ARCO Chemical"), produces and markets on a worldwide basis certain intermediate chemicals and specialty products, including propylene oxide and its derivatives, tertiary butyl alcohol and its derivatives, and styrene monomer and its derivatives. The ARCO Transportation division operates domestic facilities for the transportation and storage of petroleum liquids, refined petroleum products, petrochemicals and natural gas.

On March 23, 1994, Vastar filed a registration statement on Form S-1 relating to the registration of the sale of up to 15,000,000 shares of its common stock to the public. On March 28, 1994, ARCO announced that it had delayed the offering until market conditions improved. ARCO intends to retain over 80 percent of the outstanding common stock of Vastar following consummation of the initial public offering of Vastar's common stock.

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#### USE OF PROCEEDS

Proceeds to be received from the sale of the Exchangeable Notes offered hereby will be used, together with internally generated funds, for general corporate purposes, including capital expenditures and retirement of maturing debt. Pending ultimate application, the proceeds from the sale of the Exchangeable Notes will be used to reduce short-term debt or will be invested in marketable securities.

#### LYONDELL PETROCHEMICAL COMPANY

ARCO owns a 49.9 percent equity interest in Lyondell, or 39,921,400 shares of Lyondell Common Stock, which is accounted for on the equity method. Prior to 1989, Lyondell was first a division and then a wholly-owned subsidiary of ARCO.

Lyondell is a manufacturer and marketer of petrochemicals and, through its interest in LYONDELL-CITGO Refining Company Ltd. ("LCR"), a manufacturer of refined petroleum products. Lyondell produces a wide variety of petrochemicals, including olefins (primarily ethylene, propylene and butadiene), polyolefins (low density polyethylene and polypropylene), methanol, MTBE (methyl tertiary butyl ether) and aromatics. Lyondell's refining business is conducted through its approximate 90 percent interest in LCR, which operates a 265,000 barrels per day refinery (the "Refinery"). LCR sells the majority of the gasoline, jet fuel and heating oil it produces to CITGO Petroleum Corporation ("CITGO"),

which currently has an approximate 10 percent interest in LCR.

For the year ended December 31, 1993, Lyondell recorded total revenues of approximately \$263 million from sales of petrochemical products to ARCO Chemical. Lyondell also provides certain plant services at these facilities owned by ARCO Chemical on Lyondell property. ARCO Chemical in turn provides certain feedstocks and supplies to Lyondell. Lyondell historically purchased a portion of its crude oil, natural gas and NGLs requirements from ARCO. Lyondell currently purchases certain of these requirements from ARCO's Lower 48 business units under short-term contracts and/or on the spot market at prices based on prevailing market prices. In addition, Lyondell and ARCO have entered into a services agreement and various leases, technology transfers and licenses and other arrangements. Lyondell has various lease agreements with ARCO Pipe Line Company ("APL"), including one relating to APL's private ethylene and propylene pipeline systems. During 1993, Lyondell paid ARCO and its consolidated subsidiaries an aggregate of \$73 million under these agreements, arrangements and transactions and received an aggregate of \$278 million, including sales to ARCO Chemical.

In July 1993, Lyondell and CITGO Petroleum Corporation ("CITGO"), a subsidiary of Petroleos de Venezuela, S.A. ("PDVSA"), the Venezuelan national oil company, created a jointly owned Texas limited liability company, LYONDELL-CITGO Refining Company Ltd. ("LCR"), that owns and operates Lyondell's refining business. Lyondell contributed its refining assets (including the lube oil blending and packaging plant in Birmingham, Alabama) and refining working capital to LCR. CITGO contributed \$100 million to LCR in 1993 (excluding its contribution towards the upgrade project described below) giving it an approximate 10 percent interest in LCR. Prior to the in-service date for the upgrade project, CITGO is required to reinvest its share of LCR's operating cash flow and thereby increase its interest in LCR. LCR is undertaking a major upgrade project at the Refinery to enable the facility to process substantial additional volumes of very heavy crude oil. The upgrade project, which is subject to regulatory approvals and the resolution of certain other matters, is intended to increase the heavy crude oil processing capability of the Refinery from approximately 130,000 barrels per day of 22 degree API gravity crude oil to approximately 200,000 barrels per day of 17 degree API gravity Venezuelan crude oil in a full conversion mode. The upgrade is not intended to increase the total throughput of the Refinery, but rather its ability to process heavier crude oil. The cost of the upgrade project, based on preliminary engineering, was initially estimated to be approximately \$800 million. Preliminary engineering estimates

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are generally regarded as valid within a range of plus or minus thirty percent of the ultimate installed costs, assuming no significant changes to the scope of a project. Definitive engineering for the upgrade project is still in progress and design enhancements have been made to the project scope. LCR's management expects the next cost estimate for the project (which may be available late in the second quarter of 1994) to be higher than \$800 million, although not in excess of the range of the original estimate. Completion of the upgrade project is anticipated in late 1996 or early 1997.

CITGO is required to fund the first phase (\$300 million) of the upgrade project. The second phase is expected to be funded through an LCR borrowing and the third phase is anticipated to be funded: (i) 50 percent through an LCR borrowing, (ii) 25 percent through CITGO contributions and (iii) 25 percent through subordinated loans of Lyondell.

The timing of the third phase and the level of contributions from Lyondell and CITGO will depend on the total cost of the upgrade project and/or LCR's ability to obtain construction financing. In the event that LCR is unable to obtain construction financing for the refinery upgrade project, Lyondell and CITGO each are obligated to fund one-half of the cost of the upgrade project

in excess of \$300 million.

In exchange for CITGO's upgrade project contributions described above, the reinvestment of its share of cash flows and an additional \$30 million cash contribution at the in-service date, CITGO's interest in LCR is expected to increase to approximately 35 percent effective as of the in-service date. CITGO will have a one-time option to increase its interest in LCR up to 50 percent during the 20-month period following the in-service date. In addition, in 1993 an affiliate of PDVSA entered into a 25-year contract to supply and LCR to purchase specified quantities of heavy crude oil. At the same time, CITGO entered into a long-term Products Agreement with LCR to purchase at market-based prices the full volume of gasoline, jet fuel and heating oil manufactured at the Refinery following the expiration of one contract retained by Lyondell. The upgrade project also will expand the Refinery's ability to produce low-sulfur diesel and reformulated fuel.

For additional information about Lyondell, see the Lyondell Prospectus attached hereto as Appendix A. A copy of Lyondell's 1993 Annual Report to Stockholders and 1993 Annual Report on Form 10-K can be obtained by writing to Investor Relations, Lyondell Petrochemical Company, One Houston Center, 1221 McKinney Street, Houston, Texas 77010. Lyondell's telephone number is (713) 652-7200.

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#### RELATIONSHIP BETWEEN ARCO AND LYONDELL

ARCO, which prior to January 1989 owned 100 percent of the outstanding Lyondell Common Stock, presently owns for its own account approximately 49.9 percent (39,921,400 shares) of the outstanding Lyondell Common Stock. Five of the eleven directors of Lyondell are officers of ARCO. In addition, ARCO and Lyondell have entered into various intercompany transactions and arrangements. See "Relationship with ARCO" in the Lyondell prospectus attached hereto as Appendix A.

Lyondell is operated and managed as a corporation independent from ARCO. ARCO has agreed, during the period the Exchangeable Notes are outstanding, to limit certain of its rights as a stockholder of Lyondell, including its rights to call a special meeting of stockholders, to take action by written consent, to solicit proxies in respect of the election of directors or certain other matters, and to initiate or solicit proposals by a single entity or group of affiliated entities to acquire all or substantially all of the Lyondell Common Stock or otherwise to acquire Lyondell. Following consummation of the offering, ARCO currently intends, but is not committed by any agreement or otherwise, to vote its shares of Lyondell Common Stock proportionately to the votes cast by the non-ARCO stockholders, including with respect to the election of directors; provided, that in the event (i) a person or group of persons other than ARCO are deemed to own more than 10 percent of the Lyondell Common Stock within the meaning of Section 13(d) of the Securities and Exchange Act of 1934 (the "Exchange Act"), and (ii) there occurs a contested proxy solicitation within the meaning of Rule 14a-11(a) of the Exchange Act, ARCO intends to vote its shares in the manner it deems appropriate. Also following consummation of the offering, ARCO intends to cause the ARCO officers who currently serve on the Board of Directors to resign; however, ARCO will retain the right to nominate and vote for candidates for Lyondell's Board of Directors.

ARCO is not required to retain its present holdings of shares of Lyondell Common Stock pursuant to the terms of the Exchangeable Notes or otherwise. ARCO and Lyondell are entering into a Registration Rights Agreement (the "Registration Rights Agreement") pursuant to which Lyondell is registering on Form S-3 (the "Lyondell S-3") the Lyondell Common Stock deliverable, at ARCO's option, upon maturity of the Exchangeable Notes. ARCO will pay all of Lyondell's costs and expenses in respect of the Lyondell S-3. In addition,



Lyondell will grant ARCO certain further registration rights. ARCO remains free to sell all or any portion of its Lyondell Common Stock in a public or private offering intended to result in widespread distribution or pursuant to a tender or exchange offer; subject to the foregoing, ARCO has also agreed, during the period the Exchangeable Notes are outstanding, and continuing for a period of one year thereafter, not to sell all or any portion of its Lyondell Common Stock to a single entity or group of affiliated entities in a private transaction without the approval of Lyondell's Board of Directors.

Moreover, because ARCO is not required to retain its Lyondell Common Stock and because of all of the agreements described in the preceding three paragraphs, there can be no assurance that ARCO will have any influence over the actions and decisions taken and made by Lyondell.

Lyondell has no obligations with respect to the Exchangeable Notes or amounts to be paid to holders thereof, including any obligation to take the needs of ARCO or of holders of the Exchangeable Notes into consideration for any reason. Lyondell will not receive any of the proceeds of the offering of the Exchangeable Notes made hereby and is not responsible for the determination of the timing of, prices for or quantities of the Exchangeable Notes to be issued or the determination or calculation of the amount to be paid upon mandatory exchange at Maturity.

CAPITALIZATION (UNAUDITED)

The following table sets forth the capitalization of ARCO and its consolidated subsidiaries as of March 31, 1994, and as adjusted for the Exchangeable Notes offered hereby.

<TABLE>  
<CAPTION>

	ACTUAL	AS ADJUSTED
	-----	-----
	(MILLIONS OF DOLLARS)	
<S>	<C>	<C>
Obligations due within one year:		
Notes payable.....	\$ 1,729	\$ 1,729
Long-term debt due within one year.....	159	159
	-----	-----
	1,888	1,888
Long-term debt:		
Debentures, notes and other.....	7,008	7,008
% Exchangeable Notes offered hereby.....	--	--
	-----	-----
Total notes payable and debt.....	8,896	
Stockholders' equity:		
Preference stocks.....	1	1
Common stock.....	402	402
Capital in excess of par value of stock.....	656	656
Retained earnings.....	5,236	5,236
Pension liability adjustment.....	(29)	(29)
Treasury stock, at cost.....	(47)	(47)
Foreign currency translation.....	(116)	(116)
	-----	-----
Total stockholders' equity.....	6,103	6,103
	-----	-----
Total capitalization.....	\$14,999	\$
	=====	=====

</TABLE>

At March 31, 1994, ARCO and its consolidated subsidiaries had outstanding

notes payable due within one year aggregating approximately \$1.7 billion and cash, cash equivalents and short-term investments aggregating approximately \$3.6 billion.

Notes, debentures and other long-term debt are stated at their principal amount, except for issues sold at a substantial discount, which are included net of unamortized original issue discount.

SELECTED FINANCIAL DATA

The following table sets forth selected financial information for ARCO:

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED MARCH 31,		YEARS ENDED DECEMBER 31,				
	1994	1993	1993 (1)	1992 (2)	1991 (3)	1990	1989 (4)
	(UNAUDITED)		(MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Sales and other operating revenues (including excise taxes).....	\$ 3,800	\$ 4,507	\$18,487	\$18,668	\$18,191	\$18,836	\$16,049
Income before changes in accounting principles..	\$ 149	\$ 260	\$ 269	\$ 1,193	\$ 709	\$ 1,688	\$ 1,953
Net income.....	\$ 149	\$ 260	\$ 269	\$ 801	\$ 709	\$ 2,011	\$ 1,953
Earned per share before changes in accounting principles.....	\$ .92	\$ 1.60	\$ 1.66	\$ 7.39	\$ 4.39	\$ 10.20	\$ 11.26
Earned per share.....	\$ .92	\$ 1.60	\$ 1.66	\$ 4.96	\$ 4.39	\$ 12.15	\$ 11.26
Cash dividends per common share.....	\$ 1.375	\$ 1.375	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.00	\$ 4.50
Total assets.....	\$23,818	\$ 23,903	\$23,894	\$24,256	\$24,492	\$23,864	\$22,261
Long-term debt and capital lease obligations..	\$ 7,008	\$ 6,216	\$ 7,089	\$ 6,227	\$ 5,989	\$ 5,997	\$ 5,313

</TABLE>

- (1) In 1993, ARCO provided as unusual items a pretax charge of \$659 million, \$404 million after tax, associated with an announced reorganization of its Lower 48 oil and gas operations.
- (2) In 1992, ARCO recognized a pretax benefit of \$149 million from a settlement with Iran and a pretax benefit of \$178 million related to a portion of the gain from the 1989 sale of a majority interest in Lyondell. ARCO also recognized a pretax charge of \$56 million resulting from ARCO Chemical's withdrawal from a joint venture in Korea. The net benefit related to 1992 unusual items was \$211 million after tax.
- (3) In 1991, ARCO provided as unusual items an estimated pretax charge of \$281 million associated with a reorganization of its Lower 48 oil and gas operations and a company-wide workforce reduction. ARCO also provided as unusual items a pretax charge of approximately \$222 million for the anticipated loss on the sale of certain Lower 48 oil and gas properties and the writedown of certain coal assets. The net provision related to 1991 unusual items was \$312 million after tax.
- (4) Includes after-tax gain of \$634 million from sale of majority interest in Lyondell.



ARCO's financial statements for the year ended December 31, 1993 are contained in its Report on Form 10-K for such period, incorporated herein by reference.

ARCO cautions against projecting any future results based on present earnings levels because of economic uncertainties and the impact of potential government actions.

#### RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges for ARCO for the three months ended March 31, 1994 and the five years ended December 31, 1993:

MARCH 31, 1994	1993	1992	1991	1990	1989
-----	----	----	----	----	----
<S>	<C>	<C>	<C>	<C>	<C>
2.17	1.69	2.89	2.00	3.71	4.13

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#### PRICE RANGE OF LYONDELL COMMON STOCK AND DIVIDENDS

The Lyondell Common Stock has been traded on the NYSE since January 18, 1989. The following table sets forth, for the indicated calendar periods, the reported high and low sales prices of the Lyondell Common Stock on the NYSE Composite Tape and the cash dividends per share of Lyondell Common Stock. As of April 1, 1994, there were approximately 3,000 record holders of the Lyondell Common Stock, including The Depository Trust Company which holds shares of Lyondell Common Stock on behalf of an indeterminate number of beneficial owners.

PERIOD	HIGH	LOW	DIVIDENDS PER SHARE
-----	-----	-----	-----
<S>	<C>	<C>	<C>
1992			
First Quarter.....	\$25 3/4	\$22 1/8	\$0.45
Second Quarter.....	25 7/8	21 1/8	0.45
Third Quarter.....	25 5/8	21 3/8	0.45
Fourth Quarter.....	25 1/2	23 1/8	0.45
1993			
First Quarter.....	29 1/2	23 3/4	0.45
Second Quarter.....	26 5/8	19	0.225*
Third Quarter.....	21 5/8	16 3/4	0.225
Fourth Quarter.....	21 1/2	18 3/8	0.225
1994			
First Quarter.....	23 7/8	20 5/8	0.225
Second Quarter (through May 3, 1994).....	25 1/4	21 1/8	0.225

\* On July 23, 1993, Lyondell's Board of Directors decreased the amount of the regular quarterly dividend from \$0.45 to \$0.225 per share.

For a recent sale price of the Lyondell Common Stock, see the cover page of this Prospectus. See also "Price Range of Common Stock and Dividends" in the Lyondell Prospectus attached hereto as Appendix A.

ARCO makes no representation as to the amount of dividends, if any, that Lyondell will pay in the future. In any event, holders of the Exchangeable Notes will not be entitled to receive any dividends that may be payable on the Lyondell Common Stock until such time as ARCO, if it so elects, delivers Lyondell Common Stock at Maturity of the Exchangeable Notes. See "Description of the Exchangeable Notes."

#### DESCRIPTION OF THE EXCHANGEABLE NOTES

The Exchangeable Notes are one series of Debt Securities (as defined below) to be issued under an indenture dated as of January 1, 1992, between ARCO and The Bank of New York, as trustee, as supplemented by a First Supplemental Indenture dated as of May 1, 1994, between ARCO and The Bank of New York, as trustee (the "Trustee") (as supplemented from time to time, the "Indenture"). All references herein to "Debt Securities" shall refer to debt securities issued under the Indenture. The following summary of certain provisions of the Indenture does not purport to be complete and is qualified in its entirety by reference to the Indenture, a copy of which is filed as an exhibit to the Registration Statement of which this Prospectus is a part. All article and section references appearing herein are to articles and sections of the Indenture, and all capitalized terms have the meanings specified in the Indenture.

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#### GENERAL

The Exchangeable Notes will be unsecured and will rank on a parity with all other unsecured and unsubordinated indebtedness of ARCO. The Indenture does not limit the amount of Debt Securities which may be issued thereunder. (Section 2.01) The aggregate number of Exchangeable Notes to be issued will be 35,000,000, plus such additional number of Exchangeable Notes as may be issued pursuant to the over-allotment option granted by ARCO to the Underwriters (see "Plan of Distribution"). The Exchangeable Notes are expected to mature in three to four years.

Each Exchangeable Note, which will be issued with a principal amount of \$ , will bear interest at the annual rate of % of the principal amount per annum (or \$ per annum) from , 1994, or from the most recent Interest Payment Date to which interest has been paid or provided for until the principal amount thereof exchanged at Maturity pursuant to the terms of the Exchangeable Notes. Interest on the Exchangeable Notes will be payable quarterly in arrears on , and commencing , 1994 (each, an "Interest Payment Date"), to the persons in whose names the Exchangeable Notes are registered at the close of business on the last day of the calendar month immediately preceding such Interest Payment Date. Interest on the Exchangeable Notes will be computed on the basis of a 360-day year of twelve 30-day months. If an Interest Payment Date falls on a day that is not a Business Day, the interest payment to be made on such Interest Payment Date will be made on the next succeeding Business Day with the same force and effect as if made on such Interest Payment Date, and no additional interest will accrue as a result of such delayed payment.

At Maturity, the principal amount of each Exchangeable Note will be mandatorily exchanged by ARCO into a number of shares of Lyondell Common Stock at the Exchange Rate (as defined below) or, at ARCO's option, cash with an equal value. Accordingly, holders of the Exchangeable Notes will not necessarily receive an amount equal to the principal amount thereof. The "Exchange Rate" is equal to, subject to adjustment as a result of certain dilution events (see "Dilution Adjustments" below), (a) if the Maturity Price (as defined below) per share of Lyondell Common Stock is greater than or equal to \$ per share of Lyondell Common Stock (the "Threshold Appreciation Price"), shares of Lyondell Common Stock per Exchangeable Note, (b) if

the Maturity Price is less than the Threshold Appreciation Price but is greater than the Initial Price, a fractional share of Lyondell Common Stock per Exchangeable Note so that the value thereof (determined at the Maturity Price) is equal to the Initial Price and (c) if the Maturity Price is less than or equal to the Initial Price, one share of Lyondell Common Stock per Exchangeable Note. No fractional shares of Lyondell Common Stock will be issued at Maturity as provided under "Fractional Shares" below. Notwithstanding the foregoing, ARCO may, at its option in lieu of delivering shares of Lyondell Common Stock, deliver cash in an amount equal to the value of such number of shares of Lyondell Common Stock at the Maturity Price. On or prior to \_\_\_\_\_, 199\_\_\_\_, ARCO will notify The Depository Trust Company and the Trustee and publish a notice in a daily newspaper of national circulation stating whether the principal amount of each Exchangeable Notes will be exchanged for shares of Lyondell Common Stock or cash. If ARCO elects to deliver shares of Lyondell Common Stock, holders of the Exchangeable Notes will be responsible for the payment of any and all brokerage costs upon the subsequent sale of such stock. (Section 16.01)

The "Maturity Price" is defined as the average Closing Price per share of Lyondell Common Stock on the 20 Trading Days immediately prior to Maturity. The "Closing Price" of any security on any date of determination means the closing sale price (or, if no closing price is reported, the last reported sale price) of such security on the NYSE on such date or, if such security is not listed for trading on the NYSE on any such date, as reported in the composite transactions for the principal United States securities exchange on which such security is so listed, or if such security is not so listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System, or, if such security is not so reported, the last quoted bid

price for such security in the over-the-counter market as reported by the National Quotation Bureau or similar organization, or, if such bid price is not available, the market value of such security on such date as determined by a nationally recognized independent investment banking firm retained for this purpose by ARCO. A "Trading Day" is defined as a Business Day on which the security the Closing Price of which is being determined (A) is not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business and (B) has traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of such security. "Business Day" means any day that is not a Saturday, a Sunday or a day on which the NYSE, banking institutions or trust companies in The City of New York are authorized or obligated by law or executive order to close.

For illustrative purposes only, the following chart shows the number of shares of Lyondell Common Stock or the amount of cash that a holder of Exchangeable Notes would receive for each Exchangeable Note at various Maturity Prices. The table assumes that there will be no adjustments to the Exchange Rate described under "Dilution Adjustments" below. There can be no assurance that the Maturity Price will be within the range set forth below. Given the Issue Price of \$ \_\_\_\_\_ per Exchangeable Note and the Threshold Appreciation Price of \$ \_\_\_\_\_, holders of Exchangeable Notes would receive at Maturity the following number of shares of Lyondell Common Stock or amount of cash (if ARCO elects to pay the Exchangeable Notes in cash):

<TABLE>  
<CAPTION>

MATURITY PRICE OF LYONDELL COMMON STOCK	NUMBER OF SHARES OF LYONDELL COMMON STOCK	AMOUNT OF CASH
----- <S>	----- <C>	----- <C>

\$  
\$  
\$

\$  
\$  
\$

</TABLE>

Interest on the Exchangeable Notes will be payable, and delivery of Lyondell Common Stock (or, at the option of ARCO, its cash equivalent) in exchange for the Exchangeable Notes at Maturity will be made upon surrender of such Exchangeable Notes, at the office or agency of ARCO maintained for such purposes in the city where the principal corporate trust office of the Trustee is located, which will initially be the principal corporate trust office of the Trustee, provided that payment of interest may be made (subject to collection) at the option of ARCO by check mailed to the persons in whose names the Exchangeable Notes are registered at the close of business on \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_. The principal corporate trust office of the Trustee at the date hereof is 101 Barclay Street, New York, New York 10286.

The Exchangeable Notes will be transferable at any time or from time to time at the aforementioned office. No service charge will be made to the Holder for any such transfer except for any tax or governmental charge incidental thereto.

The Indenture does not contain any restriction on the ability of ARCO to sell, pledge or otherwise convey all or any portion of the Lyondell Common Stock held by it, and no such shares of Lyondell Common Stock will be pledged or otherwise held in escrow for use at Maturity of the Exchangeable Notes. Consequently, in the event of a bankruptcy, insolvency or liquidation of ARCO, the Lyondell Common Stock, if any, owned by ARCO will be subject to the claims of the creditors of ARCO. In addition, as described herein, ARCO will have the option, exercisable in its sole discretion, to satisfy its obligations pursuant to the mandatory exchange for the principal amount of each Exchangeable Note at Maturity by delivering to holders of the Exchangeable Notes either the specified number of shares of Lyondell Common Stock or cash in an amount equal to the value of such number of shares at the Maturity Price. In the event of such a sale, pledge or conveyance, a holder of the Exchangeable Notes may be more likely to receive cash in lieu of Lyondell Common Stock. As a result, there can be no assurance that ARCO will elect at Maturity to deliver Lyondell Common Stock or, if it so elects, that it will use all or any portion of its current holdings of Lyondell Common Stock to make such

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delivery. Consequently, holders of the Exchangeable Notes will not be entitled to any rights with respect to the Lyondell Common Stock (including without limitation voting rights and rights to receive any dividends or other distributions in respect thereof) until such time, if any, as ARCO shall have delivered shares of Lyondell Common Stock to holders of the Exchangeable Notes at Maturity thereof.

#### DILUTION ADJUSTMENTS

The Exchange Rate is subject to adjustment if Lyondell shall (i) pay a stock dividend or make a distribution with respect to Lyondell Common Stock in shares of such stock, (ii) subdivide or split its outstanding shares of Lyondell Common Stock, (iii) combine its outstanding shares of Lyondell Common Stock into a smaller number of shares, (iv) issue by reclassification of its shares of Lyondell Common Stock any shares of common stock of Lyondell, (v) issue rights or warrants to all holders of Lyondell Common Stock entitling them to subscribe for or purchase shares of Lyondell Common Stock at a price per share less than the market price of the Lyondell Common Stock (other than rights to purchase Lyondell Common Stock pursuant to a plan for the reinvestment of dividends or interest) or (vi) pay a dividend or make a distribution to all holders of Lyondell Common Stock of evidences of its indebtedness or other assets (excluding any dividends or distributions referred to in clause (i) above or any cash dividends other than any

Extraordinary Cash Dividends) or issue to all holders of Lyondell Common Stock rights or warrants to subscribe for or purchase any of its securities (other than those referred to in clause (v) above). An "Extraordinary Cash Dividend" means, with respect to any one-year period, all cash dividends on the Lyondell Common Stock during such period to the extent such dividends exceed on a per share basis 10% of the average price of the Lyondell Common Stock over such period (less any such dividends for which a prior adjustment to the Exchange Rate was previously made). All adjustments to the Exchange Rate will be calculated to the nearest 1/10,000th of a share of Lyondell Common Stock (or if there is not a nearest 1/10,000th of a share to the next lower 1/10,000th of a share). No adjustment in the Exchange Rate shall be required unless such adjustment would require an increase or decrease of at least one percent therein; provided, however, that any adjustments which by reason of the foregoing are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

In the event of (A) any consolidation or merger of Lyondell, or any surviving entity or subsequent surviving entity of Lyondell (a "Lyondell Successor"), with or into another entity (other than a merger or consolidation in which Lyondell is the continuing corporation and in which the Lyondell Common Stock outstanding immediately prior to the merger or consolidation is not exchanged for cash, securities or other property of Lyondell or another corporation), (B) any sale, transfer, lease or conveyance to another corporation of the property of Lyondell or any Lyondell Successor as an entirety or substantially as an entirety, (C) any statutory exchange of securities of Lyondell or any Lyondell Successor with another corporation (other than in connection with a merger or acquisition) or (D) any liquidation, dissolution or winding up of Lyondell or any Lyondell Successor (any such event, a "Reorganization Event"), the Exchange Rate used to determine the amount payable upon exchange at Maturity for each Exchangeable Note will be adjusted to provide that each holder of Exchangeable Notes will receive at Maturity cash in an amount equal to (a) if the Transaction Value (as defined below) is greater than or equal to the Threshold Appreciation Price, multiplied by the Transaction Value, (b) if the Transaction Value is less than the Threshold Appreciation Price but greater than the Initial Price, the Initial Price and (c) if the Transaction Value is less than or equal to the Initial Price, the Transaction Value. "Transaction Value" means (i) for any cash received in any such Reorganization Event, the amount of cash received per share of Lyondell Common Stock, (ii) for any property other than cash or securities received in any such Reorganization Event, an amount equal to the market value at Maturity of such property received per share of Lyondell Common Stock as determined by a nationally recognized independent investment banking firm retained for this purpose by ARCO and (iii) for any securities received in any such Reorganization Event, an amount equal to the average Closing Price

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per share of such securities on the 20 Trading Days immediately prior to Maturity multiplied by the number of such securities received for each share of Lyondell Common Stock.

Notwithstanding the foregoing, in lieu of delivering cash as provided above, ARCO may at its option deliver an equivalent value of securities or other property received in such Reorganization Event, determined in accordance with clause (ii) or (iii) above, as applicable. If ARCO elects to deliver securities or other property, holders of the Exchangeable Notes will be responsible for the payment of any and all brokerage and other transaction costs upon the sale of such securities or other property. The kind and amount of securities into which the Exchangeable Notes shall be exchangeable after consummation of such transaction shall be subject to adjustment as described in the immediately preceding paragraph following the date of consummation of such transaction.

ARCO is required, within ten Business Days following the occurrence of an

event that requires an adjustment to the Exchange Rate (or if ARCO is not aware of such occurrence, as soon as practicable after becoming so aware), to provide written notice to the Trustee of the occurrence of such event and a statement in reasonable detail setting forth the method by which the adjustment to the Exchange Rate was determined and setting forth the revised Exchange Rate. (Section 16.03)

#### FRACTIONAL SHARES

No fractional shares of Lyondell Common Stock will be issued if ARCO exchanges the Exchangeable Notes for shares of Lyondell Common Stock. In lieu of any fractional share otherwise issuable in respect of all Exchangeable Notes of any holder which are exchanged at Maturity, such holder shall be entitled to receive an amount in cash equal to the value of such fractional share at the Maturity Price. (Section 16.02)

#### REDEMPTION

The Exchangeable Notes are not subject to redemption prior to Maturity.

#### TRUSTEE

The Trustee for the Debentures is The Bank of New York under the Indenture dated as of January 1, 1992 between ARCO and The Bank of New York, as amended by the Supplemental Indenture dated as of May 1, 1994.

#### BOOK-ENTRY SYSTEM

The Exchangeable Notes will be issued in the form of one or more global securities (the "Global Securities") deposited with The Depository Trust Company (the "Depository") and registered in the name of a nominee of the Depository.

The Depository has advised ARCO and the Underwriters as follows: The Depository is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. The Depository was created to hold securities of persons who have accounts with the Depository ("participants") and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of certificates. Such participants include securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to the Depository's book-entry system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Upon the issuance of a Global Security, the Depository or its nominee will credit the respective Exchangeable Notes represented by such Global Security to the accounts of participants. The accounts to be credited shall be designated by the Underwriters. Ownership of beneficial interests in such Global Securities will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests by participants in such Global Securities will be shown on, and the transfer of those ownership interests will be effected only through, records maintained by the Depository or its nominee for such Global Securities. Ownership of beneficial interests in such Global Securities by persons that hold through participants will be shown on, and the transfer of that ownership interest within such participant will be effected only through, records maintained by such participant. The laws of some

jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a Global Security.

So long as the Depository for a Global Security, or its nominee, is the registered owner of such Global Security, such depository or such nominee, as the case may be, will be considered the sole owner or holder of the Exchangeable Notes for all purposes under the Indenture. Except as set forth below, owners of beneficial interests in such Global Securities will not be entitled to have the Exchangeable Notes registered in their names, will not receive or be entitled to receive physical delivery of the Exchangeable Notes in definitive form and will not be considered the owners or holders thereof under the Indenture.

Payment of principal of and any interest on the Exchangeable Notes registered in the name of or held by the Depository or its nominee will be made to the Depository or its nominee, as the case may be, as the registered owner or the holder of the Global Security. None of ARCO, the Trustee, any Paying Agent or the Notes Registrar for the Exchangeable Notes will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

ARCO expects that the Depository, upon receipt of any payment of principal or interest in respect of a permanent Global Security, will credit immediately participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Security as shown on the records of the Depository. ARCO also expects that payments by participants to owners of beneficial interests in such Global Security held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such participants.

A Global Security may not be transferred except as a whole by the Depository to a nominee or a successor of the Depository. If the Depository is at any time unwilling or unable to continue as depository and a successor depository is not appointed by ARCO within ninety days, ARCO will issue Exchangeable Notes in definitive registered form in exchange for all of the Global Securities representing such Exchangeable Notes. In addition, ARCO may at any time and in its sole discretion determine not to have any Exchangeable Notes represented by one or more Global Securities and, in such event, will issue Exchangeable Notes in definitive form in exchange for all of the Global Securities representing the Exchangeable Notes. Further, if ARCO so specifies with respect to the Exchangeable Notes, an owner of a beneficial interest in a Global Security representing Exchangeable Notes may, on terms acceptable to ARCO and the Depository for such Global Security, receive Exchangeable Notes in definitive form. In any such instance, an owner of a beneficial interest in a Global Security will be entitled to physical delivery in definitive form of Exchangeable Notes represented by such Global Security equal in number to that represented by such beneficial interest and to have such Exchangeable Notes registered in its name.

#### LIMITATION ON LIENS

ARCO agrees that neither it nor any Restricted Subsidiary will issue, assume or guarantee any notes, bonds, debentures or other similar evidences of indebtedness for money borrowed ("Debt") secured by a mortgage, lien, pledge or other encumbrance ("Mortgages") upon any Restricted Property without effectively providing that the Debt Securities (together with, if ARCO so determines, any other indebtedness or obligation then existing or thereafter



created ranking equally with the Debt Securities) shall be secured equally and ratably with (or prior to) such Debt so long as such Debt shall be so secured, except that this restriction will not apply to: (a) Mortgages affecting property of a corporation existing at the time it becomes a Subsidiary or at the time it is merged into or consolidated with ARCO or a Subsidiary; (b) Mortgages on property existing at the time of acquisition thereof or incurred to secure payment of the purchase price thereof or to secure Debt incurred prior to, at the time of, or within 24 months after the acquisition for the purpose of financing all or part of the purchase price; (c) Mortgages on property to secure all or part of the cost of exploration, drilling or development thereof or the cost of improvement of property which, in the opinion of the Board of Directors, is substantially unimproved for the use intended by ARCO or to secure Debt incurred to provide funds for any such purpose; (d) Mortgages which secure only indebtedness owing by a Subsidiary to ARCO or to a Subsidiary; (e) certain Mortgages to government entities, including pollution control or industrial revenue bond financing; and (f) any extension, renewal or replacement of any Mortgage referred to in the foregoing clauses (a) through (e). Notwithstanding the foregoing, ARCO and any one or more Restricted Subsidiaries may, without securing the Debt Securities, issue, assume or guarantee Debt which would otherwise be subject to the foregoing restrictions in an aggregate principal amount which, together with all other such Debt of ARCO and its Restricted Subsidiaries and the aggregate Value of Sale and Lease-Back Transactions (other than those in connection with which ARCO has voluntarily retired Funded Debt) does not at any one time exceed 10% of Consolidated Net Tangible Assets of ARCO and its consolidated Subsidiaries. The following types of transactions shall not be deemed to create Debt secured by Mortgage: (1) the sale or other transfer of oil, gas or other minerals in place for a period of time until, or in an amount such that, the transferee will realize therefrom a specified amount (however determined) of money or such minerals, or the sale or other transfer of any other interest in property of the character commonly referred to as a production payment; and (2) Mortgages required by any contract or statute in order to permit ARCO or a Subsidiary to perform any contract or subcontract made by it with or at the request of the United States, any State or any department, agency or instrumentality of either. (Sections 5.03 and 5.04)

The term Restricted Property means any of ARCO's or a Subsidiary's oil or gas producing properties or refining or manufacturing plants (other than such determined by the Board of Directors not to be a principal plant) located in the continental United States, and any shares of capital stock or indebtedness of a Restricted Subsidiary. The term Restricted Subsidiary means any Subsidiary which owns Restricted Property unless substantially all such Subsidiary's physical properties are located outside the continental United States. The term Subsidiary will be defined to mean any corporation at least a majority of the outstanding securities of which having ordinary voting power to elect a majority of the board of directors of such corporation is at the time owned or controlled directly or indirectly by ARCO or one or more Subsidiaries or by ARCO and one or more Subsidiaries. The term Consolidated Net Tangible Assets means the total amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom (i) all current liabilities (excluding any thereof which are by their terms extendible or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed), and (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets, all as set forth on the most recent balance sheet of ARCO and its consolidated Subsidiaries and computed in accordance with generally accepted accounting principles. (Article One)

ARCO agrees that, if, upon any consolidation or merger of ARCO with or into any other corporation, or upon any sale or conveyance of all or substantially all of its property to any other corporation, any of



the property of ARCO or of any Restricted Subsidiary would thereupon become subject to any mortgage, lien or pledge, ARCO will first secure the Debt Securities equally and ratably with any other obligations of ARCO or any Restricted Subsidiary then entitled thereto, by a direct lien on all such property prior to all liens other than any theretofore existing thereon. (Section 12.02)

#### LIMITATION ON SALE AND LEASE-BACK

ARCO agrees that neither it nor any Restricted Subsidiary will enter into any Sale and Lease-Back Transaction with respect to any Restricted Property with any person (other than ARCO or a Subsidiary) unless either (a) ARCO or such Restricted Subsidiary would be entitled, pursuant to the above provisions, to incur Debt in a principal amount equal to or exceeding the Value of such Sale and Lease-Back Transaction secured by a Mortgage on the property to be leased without equally and ratably securing the Debt Securities, or (b) ARCO during or immediately after the expiration of four months after the effective date of such transaction applies to the voluntary retirement of its Funded Debt an amount equal to the greater of: (1) the net proceeds of the sale of the property leased in such transaction or (2) the fair value in the opinion of the Board of Directors of the leased property at the time such transaction was entered into (subject to credits for certain voluntary retirements of Funded Debt, including the Debt Securities). (Sections 5.04 and 5.05)

#### MODIFICATION OF THE INDENTURE

The Indenture contains provisions permitting ARCO and the Trustee, with the consent of the Holders of not less than 50% in principal amount of the Debt Securities of each series affected by the modification or amendment at the time outstanding, to modify the Indenture or any supplemental indenture or the rights of the Holders of the Debt Securities; provided that no such modification shall (a) extend the fixed maturity of any Debt Security, or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof, or change the method of computing the amount of principal thereof at any date, or change the currency in which the Debt Security is payable, without the consent of the Holder of each Debt Security so affected, or (b) reduce the aforesaid percentage of Debt Securities, the consent of the Holders of which is required for any such modification, without the consent of the Holders of all outstanding Debt Securities of such series so affected. (Section 11.02)

#### EVENTS OF DEFAULT

The Indenture defines an Event of Default with respect to a particular series of Debt Securities as being any one of the following events and such other event as may be established for the Debt Securities of such series: (a) default for 30 days in any payment of interest on such series; (b) default in any payment of principal, and premium, if any, on such series when due; (c) default for 30 days in the payment of any sinking fund installment when due; (d) default for 90 days after appropriate notice in performance of any other covenant in the Indenture applicable to that series; or (e) certain events in bankruptcy, insolvency or reorganization. No Event of Default with respect to a particular series of Debt Securities issued under the Indenture necessarily constitutes an Event of Default with respect to any other series of Debt Securities issued thereunder. In case an Event of Default shall occur and be continuing with respect to a particular series of Debt Securities, the Trustee or the Holders of not less than 25% in aggregate principal amount of the Debt Securities then outstanding of the series (or, in the case of defaults under (d) or (e), of the Debt Securities of all series) may declare the principal or, in the case of discounted Debt Securities, the amount specified in the terms thereof, of such series (or of all outstanding Debt Securities, as the case may be) to be due and payable. Any Event of Default with respect to a particular series of Debt Securities may be waived by the Holders of a majority in aggregate principal amount of the outstanding Debt Securities of such series

(or of the outstanding Debt Securities of all series, in the case of defaults under (d) or (e)), except in each case a failure to pay principal, or premium, if any, or interest on such Debt Security. (Section 7.01)

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The Indenture requires ARCO to file annually with the Trustee an Officers' Certificate as to the absence of certain defaults under the terms of the Indenture. (Section 5.08) The Indenture provides that the Trustee may withhold notice to the Holders of the Debt Securities of any default (except in payment of principal, or premium, if any, or interest) if it considers it in the interest of the Holders of the Debt Securities to do so. (Section 7.08)

Subject to the provisions of the Indenture relating to the duties of the Trustee in case an Event of Default shall occur and be continuing, the Indenture provides that the Trustee shall be under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of the Holders of the Debt Securities unless such Holders shall have offered to the Trustee reasonable indemnity. (Sections 7.04, 8.01 and 8.02) Subject to such provisions for indemnification and certain other rights of the Trustee, the Indenture provides that the Holders of a majority in principal amount of the outstanding Debt Securities of the particular series affected shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. (Sections 7.07 and 8.02)

Other than the restrictions on liens and Sale and Lease-Back Transactions described above, the Indenture and the Debt Securities do not contain any covenants or other provisions designed to afford holders of the Debt Securities protection in the event of a highly leveraged transaction involving ARCO or any Subsidiary.

#### CONCERNING THE TRUSTEE

The Bank of New York, the Trustee, also acts as trustee under other indentures of ARCO and extends credit to ARCO and its subsidiaries in the ordinary course of business.

#### CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain United States federal income tax consequences relating to ownership of the Exchangeable Notes. No information is provided herein with respect to foreign, state or local tax laws. This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified so as to result in federal income tax consequences different from those discussed below.

This summary deals only with holders who are initial holders of the Exchangeable Notes and who will hold the Exchangeable Notes as capital assets. It does not address all aspects of United States federal income taxation and does not deal with tax considerations applicable to investors that may be subject to special United States federal income tax treatment, such as dealers in securities or persons holding the Exchangeable Notes as a position in a "straddle" for United States federal income tax purposes or as part of a "synthetic security" or other integrated investment.

As used herein, a "United States Holder" of the Exchangeable Notes means a citizen or resident of the United States, a corporation, partnership or other entity created or organized under the laws of the United States or any political subdivision thereof, an estate or trust the income of which is subject to United States federal income taxation regardless of its source who is the beneficial owner of the Exchangeable Notes. A "Non-United States Holder"

is a holder who is not a United States Holder. All references to "holders" (including United States Holders and Non-United States Holders) are to beneficial owners of the Exchangeable Notes.

No statutory, judicial or administrative authority directly addresses the characterization of the Exchangeable Notes or instruments similar to the Exchangeable Notes for United States federal income

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tax purposes. As a result, significant aspects of the United States federal income tax consequences of an investment in the Exchangeable Notes are not certain. No ruling is being requested from the Internal Revenue Service (the "IRS") with respect to the Exchangeable Notes and no assurance can be given that the IRS will agree with the conclusions expressed herein. ACCORDINGLY, PROSPECTIVE INVESTORS (INCLUDING TAX-EXEMPT INVESTORS) IN THE EXCHANGEABLE NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES OF ACQUIRING, HOLDING AND DISPOSING OF THE EXCHANGEABLE NOTES, INCLUDING THE TAX CONSEQUENCES THAT MAY ARISE UNDER THE LAWS OF ANY FOREIGN, STATE, LOCAL OR OTHER TAXING JURISDICTION.

Pursuant to the terms of the Indenture, ARCO and all holders of the Exchangeable Notes will be obligated to treat the Exchangeable Notes as a unit (the "Unit") consisting of (i) a debt obligation ("Note") with a fixed principal amount unconditionally payable at Maturity equal to the principal amount of the Exchangeable Notes, bearing interest at the stated interest rate on the Exchangeable Notes, and (ii) a forward purchase contract (the "Purchase Contract") pursuant to which the holder agrees to use the principal payment due on the Note to purchase at Maturity the Lyondell Common Stock which the holder is entitled to receive at that time (subject to the Company's right to deliver cash in lieu of the Lyondell Common Stock). The Indenture will require each United States Holder to include currently in income when received or accrued payments denominated as interest that are made with respect to the Exchangeable Notes in accordance with such holder's regular method of tax accounting.

Pursuant to the agreement to treat the Exchangeable Notes as a unit, a holder will be required to allocate the purchase price of the Exchangeable Notes between the two components of the Unit (the Note and the Purchase Contract) on the basis of their relative fair market values. The purchase price so allocated will generally constitute the tax basis for each component. Pursuant to the terms of the Indenture, ARCO and the holders agree to allocate the entire purchase price of the Exchangeable Notes to the Note. Upon the sale or other disposition of Exchangeable Notes, a United States Holder generally will be required to allocate the amount realized between the two components of the Exchangeable Notes on the basis of their then relative fair market values. A United States Holder will recognize gain or loss with respect to each component equal to the difference between the amount realized on the sale or other disposition for each such component and the United States Holder's tax basis in such component. Such gain or loss generally will be long-term capital gain or loss if the United States Holder has held the Exchangeable Notes for more than one year at the time of disposition.

The distinction between capital gain or loss and ordinary income or loss is important for purposes of the limitations on a United States Holder's ability to offset capital losses against ordinary income. In addition, certain individuals are subject to tax at a reduced rate on long-term capital gains.

At Maturity, pursuant to the agreement to treat the Exchangeable Notes as a unit, (i) on the repayment of the Note, a United States Holder will realize long-term capital gain or loss equal to any difference between its tax basis and the principal amount of the Note, (ii) if ARCO delivers Lyondell Common Stock, a United States Holder will realize no additional gain or loss on the exchange, pursuant to the Purchase Contract, of the principal payment due on

the Note for the Lyondell Common Stock, will have a tax basis in such stock equal to the amount of the principal payment, and will realize capital gain or loss upon the sale or disposition of such stock, and (iii) if ARCO pays the Exchangeable Notes in cash, a United States Holder will have gain or loss (which might be ordinary income or loss rather than long-term capital gain or loss) equal to the difference between the principal amount of the Note and the amount of cash received from ARCO.

Due to the absence of authority as to the proper characterization of the Exchangeable Notes, no assurance can be given that the IRS will accept or that a court will uphold the characterization described above. Under alternative tax characterizations of the Exchangeable Notes, it is possible, for example, that (i) gain may be treated as ordinary income, instead of capital gain, (ii) a United States Holder may be

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taxable upon the receipt of Lyondell Common Stock with a value in excess of the principal amount of the Note, rather than upon the sale of such stock, (iii) all or part of the interest income on the Note may be treated as nontaxable, increasing the gain (or decreasing the loss) at Maturity or disposition of the Exchangeable Notes (or disposition of the Lyondell Common Stock) or (iv) the Notes could be considered as issued at a premium which, if amortized, would reduce the amount of interest income currently includible in income by a holder and would increase the taxable gain (or decrease the loss) realized at Maturity or disposition of the Exchangeable Notes (or disposition of the Lyondell Common Stock).

It is possible that the IRS may contend that the Exchangeable Notes should be subject to certain proposed Treasury regulations dealing with "contingent payment" debt instruments (the "Proposed Regulations"). Under the Proposed Regulations, payments made in respect of the Exchangeable Notes (including the value of the Lyondell Common Stock received at Maturity) would be treated first as a nontaxable return of the holder's investment in the Exchangeable Notes and thereafter would be taxable as interest income to the holder.

The IRS has indicated that it is considering withdrawing the Proposed Regulations, and may replace them with a rule that requires some minimum amount of interest income to be accrued on all contingent payment debt instruments. It is impossible to predict whether, or in what manner, the Proposed Regulations may be modified and whether any modifications would apply to the Exchangeable Notes. In addition, the IRS has announced that it intends to promulgate regulations addressing the tax consequences of complex financial instruments which could affect the tax treatment of the Exchangeable Notes.

The Revenue Reconciliation Act of 1993 added Section 1258 to the Code, which may require certain holders of the Exchangeable Notes who enter into hedging transactions or offsetting positions with respect to the Exchangeable Notes to treat all or a portion of their gain as ordinary income rather than as capital gain upon the disposition of the Exchangeable Notes. United States Holders hedging their positions with respect to the Notes should consult their own tax advisors regarding the applicability of this legislation to an investment in the Exchangeable Notes.

#### NON-UNITED STATES HOLDERS

Based on the treatment of the Exchangeable Notes described above, in the case of a Non-United States Holder of the Exchangeable Notes, payments made with respect to the Exchangeable Notes should not be subject to United States withholding tax, provided that such holder complies with applicable certification requirements. Any capital gain realized upon the sale or other disposition of the Exchangeable Notes by a Non-United States Holder will generally not be subject to United States federal income tax unless (i) such gain is effectively connected with a United States trade or business of such

holder; (ii) such gain is treated as effectively connected with a trade or business in the United States because Lyondell is or has been a "United States real property holding corporation" for United States federal income tax purposes and the Non-United States Holder held, directly or indirectly, at any time during the five-year period ending on the date of disposition, more than five percent of the Exchangeable Notes (in which case withholding of such tax may also apply); or (iii) in the case of an individual, such individual is present in the United States for 183 days or more in the taxable year of the sale or other disposition or the gain is attributable to a fixed place of business maintained by such individual in the United States.

As discussed above, alternative characterizations of the Exchangeable Notes for federal income tax purposes are possible. Should an alternative characterization cause payments with respect to the Exchangeable Notes to become subject to withholding tax, ARCO will withhold tax at the statutory rate. However, until the IRS provides further guidance, no tax will be withheld. Non-United States Holders should consult their own tax advisors.

BACKUP WITHHOLDING AND INFORMATION REPORTING

A holder of the Exchangeable Notes may be subject to information reporting and to backup withholding at a rate of 31 percent of certain amounts paid to the holder unless such holder provides proof of an applicable exemption or a correct taxpayer identification number, and otherwise complies with applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be refunded or credited against such holder's United States federal income tax liability, provided that required information is furnished to the IRS.

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, ARCO has agreed to sell to each of the Underwriters named below (the "Underwriters"), and each of such Underwriters, for whom Goldman, Sachs & Co., Merrill Lynch & Co. and Salomon Brothers Inc are acting as representatives, has severally agreed to purchase from ARCO, the respective number of Exchangeable Notes set forth opposite its name below:

<TABLE>  
<CAPTION>

UNDERWRITER -----	NUMBER OF EXCHANGEABLE NOTES -----
<S>	<C>
Goldman, Sachs & Co. ....	
Merrill Lynch & Co. ....	
Salomon Brothers Inc .....	
	-----
Total.....	35,000,000 =====

</TABLE>

Under the terms and conditions of the Underwriting Agreement, the Underwriters are committed to take and pay for all of the Exchangeable Notes offered hereby, if any are taken.

The Underwriters propose to offer the Exchangeable Notes in part directly to the public at the initial public offering price set forth on the cover page of the ARCO Prospectus, and in part to certain securities dealers at such price less a concession of \$ per Exchangeable Note. The Underwriters may allow,

and each such dealer may reallocate, to other dealers a concession not exceeding \$ per Exchangeable Note. After the Exchangeable Notes are released for sale to the public, the offering price and the other selling terms may from time to time be varied by the representatives.

ARCO has granted the Underwriters an option exercisable for 30 calendar days after the date of the ARCO Prospectus to purchase up to an aggregate of an additional 4,921,400 Exchangeable Notes to cover over-allotments, if any. If the Underwriters exercise their over-allotment option, the Underwriters have severally agreed, subject to certain conditions, to purchase approximately the same percentage thereof that the number of the Exchangeable Notes to be purchased by each of them, as shown in the foregoing table, bears to the 35,000,000 Exchangeable Notes offered hereby. The Underwriters may exercise such option only to cover over-allotments in connection with the sale of the Exchangeable Notes offered hereby.

ARCO and Lyondell have agreed not to offer, sell or otherwise dispose of any shares of Common Stock of Lyondell or securities convertible into Common Stock of Lyondell for a period of 120 days after the date of the ARCO Prospectus without the prior written consent of the representatives of the Underwriters, subject to certain exceptions set forth in the Underwriting Agreement.

The Exchangeable Notes will be a new issue of securities with no established trading market. The representatives have advised ARCO that they intend to make a market in the Exchangeable Notes, but the representatives will not be obligated to do so and may discontinue any market making at any time

without notice. No assurance can be given as to the liquidity of the trading market for the Exchangeable Notes.

The Underwriting Agreement provides that ARCO and Lyondell will indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or contribute to payments the Underwriters may be required to make in respect thereof.

EXPERTS

The consolidated financial statements of ARCO, appearing in ARCO's Annual Report on Form 10-K for the year ended December 31, 1993, have been audited by Coopers & Lybrand, independent accountants, as set forth in their report included therein, and are incorporated by reference herein in reliance upon such report and upon the authority of such Firm as experts in accounting and auditing.

LEGAL OPINIONS

The legality of the Exchangeable Notes offered hereby will be passed upon for ARCO by Francis X. McCormack, Esq., General Counsel of Atlantic Richfield Company, 515 South Flower Street, Los Angeles, California 90071. As of May 1, 1994, Mr. McCormack owned directly or indirectly approximately 6,730 shares of Common Stock of ARCO and owned directly options to purchase 62,962 shares of such stock. The legality of the Exchangeable Notes offered hereby will be passed upon for the Underwriters by Cravath, Swaine & Moore, New York, New York. Cravath, Swaine & Moore provides legal services to ARCO from time to time and is currently doing so on certain matters relating to ARCO's investment in Lyondell.

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+INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A +

+REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE +  
+SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY +  
+OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT +  
+BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR +  
+THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE +  
+SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE +  
+UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF +  
+ANY SUCH STATE. +

+++++  
APPENDIX A

SUBJECT TO COMPLETION, DATED MAY 5, 1994

35,000,000 SHARES

[LOGO of Lyondell Petrochemical Company appears here]

COMMON STOCK  
(PAR VALUE \$1.00 PER SHARE)

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This Prospectus relates to 35,000,000 shares of common stock, par value \$1.00 per share (the "Common Stock"), of Lyondell Petrochemical Company (the "Company"), which may be delivered by Atlantic Richfield Company ("ARCO"), at its option, pursuant to the terms of the % Exchangeable Notes due , 199 (the "Exchangeable Notes") of ARCO. This Prospectus is Appendix A to a prospectus of ARCO covering the sale of 35,000,000 Exchangeable Notes. The Company will not receive any of the proceeds from the sale of the Exchangeable Notes or the delivery thereunder of shares of Common Stock covered hereby.

ARCO has granted the underwriters of the Exchangeable Notes a 30-day option to purchase up to an additional 4,921,400 Exchangeable Notes, which may be exchangeable at their maturity for additional shares of Common Stock. Such option has been granted solely to cover over-allotments, if any.

SEE "CERTAIN INVESTMENT CONSIDERATIONS" FOR A DISCUSSION OF CERTAIN CONSIDERATIONS RELEVANT TO AN INVESTMENT IN THE COMMON STOCK.

The Common Stock is traded on the New York Stock Exchange, Inc. ("NYSE") under the symbol "LYO." On May 3, 1994, the last reported sale price of Common Stock on the NYSE Composite Tape was \$25.25 per share. See "Price Range of Common Stock and Dividends."

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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The date of this Prospectus is , 1994.

#### AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information filed by the Company with the Commission may be inspected and copied at the Public Reference Section of the Commission at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549, and at the



following Regional Offices of the Commission: Chicago Regional Office, Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511; and New York Regional Office, Seven World Trade Center, New York, New York 10048. Copies of such material may also be obtained from the Public Reference Section of the Commission at its principal office at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549, at prescribed rates. The Company's registration statements, reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

This Prospectus, which constitutes a part of a registration statement on Form S-3 (the "Registration Statement") filed by the Company with the Commission under the Securities Act of 1933, as amended (the "Securities Act"), omits certain of the information set forth in the Registration Statement. Reference is hereby made to the Registration Statement and to the exhibits thereto for further information with respect to the Company and the securities offered hereby. Statements contained herein concerning the provisions of such documents are necessarily summaries of such documents, and each such statement is qualified in its entirety by reference to the copy of the applicable document filed with the Commission. Copies of the Registration Statement and the exhibits thereto are on file at the offices of the Commission and may be obtained upon payment of the fee prescribed by the Commission, or may be examined without charge at the public reference facilities of the Commission described above.

#### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Company's Annual Report on Form 10-K for the year ended December 31, 1993 ("1993 Form 10-K Report") is incorporated herein by reference.

All documents filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering made hereby shall be deemed to be incorporated by reference in this Prospectus and to be part hereof from the date of filing of such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated herein by reference shall be deemed to be modified or superseded for purposes of the Registration Statement and this Prospectus to the extent that a statement contained herein or in any other subsequently filed incorporated document or in any accompanying prospectus supplement modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Copies of all documents incorporated herein by reference other than exhibits to such documents (unless such exhibits are specifically incorporated by reference) will be provided without charge to each person who receives a copy of this Prospectus upon request to the Company, 1221 McKinney Street, Suite 1600, Houston, Texas 77002, Attention: Assistant Secretary (telephone: (713) 652-7200).

The Company is incorporated in Delaware, and its executive offices are located at 1221 McKinney Street, Suite 1600, Houston, Texas 77002 (telephone: (713) 652-7200).

THE COMPANY HAS BEEN ADVISED THAT IN CONNECTION WITH THE OFFERING OF THE EXCHANGEABLE NOTES BY ARCO, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE EXCHANGEABLE NOTES OR THE COMMON STOCK OF THE COMPANY, OR EACH OF THEM, AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.



## PROSPECTUS SUMMARY

The following summary is qualified in its entirety by reference to, and should be read in connection with, the more detailed information and the consolidated financial statements (including the notes thereto) appearing elsewhere in this Prospectus as well as the information incorporated herein by reference. Unless otherwise indicated or required by context, references to "Lyondell" or the "Company" include its consolidated subsidiaries.

### COMPANY OVERVIEW

Lyondell Petrochemical Company ("Lyondell" or the "Company") is a leading manufacturer and marketer of petrochemicals and, through its interest in LYONDELL-CITGO Refining Company Ltd. ("LCR"), of refined petroleum products. The Company's corporate headquarters and manufacturing facilities are located in the Houston, Texas area.

The Company produces a wide variety of petrochemicals, including olefins (primarily ethylene, propylene and butadiene), polyolefins (low density polyethylene and polypropylene), methanol, MTBE (methyl tertiary butyl ether) and aromatics. Lyondell is the largest domestic merchant marketer of ethylene and propylene, with rated production capacities of 3.6 and 2.1 billion pounds per year, respectively. Lyondell's petrochemical products are primarily commodity chemicals that are sold to customers for use in the manufacture of chemicals, plastics and other synthetic materials. These materials are used, in turn, to produce a wide variety of consumer goods and industrial products.

The Company's refining business is conducted through its approximate 90 percent interest in LCR, which operates a 265,000 barrels per day refinery (the "Refinery"). LCR sells the majority of the gasoline, jet fuel and heating oil it produces to CITGO Petroleum Corporation ("CITGO"), which currently has an approximate 10 percent interest in LCR. LCR also produces fuel oil and aromatics, as well as lubricants for the transportation, oil drilling and food processing industries.

### LYONDELL'S STRATEGY

Lyondell's management believes that the best means to create value for its stockholders is to maximize free cash flow over the long term. Lyondell's strategy is to achieve the lowest possible costs and the highest degree of operational flexibility in order to capture the benefits of cyclical upturns in its businesses and to minimize the impact of downturns. The following are the key elements of the Company's strategy to achieve superior performance throughout the business cycle:

#### . LOW COSTS AND UNIQUE OPERATING FLEXIBILITY IN PETROCHEMICALS

Management believes that Lyondell's cost to produce ethylene is the lowest in the United States and that its olefins plants are the most flexible in the industry. In order to enhance the Company's low cost position, management strives to quickly identify and capitalize on opportunities to use its operating and organizational flexibility, including the ability to recover and upgrade by-products and to optimize integration of its facilities. Lyondell is the only ethylene producer with the flexibility to process from 100 percent petroleum liquids feedstocks (including heavy liquids) to 90 percent natural gas liquids feedstocks as market conditions change. Lyondell also has a unique ability to vary the production ratios of ethylene and propylene in order to capture more profitable market opportunities through its product flexibility unit, which converts ethylene and other light hydrocarbons into propylene. After a doubling of capacity in 1993, this unit is designed to produce up to one billion pounds of propylene per year.

High productivity, lean staffing and a participative management style also are key to the Company's low operating costs. Industry studies show that Lyondell's olefins plants have the highest production per plant-level employee in the industry. Lyondell's lean staff levels and

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minimal expenses have resulted in a five-year average for annual selling, general and administrative expenses (which exclude certain distribution costs) of 2.4 percent of sales, which management believes is among the lowest in the industry.

#### . ENHANCING THE VALUE OF THE REFINING BUSINESS

Management believes the Company has significantly improved the outlook for its refining business through a mutually advantageous arrangement with CITGO and other affiliates of the Venezuelan national oil company, Petroleos de Venezuela, S.A. ("PDVSA"), entered into in 1993.

A crude oil supply agreement (the "Crude Supply Agreement") provides LCR with a 25-year supply of Venezuelan crude oil under a pricing formula that incorporates market prices for refined products as well as deemed yields, deemed operating costs and deemed margins. The Crude Supply Agreement is expected to significantly diminish the impact of market volatility on the refining business and stabilize its cash flow at attractive levels relative to historic performance. Under this arrangement, LCR currently is processing approximately 130,000 barrels per day of heavy crude oil, and upon successful completion of the upgrade project discussed below is expected to process approximately 200,000 barrels per day of very heavy crude oil.

LCR is undertaking a major upgrade project to create a world-class facility capable of refining very heavy grades of crude oil into valuable light products, including reformulated gasoline and low-sulfur diesel. Completion of the upgrade project is anticipated in late 1996 or early 1997. CITGO has entered into a long-term agreement to purchase the upgraded Refinery's gasoline, jet fuel, heating oil and low-sulfur diesel at market-based prices.

In 1993, CITGO contributed \$100 million to LCR for on-going capital projects other than the Refinery upgrade project, giving CITGO an approximate 10 percent interest in LCR. The arrangement with CITGO provides that the Refinery upgrade project will be funded primarily by additional CITGO equity contributions and LCR borrowings, with CITGO funding all interest and fees for the borrowings prior to completion. Upon completion of the upgrade project, when it receives credit for its project-related contributions, CITGO's interest in LCR will increase to approximately 35 percent. CITGO also has a one-time option following completion of the upgrade to make an additional contribution to LCR in order to increase its interest up to 50 percent.

#### . DISCIPLINED CAPITAL SPENDING

The Company's discretionary capital spending strategy focuses on high-return projects that enhance manufacturing efficiency, increase production volume, upgrade product streams or achieve lower operating costs. For example, through a low cost debottleneck project in 1989 the Company increased its ethylene capacity from 2.8 to 3.6 billion pounds per year. Lyondell continues to develop and review both internal and external opportunities to enhance the value of the Company's business through increased cash flow. Examples of this approach are the Company's 1990 acquisition of its polyolefins business and polymers facility, which enhanced its petrochemicals business, and the LCR transaction, which is improving its refining business.

Through the strategy described above, Lyondell expects to maximize cash flow throughout the business cycle by emphasizing low operating costs, high operating flexibility and stable refining margins. Specifically, management expects refining operations to generate relatively stable cash flow, while the Company's large petrochemical capacity positions Lyondell to capture higher cash flows when the petrochemical cycle improves.

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SUMMARY FINANCIAL DATA

<TABLE>  
<CAPTION>

	AS OF OR FOR						
	THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,				
	1994	1993	1993	1992	1991	1990	1989
	(UNAUDITED)						
	(IN MILLIONS, EXCEPT PER SHARE AND CERTAIN OTHER DATA)						
	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<b>INCOME STATEMENT DATA:</b>							
Sales and other operating revenues....	\$ 824	\$1,065	\$3,850	\$4,809	\$5,735	\$6,499	\$5,361
Cost of sales.....	736	1,029	3,627	4,578	5,210	5,777	4,640
Selling, general and administrative expenses.....	34	29	130	127	126	121	108
Operating income.....	54	7	93	104	399	601	613
Net interest expense...	(17)	(17)	(72)	(69)	(60)	(64)	(57)
Minority interest.....	(3)	--	(5)	--	--	--	--
Income tax (provision) benefit.....	(12)	2	(12)	(9)	(117)	(181)	(182)
Income (loss) before cumulative effect of accounting changes....	22	(8)	4	26	222	356	374
Cumulative effect of accounting changes(1).	--	22	22	(10)	--	--	--
Net income.....	\$ 22	\$ 14	\$ 26	\$ 16	\$ 222	\$ 356	\$ 374
Net income (loss) per common share:							
Before cumulative effect of accounting changes.....	\$ .27	\$ (.09)	\$ .06	\$ .32	\$ 2.78	\$ 4.45	\$ 4.67
From cumulative effect of accounting changes.....	--	.27	.27	(.12)	--	--	--
Net income.....	\$ .27	\$ .18	\$ .33	\$ .20	\$ 2.78	\$ 4.45	\$ 4.67
<b>BALANCE SHEET DATA:</b>							
Cash, restricted cash and short-term investments(2).....	\$ 103	\$ 60	\$ 119	\$ 121	\$ 307	\$ 127	\$ 245
Working capital.....	229	176	224	223	375	238	367

Property, plant and equipment, net.....	676	627	655	623	569	568	455
Total assets.....	1,270	1,181	1,231	1,215	1,479	1,372	1,267
Long-term debt, excluding current portion.....	717	722	717	725	554	471	500
Capitalized lease obligations, less current portion.....	--	--	--	--	156	187	214
Common stockholders' equity (deficit).....	(84)	(28)	(88)	(6)	122	38	9
OTHER DATA:							
Capital expenditures... \$	32	\$ 15	\$ 69	\$ 97	\$ 43	\$ 145	\$ 176
Depreciation and amortization(1).....	15	14	58	39	39	31	19
Cash flow provided by operating activities..	29	9	84	108	270	386	538
Distribution to ARCO...	--	--	--	--	--	--	500
Dividends per share.... \$	.225	\$ .45	\$ 1.35	\$ 1.80	\$ 1.75	\$ 4.10(3)	\$ 1.20
	=====	=====	=====	=====	=====	=====	=====
Ethylene, propylene and polymers sales (million pounds).....	1,503	1,307	5,366	5,785	6,000	6,373	5,048
Refined product sales average per day (thousand barrels)....	239	296	263	277	288	301	298

</TABLE>

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- (1) See Note 4 of "Notes to Consolidated Financial Statements."
- (2) As of March 31, 1994 and December 31, 1993, \$46 million and \$73 million of cash and \$22 million and \$6 million of short-term investments, respectively, were restricted for use in LCR capital projects and other expenditures as determined by the LCR owners.
- (3) Includes a \$2.50 per share special dividend paid in the first quarter of 1990.

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#### CERTAIN INVESTMENT CONSIDERATIONS

Prospective investors should carefully consider the specific factors set forth below as well as the other information contained in this Prospectus and the information incorporated herein by reference.

#### IMPACT OF THE EXCHANGEABLE NOTES ON THE MARKET FOR LYONDELL COMMON STOCK

It is not possible to accurately predict how or whether the % Exchangeable Notes due , 199 (the "Exchangeable Notes") of Atlantic Richfield Company ("ARCO") will trade in the secondary market or whether such market will be liquid. Any market that develops for the Exchangeable Notes is likely to influence, and be influenced by, the market for the common stock, par value \$1.00 per share (the "Common Stock"), of Lyondell Petrochemical Company ("Lyondell" or the "Company"). For example, the price of the Common Stock could become more volatile and could be depressed by investors' anticipation of the potential distribution into the market of substantial additional amounts of Common Stock at the maturity of the Exchangeable Notes, by possible sales of Common Stock by investors who view the Exchangeable Notes as a more attractive means of equity participation in Lyondell and by hedging or arbitrage trading activity that may develop involving the Exchangeable Notes and Common Stock.

#### CYCLICALITY AND VOLATILITY OF EARNINGS

The Company's historical operating results reflect the cyclical and volatile nature of both the petrochemical and refining industries. Both industries are

mature and capital intensive, and industry margins are sensitive to supply and demand cycles. As a result, the Company's earnings may be subject to significant fluctuations. In general, external factors beyond the Company's control, such as general economic conditions, competition, international events and circumstances and governmental regulation, can cause volatility in crude oil and other feedstock prices, as well as fluctuations in product prices, volumes, and margins and can magnify the impact of economic cycles on the Company's businesses.

#### UNCERTAIN PETROCHEMICAL INDUSTRY OUTLOOK

The petrochemical industry historically has experienced alternating periods of tight supply, causing prices and margins to increase, followed by periods of substantial capacity additions resulting in oversupply and declining prices and margins. For example, during the mid 1980s, olefins capacity increases did not keep pace with demand and by the 1987-1988 period domestic producers were operating at high capacity utilization rates and prices and margins had increased substantially. The high profitability experienced by the ethylene industry during this period peaked in early 1989. As a result of a downturn in general economic conditions experienced in the late 1980s, the rate of growth in U.S. demand slowed, which in turn had an adverse effect on ethylene margins. In addition, increased olefins and polyolefins capacity in the Far East, as well as increased export sales from Europe and the Middle East to the Far East, adversely affected net U.S. export sales of polyolefins and, therefore, ethylene margins. As a consequence, since 1990, the olefins industry, including the Company, has experienced an overcapacity condition that has resulted in lower average selling prices and low profit margins. Two new ethylene plants, along with other announced plant expansions, with an aggregate capacity of approximately four billion pounds per year (approximately 8.6 percent of current capacity), currently are scheduled to commence operations in the U.S. prior to December 1995. There can be no assurance that future growth in demand for ethylene and its by-products will be sufficient to utilize current and anticipated capacity. Excess capacity, to the extent it occurs, may depress volumes and margins. Furthermore, there can be no assurance that future conditions will not be aggravated by unanticipated industry capacity additions.

#### COMPETITION; RELIANCE ON MERCHANT MARKET

Both the petrochemical and refining industries in which the Company operates are highly competitive. Many of the Company's competitors, particularly in petrochemicals, are larger and have greater financial resources than the Company. Among Lyondell's petrochemical competitors are some

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of the world's largest chemical companies. In the last several years, there have been a number of mergers, acquisitions and spin-offs in the petrochemical industry. This restructuring activity may result in fewer but more competitive producers with greater financial resources than the Company.

As a producer of olefins primarily for the merchant market, Lyondell may experience greater variations in its sales volumes and profitability when industry supply and demand relationships are at extremes in comparison to more integrated competitors, i.e., those with a higher proportion of captive demand for olefins derivatives production. Among the refining competitors of LYONDELL-CITGO Refining Company Ltd. ("LCR") are major integrated petroleum companies that have their own raw material resources and, in many cases, downstream markets, both of which tend to decrease the impact of business cycles on these competitors' sales volumes and profitability.

#### LCR TRANSACTION AND REFINERY UPGRADE PROJECT

REFINERY UPGRADE PROJECT COST AND POTENTIAL DELAYS. The ultimate cost to LCR of the upgrade project at its refinery (the "Refinery") will have a significant

impact on the value to the Company of the LCR transaction with CITGO Petroleum Corporation ("CITGO"). The cost of the upgrade project based on preliminary engineering, was initially estimated to be approximately \$800 million. Preliminary engineering, or "scoping quality" estimates, are generally regarded as valid within a range of plus or minus 30 percent of the ultimate installed costs, assuming no significant changes to the scope of a project. LCR is currently in the process of preparing definitive engineering, which includes several enhancements that LCR's management believes will increase the upgraded Refinery's profitability. Although this engineering is not sufficiently developed to permit a formal update of the estimate, LCR's management currently believes that, when updated later this year, the estimated cost of the upgrade project will be higher than \$800 million, although not in excess of the range of the original estimate. The final cost of the project will be influenced by numerous factors, many of which are beyond LCR's control, including the timing and terms of necessary construction, operating and regulatory permits, as well as construction schedule delays whether caused by adverse weather conditions, material shortages, labor disputes or otherwise. In addition, there can be no assurance that LCR will be able to obtain the numerous required regulatory and environmental approvals, or that this process will not result in unanticipated delays.

FINANCING OF REFINERY UPGRADE PROJECT AND POTENTIAL LIMITATIONS ON LCR DISTRIBUTIONS. A significant portion of the funds for the Refinery upgrade project are to be provided pursuant to CITGO's contractual commitments to LCR as well as by financing at the LCR level. To the extent that LCR cannot obtain financing for its share of costs, CITGO and the Company each will fund one half of the cost of the upgrade project in excess of \$300 million. See "The Company--Refining--LCR Transaction." There can be no assurance that CITGO will meet its remaining funding obligations or that LCR will be able to obtain either construction loans or any other financing of sufficient magnitude or on terms acceptable to it or to the Company and CITGO. The failure to obtain such funding or loans could delay or decrease the scope of the Refinery upgrade project, require the Company to loan or contribute additional amounts to LCR or to guarantee its borrowings, and affect the repayment by LCR of Company loans. The Company's ability to make contributions to LCR may, under certain circumstances, be restricted by the Company's \$400 million credit facility. In addition, the existence of significant levels of financing at the LCR level and the terms of the related financing agreements could restrict LCR's ability to make cash distributions or otherwise impair the financial flexibility of the Company, including its ability to obtain additional financing or to renew its existing long-term debt. In addition, LCR may enter into other financing arrangements following the completion of the upgrade project.

CRUDE SUPPLY AGREEMENT. The pricing of the crude oil purchased by LCR under the crude supply agreement (the "Crude Supply Agreement") is based upon published market prices of refined products, deemed yields, deemed operating costs and deemed margins. If the actual yields, costs or volumes

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differ substantially from those contemplated by the Crude Supply Agreement, the benefits of this agreement to LCR could be substantially diminished, and it could result in lower earnings and cash flow. Furthermore, there may be periods during which LCR's costs for crude oil under the Crude Supply Agreement may be higher than might otherwise be available to LCR from other sources.

The supplier of crude oil under the Crude Supply Agreement is Lagoven, S.A. ("Lagoven"), which like CITGO is a subsidiary of Petroleos de Venezuela, S.A. ("PDVSA"), the Venezuelan national oil company. There are risks associated with enforcing the provisions of contracts with companies such as Lagoven that are non-United States affiliates of a sovereign nation. It is impossible to predict how governmental policies may change under the current or any subsequent Venezuelan government. In addition, there are risks associated with enforcing judgments of United States courts against entities whose assets may be located

outside of the United States and whose management does not reside in the United States. Although the parties have negotiated alternative arrangements in the event of certain force majeure conditions, including governmental or other actions restricting or otherwise limiting Lagoven's ability to perform its obligations, any such alternative arrangements may not be as beneficial as the Crude Supply Agreement. In the event that CITGO transfers its interest in LCR to an unaffiliated third party after the completion of the Refinery upgrade project, Lagoven has an option to terminate the Crude Supply Agreement. Depending on then current market conditions, breach or termination of the Crude Supply Agreement could adversely affect the Company. There can be no assurance that alternative crude oils with similar margins would be available for purchase by LCR. Furthermore, the breach or termination of the Crude Supply Agreement would require LCR to return to the practice of purchasing all of its crude oil feedstocks in the merchant market and would again subject LCR to significant volatility and price fluctuations.

HEAVY CRUDE OIL PROCESSING. The heavy (22 degree API gravity) Venezuelan crude oil currently being processed by LCR under the Crude Supply Agreement contains high levels of heavy metals, naphthenic acids, sulfur and residual fuels, which make it more difficult to process than lighter, sweeter crude oils. The Refinery began processing Venezuelan crude oil in the third quarter of 1992. Although the Company and LCR have made significant progress in identifying and overcoming obstacles inherent in processing high volumes of heavy Venezuelan crude oil, unplanned shutdowns of two units were necessary during 1993 to address limitations and improve processing efficiency. There can be no assurance that there will not be additional operational interruptions or that the current processing of approximately 130,000 barrels per day of Venezuelan crude oil can be sustained. See "The Company--Refining-- LCR Transaction."

The design of the Refinery upgrade project is based on proven technology and is intended to result in the processing of 200,000 barrels per day of very heavy (17 degree API gravity) Venezuelan crude oil after completion of the project, which is currently expected in late 1996 or early 1997. To the Company's knowledge, no refinery has previously processed this quantity of 17 degree API gravity crude oil. Although the Company does not presently anticipate such developments, the design, construction, start up and testing of the upgrade project are subject to all of the risks of and the consequential expenses related to such matters as design errors, construction accidents, fires, explosions and similar events that can potentially affect large complex manufacturing projects built within substantial existing refining, petrochemical or other manufacturing plant sites. In addition, there can be no assurance that the anticipated post-upgrade processing of very heavy (rather than heavy) Venezuelan crude oil will not require significant additional design or operational modifications. Furthermore, unanticipated difficulties in eventually achieving the designed processing capability of the upgraded Refinery may under certain circumstances result in LCR not being able to satisfy its minimum processing requirements under the Crude Supply Agreement. As a consequence, LCR would be required to renegotiate or obtain other contractual relief with respect to these minimum requirements. Any such risks, modifications or delays could result in significantly increased costs for the project or negatively affect LCR's operating results.

#### FINANCING RISKS; POTENTIAL DILUTION

To the extent that the Company requires additional financing, whether to pursue an expansion, acquisition or other enhancement of its business, or for other purposes, the primary sources for such financing will be the Company's internal cash flow, additional debt or equity financing or a combination thereof. There can be no assurance that any such debt or equity financing can be obtained on terms acceptable to the Company. In addition, the existence of financing at the LCR level could impair the financial flexibility of the



Company. To the extent the Company finances such activities through the issuance of additional equity securities, the equity interests of its holders of Common Stock could be substantially diluted. In addition, the Company's \$400 million credit facility may restrict under certain circumstances the Company's ability to incur additional indebtedness. See "Financial Matters--Long-Term Debt and Financing Arrangements."

#### OPERATING RISKS

Lyondell has two major operating facilities, the petrochemical complex in Channelview, Texas (the "Channelview Complex") and the Refinery, and the loss or shutdown over an extended period of operations at either such facility would have a material adverse effect on the Company. The Company's operations are subject to the usual hazards associated with petrochemical manufacturing, petroleum refining, and the related storage (including in underground salt domes) and transportation of feedstocks and products, including pipeline leaks and ruptures, explosions, fires, inclement weather and natural disasters, mechanical failure, unscheduled downtime, transportation interruptions, oil and chemical spills, discharges or releases of toxic substances or gases, storage tank leaks, and other environmental risks. These hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and may result in suspension of operations. The Company maintains property, business interruption and casualty insurance which it believes is in accordance with customary industry practices, but it is not fully insured against all potential hazards incident to its business.

#### ENVIRONMENTAL AND OTHER GOVERNMENT REGULATIONS

The Company's operations are subject to extensive environmental, health and safety laws and regulations promulgated by federal, state and local governments. Many of these laws and regulations provide for substantial fines and criminal sanctions for violations. The nature of the petrochemical and refining industries exposes the Company to risks of liability due to the production, storage, transportation and sale of materials that can cause contamination or personal injury if released into the environment. In addition, environmental laws may have a significant effect on the nature and scope of cleanup of contamination at operating facilities and the costs of transportation and storage of feedstocks and finished products. The Company believes that its business, operations and facilities have been and are being operated in compliance in all material respects with all such applicable laws and regulations. However, the operation of any petrochemical and refining business entails risks in this area, and there can be no assurance that material costs or liabilities will not be incurred.

Lyondell expects that the nature of its businesses will continue to subject the Company to increasingly stringent environmental and other regulatory standards. It is difficult to predict the future development of such laws and regulations or their impact on future earnings and operations, but the Company anticipates that these standards will continue to require increased capital expenditures. In particular, the ultimate effect of the Clean Air Act on the Company's operations will depend on how the law is interpreted and implemented pursuant to regulations that are currently being developed and on additional factors such as the evolution of environmental control technologies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Environmental Matters" and "The Company--Environmental Matters."

The Company's policy is to accrue remediation costs when it is probable that such efforts will be required and the related costs can be reasonably estimated. Estimated costs for future environmental compliance and remediation are necessarily imprecise due to such factors as the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the



identification of presently unknown remediation sites and the allocation of costs among the responsible parties under applicable statutes. On a quarterly basis, the Company evaluates the status of all significant existing or potential environmental issues, develops or revises estimates of costs to satisfy known remediation requirements and adjusts its accruals accordingly; as of March 31, 1994, the reserve was \$24 million. Based upon information presently available, the Company does not expect that such future costs will have a material adverse effect on its competitive or financial position or its ongoing results of operations. However, it is not possible to predict accurately the amount or timing of costs of any future environmental remediation requirements. Such costs could be material to future quarterly or annual results of operations. In addition, the "Superfund" statutes may impose joint and several liability for the costs of remedial investigations and actions on the entities that arranged for disposal of the wastes, the waste transporters that selected the disposal sites and the past and present owners and operators of such sites; responsible parties (or any one of them, including the Company) may be required to bear all of such costs regardless of fault, legality of the original disposal or ownership of the disposal site. In such event, the amount owed by the Company for liabilities at Superfund sites would be significantly greater.

#### CERTAIN RELATED PARTY MATTERS

ARCO and its affiliates are important customers and, in some cases, suppliers of materials and services, of the Company. During 1993, for instance, the Company sold \$263 million (or 17 percent of petrochemical sales) of products and services to ARCO Chemical Company, an affiliate of ARCO. Subject to the contractual agreements that are currently in place with ARCO and its affiliates, there can be no assurance that these existing business relationships will be continued unchanged after the offering of the Exchangeable Notes. ARCO has expressed its current intention as to how it will vote its shares of Lyondell Common Stock, and ARCO and Lyondell have entered into an agreement limiting certain of ARCO's rights as a stockholder of Lyondell. See "Relationship with ARCO--General" and "--Registration Rights Agreement with ARCO." Notwithstanding ARCO's current intentions and applicable contractual restrictions, there is no assurance regarding the extent to which its influence on the Company's actions and decisions will be limited.

#### POTENTIAL RESTRICTIONS ON DIVIDEND PAYMENTS

In 1993, the Company decreased the amount of its regular quarterly dividend from \$0.45 to \$0.225 per share as a result of the Board of Directors' decision that the previous level was no longer appropriate in light of current business conditions. The future declaration and payment of dividends and the amount thereof will depend upon the Company's results of operations, financial condition, cash position and requirements, investment opportunities, future prospects and other factors deemed relevant by the Board of Directors.

Pursuant to the terms of its \$400 million unsecured credit facility (the "Credit Facility"), the Company is subject to several restrictive covenants including a restriction as to the payment of dividends. In addition, certain of the Company's debt instruments contain provisions (the "Put Rights") that provide that the holders of such debt may under certain circumstances require the Company to repurchase the debt at par. The Put Rights may be triggered by, among other things, the making of certain unearned distributions to stockholders, other than regular dividends, that are followed by a specified decline in the public ratings on such debt. Regular dividends are defined in the Company's debt instruments as those quarterly cash dividends determined in good faith by the Company's Board of Directors (whose determination is conclusive) to be appropriate in light of the Company's results of operations and capable of being sustained. See "Financial Matters--Long-Term Debt and Financing Arrangements." The Credit Facility includes restrictive covenants regarding the incurrence of additional debt, the maintenance of certain fixed charge coverage and leverage ratios and the making of contributions to LCR, as

well as the payment of dividends to the extent the Company's net income after January 1, 1994 generally does not exceed, over time, dividends declared or paid after that date. As of March 31, 1994, approximately \$90 million was available for the payment of dividends, and the

Company is currently in compliance with the financial and other covenants in the Credit Facility and its other debt instruments. However, if the Company were to fail to comply with any of its financial covenants, there can be no assurance that as a condition to waiving any default or otherwise providing the Company with continued access to credit, lenders would not impose certain restrictions on the Company's operations, including a requirement that the Company eliminate or severely restrict dividend payments.

PRICE RANGE OF COMMON STOCK AND DIVIDENDS

The Common Stock is listed on the New York Stock Exchange ("NYSE") under the trading symbol "LYO." ARCO has advised the Company that, as of May 3, 1994, ARCO owned 39,921,400 shares of the Common Stock, which represented 49.9 percent of the outstanding shares.

The reported high and low sale prices of the Common Stock based on the New York Stock Exchange Composite Tape for each quarter from January 1, 1992 through May 3, 1994, inclusive, were:

<TABLE>  
<CAPTION>

PERIOD	HIGH	LOW
-----	-----	-----
<S>	<C>	<C>
1992		
First Quarter.....	\$25 3/4	\$22 1/8
Second Quarter.....	25 7/8	21 1/8
Third Quarter.....	25 5/8	21 3/8
Fourth Quarter.....	25 1/2	23 1/8
1993		
First Quarter.....	29 1/2	23 3/4
Second Quarter.....	26 5/8	19
Third Quarter.....	21 5/8	16 3/4
Fourth Quarter.....	21 1/2	18 3/8
1994		
First Quarter.....	23 7/8	20 5/8
Second Quarter (through May 3).....	25 1/4	21 1/8

</TABLE>

On May 3, 1994 the closing price of the Common Stock was \$25.25 and there were approximately 3,000 record holders of the Common Stock.

On May 4, 1994, the Board of Directors declared a quarterly dividend in the amount of \$0.225 per share payable on June 15, 1994 to stockholders of record on May 18, 1994. During the last two full years, Lyondell has declared per share quarterly cash dividends (which were paid in the subsequent quarter) as follows:

<TABLE>  
<CAPTION>

	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
1992.....	\$0.45	\$0.45	\$0.45	\$0.45
1993.....	\$0.45	\$0.225*	\$0.225	\$0.225

</TABLE>

\*On July 23, 1993, the Board of Directors decreased the amount of the regular quarterly dividend from \$0.45 to \$0.225 per share. For a discussion of this dividend reduction, see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Current Business Outlook."

The declaration and payment of dividends is at the discretion of the Board of Directors of the Company. The future declaration and payment of dividends and the amount thereof will be dependent upon the Company's results of operations, financial condition, cash position and requirements, investment opportunities, future prospects and other factors deemed relevant by the Board of Directors.

Subject to these considerations and to the legal considerations discussed in the following paragraph, the Company currently intends to distribute to its stockholders cash dividends on its Common Stock at a quarterly rate of \$0.225 per share.

In order to declare and pay dividends in the future, the Company's Board of Directors will have to make the determination that for purposes of the General Corporation Law of the State of Delaware (the "Delaware Law") there is a sufficient amount of surplus (the amount by which its assets exceed its liabilities and capital) or sufficient net profits at that time. In determining the amount of surplus of the Company for purposes of Delaware Law, the Company's assets, including the stock of any of its subsidiaries, may be valued by the Board of Directors at their current market value. If prior to or as a result of any future dividend the Company had a negative stockholders' equity (as is currently the case), the Company's Board of Directors would have to make the determination that, based upon its familiarity with the Company's business, prospects and financial condition, the Company's recent earnings history, an appraisal of the Company's assets and discussions with the Company's executive officers, legal department and accountants, the dividend was a permitted dividend under Delaware Law.

For a discussion of possible restrictions on the payment of dividends, see "Certain Investment Considerations--Potential Restrictions on Dividend Payments."

CAPITALIZATION

The following table sets forth the capitalization of the Company as of March 31, 1994. This table should be read in conjunction with the historical financial statements of the Company and the related notes thereto appearing elsewhere in this Prospectus.

<TABLE>  
<CAPTION>

	MARCH 31, 1994
	-----
<S>	<C>
Long-term debt, excluding current portion.....	\$ 717
Stockholders' equity (deficit):	
Common stock, \$1 par value, 250,000,000 shares authorized, 80,000,000 issued and outstanding(1).....	80
Additional paid-in capital.....	158
Accumulated deficit.....	(322)
	-----
Total stockholders' deficit.....	(84)
	-----
Total capitalization.....	\$ 633
	=====

</TABLE>  
- - - - -

(1) Excludes 1,464,328 shares of Common Stock issuable pursuant to outstanding employee stock options at March 31, 1994.

SELECTED FINANCIAL DATA

The following selected income statement and balance sheet data for each of the five years in the period ending December 31, 1993, have been derived from financial statements audited by Coopers and Lybrand, independent accountants. Their report on the Company's financial statements as of December 31, 1993 and 1992 and for each of the three years for the period ended December 31, 1993 is included elsewhere in this Prospectus. The historical financial data set forth with respect to the Company as of and for the three months ended March 31, 1994 and 1993 have been derived from unaudited financial statements that, in the opinion of management, reflect all normal recurring adjustments necessary for a fair presentation of such data. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. This information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with the consolidated financial statements and notes thereto appearing elsewhere in this Prospectus.

<TABLE>  
<CAPTION>

	AS OF OR FOR						
	THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,				
	1994	1993	1993	1992	1991	1990	1989
	(UNAUDITED)						
	(IN MILLIONS, EXCEPT PER SHARE AND CERTAIN OTHER DATA)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
INCOME STATEMENT DATA:							
Sales and other operating revenues....	\$ 824	\$1,065	\$3,850	\$4,809	\$5,735	\$6,499	\$5,361
Cost of sales.....	736	1,029	3,627	4,578	5,210	5,777	4,640
Selling, general and administrative expenses.....	34	29	130	127	126	121	108
Operating income.....	54	7	93	104	399	601	613
Net interest expense...	(17)	(17)	(72)	(69)	(60)	(64)	(57)
Minority Interest.....	(3)	--	(5)	--	--	--	--
Income tax (provision) benefit.....	(12)	2	(12)	(9)	(117)	(181)	(182)
Income (loss) before cumulative effect of accounting changes....	22	(8)	4	26	222	356	374
Cumulative effect of accounting changes(1).	--	22	22	(10)	--	--	--
Net income.....	\$ 22	\$ 14	\$ 26	\$ 16	\$ 222	\$ 356	\$ 374
Net income (loss) per common share:							
Before cumulative effect of accounting changes.....	\$ .27	\$ (.09)	\$ .06	\$ .32	\$ 2.78	\$ 4.45	\$ 4.67

From cumulative effect of accounting changes.....	--	.27	.27	(.12)	--	--	--
Net income.....	\$ .27	\$ .18	\$ .33	\$ .20	\$ 2.78	\$ 4.45	\$ 4.67

BALANCE SHEET DATA:

Cash, restricted cash and short-term investments(2).....	\$ 103	\$ 60	\$ 119	\$ 121	\$ 307	\$ 127	\$ 245
Working capital.....	229	176	224	223	375	238	367
Property, plant and equipment, net.....	676	627	655	623	569	568	455
Total assets.....	1,270	1,181	1,231	1,215	1,479	1,372	1,267
Long-term debt, excluding current portion.....	717	722	717	725	554	471	500
Capitalized lease obligations, less current portion.....	--	--	--	--	156	187	214
Common stockholders' equity (deficit).....	(84)	(28)	(88)	(6)	122	38	9

OTHER DATA:

Capital expenditures...	\$ 32	\$ 15	\$ 69	\$ 97	\$ 43	\$ 145	\$ 176
Depreciation and amortization(1).....	15	14	58	39	39	31	19
Cash flow provided by operating activities..	29	9	84	108	270	386	538
Distribution to ARCO...	--	--	--	--	--	--	500
Dividends per share....	\$.225	\$ .45	\$ 1.35	\$ 1.80	\$ 1.75	\$ 4.10 (3)	\$ 1.20
Ethylene, propylene and polymers sales (million pounds).....	1,503	1,307	5,366	5,785	6,000	6,373	5,048
Refined product sales average per day (thousand barrels)....	239	296	263	277	288	301	298

</TABLE>

- (1) See Note 4 of "Notes to Consolidated Financial Statements."  
(2) As of March 31, 1994 and December 31, 1993, \$46 million and \$73 million of cash and \$22 million and \$6 million of short-term investments, respectively, were restricted for use in LCR capital projects and other expenditures as determined by the LCR owners.  
(3) Includes a \$2.50 per share special dividend paid in the first quarter of 1990.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

On July 1, 1993, the Company and CITGO announced the commencement of operations of LCR, a new entity owned by subsidiaries of the Company and CITGO. LCR owns and operates the refining business formerly owned by the Company, including the full-conversion Refinery. LCR is undertaking a major upgrade project at the Refinery to enable the facility to process substantial additional volumes of very heavy crude oil. CITGO is providing a major portion of the funds for the upgrade project and has provided in excess of \$100 million for funding other capital projects.

The cost of the upgrade project, based on preliminary engineering, was

initially estimated to be approximately \$800 million. Preliminary engineering, or "scoping quality" estimates, are generally regarded as valid within a range of plus or minus 30 percent of the ultimate installed costs, assuming no significant changes to the scope of a project. Definitive engineering for the upgrade project is still in progress and design enhancements have been made to the project scope. LCR's management expects the next cost estimate for the project (which may be available in the second quarter of 1994) to be higher than \$800 million, although not in excess of the range of the original estimate.

On July 1, 1993, LCR entered into a long-term Crude Supply Agreement with Lagoven, an affiliate of CITGO. In addition, under terms of a long-term product sales agreement ("Products Agreement"), CITGO is purchasing a substantial portion of the refined products produced at the Refinery. Both Lagoven and CITGO are subsidiaries of PDVSA, the national oil company of Venezuela.

Prior to July 1, 1993, the petrochemical and refining operations of the Company were considered to be a single segment due to the integrated nature of their operations. However, these operations are now considered to be separate segments due to the formation of LCR and the related separate management and operations of that entity.

The petrochemical segment consists of olefins, including ethylene, propylene, butadiene, butylenes and specialty products; polyolefins, including polypropylene and low density polyethylene; aromatics produced at the Channelview Complex, including benzene and toluene; methanol and refinery blending stocks.

The refining segment consists of refined petroleum products, including gasoline, heating oil and jet fuel; aromatics produced at the Refinery, including benzene, toluene, paraxylene and orthoxylene; lubricants; olefins feedstocks and crude oil resales.

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The following table sets forth sales volumes for the Company's major products, for the periods indicated. Sales volumes include production, purchases of products for resale, propylene production from the product flexibility unit and draws from inventory.

<TABLE>  
<CAPTION>

	FOR THREE MONTHS ENDED		FOR YEAR ENDED DECEMBER 31,		
	MARCH 31, 1994	MARCH 31, 1993	1993	1992	1991
Selected petrochemical products (millions) (excluding intersegment sales):					
Ethylene, propylene and polymers (pounds).....	1,503	1,307	5,366	5,785	6,000
Other olefins (pounds).....	329	287	1,150	1,158	1,112
Methanol (gallons).....	54	49	225	212	224
Aromatics (gallons).....	36	28	125	112	108
Refined products (thousand barrels per day) (excluding intersegment sales):					
Gasoline.....	112	140	120	125	131
Heating oil (no. 2 distillate).....	50	64	62	60	74
Jet fuel.....	24	39	30	38	33

Aromatics.....	9	11	10	11	11
Other refined products.....	44	42	41	43	39
	-----	-----	-----	-----	-----
Total refined products volumes...	239	296	263	277	288
	=====	=====	=====	=====	=====

</TABLE>

The following table sets forth the Company's sales and other revenues, excluding intersegment sales, for the periods indicated:

<TABLE>  
<CAPTION>

	FOR THREE MONTHS ENDED MARCH 31,		FOR YEAR ENDED DECEMBER 31,		
	1994	1993	1993	1992	1991
	-----				
	(MILLIONS OF DOLLARS)				
	<C>	<C>	<C>	<C>	<C>
Petrochemical products:					
Ethylene, propylene and polymers.....	\$208	\$ 204	\$ 808	\$ 939	\$1,135
Other olefins.....	43	41	169	177	171
Methanol.....	27	19	89	77	100
Aromatics.....	32	30	120	121	130
Other petrochemical products and other revenues.....	30	30	140	95	130
	-----	-----	-----	-----	-----
Total petrochemical products sales.....	340	324	1,326	1,409	1,666
	-----	-----	-----	-----	-----
Refined products:					
Gasoline.....	187	285	950	1,123	1,289
Heating oil (no. 2 distillate).....	85	128	481	510	667
Jet fuel.....	43	82	245	342	316
Aromatics.....	37	45	167	193	195
Other refined products and other revenues...	71	74	280	339	294
	-----	-----	-----	-----	-----
Total refined products sales.....	423	614	2,123	2,507	2,761
	-----	-----	-----	-----	-----
Crude oil resales (*).....	61	127	401	893	1,308
	-----	-----	-----	-----	-----
Total.....	\$824	\$1,065	\$3,850	\$4,809	\$5,735
	=====	=====	=====	=====	=====

</TABLE>

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(\*) Crude oil resales consist of revenues from the resale of previously purchased crude oil and from locational exchanges of crude oil that are settled on a cash basis. Crude oil exchanges and resales facilitate the operation of the Company's petroleum processing business by allowing the Company to optimize the crude oil feedstock mix in response to market conditions and refinery maintenance turnarounds and also to reduce transportation costs.

RESULTS OF OPERATIONS

OVERVIEW

Three Months Ended March 31, 1994 and 1993

Net income for the first quarter of 1994 was \$22 million or \$0.27 per share



compared to a net income of \$14 million or \$0.18 per share for the first quarter of 1993. First quarter 1993 earnings included a \$22 million favorable adjustment for the cumulative effect, for prior periods, associated with a change in accounting for major maintenance turnarounds. Excluding the effect of this accounting change, earnings improved \$30 million during the first quarter of 1994 compared to the first quarter of 1993. This improvement was primarily due to higher margins for refined products and certain petrochemical products and higher ethylene sales volumes.

Net income was \$8 million higher for the first quarter of 1994 compared to the fourth quarter of 1993. This increase was primarily due to higher ethylene sales volumes and higher petrochemical margins. Partially offsetting these improvements was the absence during the current period of net favorable adjustments of \$4 million recorded in the earlier period consisting of a contract amendment and LIFO inventory adjustments, partially offset by increases in the environmental reserve.

Years Ended December 31, 1993, 1992 and 1991

Net income for 1993 was \$26 million or \$0.33 per share compared with \$16 million or \$0.20 per share in 1992 and \$222 million or \$2.78 per share in 1991. Earnings for 1993 included a net \$13 million after-tax benefit associated with a change in accounting for major maintenance turnarounds consisting of a \$22 million favorable adjustment for the cumulative effect related to prior periods, partially offset by a \$9 million charge to current operations. Earnings for 1992 reflect a net after-tax charge of \$10 million for the cumulative effect related to prior periods of adopting Financial Accounting Standards Board mandated accounting standards for postretirement benefits and income taxes. Excluding the effect of these accounting changes, the earnings decline was primarily due to lower ethylene sales volumes and lower polyolefins margins, partially offset by higher refined products margins. The decrease in 1992 versus 1991 resulted primarily from lower refining and ethylene margins as well as higher maintenance expenses for scheduled and unscheduled downtime at the Refinery.

The 1993 results included after-tax charges of \$11 million consisting of the cancellation of a capital project, an increase in the environmental reserve and a workforce reduction and realignment and an additional charge of \$3 million for an adjustment to deferred income taxes associated with an increase in the federal income tax rate. These charges were partially offset by a benefit of \$7 million due to a contract adjustment and LIFO inventory profits. Net income in 1992 included a benefit of \$3 million due to an insurance recovery. This compares to a benefit of \$25 million in 1991 primarily associated with insurance and litigation settlements and LIFO inventory profits.

#### PETROCHEMICAL SEGMENT

Three Months Ended March 31, 1994 and 1993

Revenues. Sales and other operating revenues for the first quarter of 1994 were essentially unchanged from period to period at \$384 million compared to \$390 million for the first quarter of 1993. Increases in sales volumes, particularly in olefins, were offset by lower sales prices.

Cost of Sales. Cost of sales was \$335 million in the first quarter of 1994 compared to \$369 million in the first quarter of 1993, a decrease of \$34 million. This decrease was primarily due to lower feedstock prices, reflecting generally lower crude oil costs.

Operating Income. Operating income for the first quarter of 1994 was \$39 million compared to \$12 million in the first quarter of 1993. The \$27 million increase was primarily due to higher ethylene sales

volumes and higher margins for certain petrochemical products. Ethylene and other olefins sales volumes were higher in part due to increased demand driven by improvement in the overall U.S. economy, particularly in the automotive and construction sectors. Improved ethylene margins resulted primarily from lower feedstock costs which more than offset lower ethylene sales prices. Methanol sales margins and volumes were substantially above the earlier period. Methanol margins were higher due to higher sales prices, which more than offset higher feedstock costs.

Operating income for the first quarter of 1994 compared to the fourth quarter of 1993 increased \$6 million. The increase was primarily due to higher ethylene sales volumes and higher margins for petrochemical products. These improvements were partially offset by the absence during the current period of net favorable adjustments amounting to \$11 million (before tax) recorded in the earlier period for the contract amendment and for LIFO inventory adjustments. Higher ethylene and other olefins sales volumes resulted from the increase in demand caused in part by the improvement in certain sectors of the U.S. economy. Margins for methanol and polymers increased primarily due to higher sales prices.

Years Ended December 31, 1993, 1992 and 1991

Revenues. Sales and other operating revenues, including intersegment sales, were \$1.5 billion in 1993 compared to \$1.7 billion in 1992 and \$2.0 billion in 1991. The 1993 decrease of \$169 million compared to 1992 was primarily due to lower olefins and polyolefins sales volumes and prices caused by continued weak demand associated with poor worldwide industry conditions and higher industry production due to reduced maintenance downtime during 1993.

The 1992 decrease in sales and other operating revenues of \$284 million versus 1991 was primarily due to lower sales prices for olefins and methanol. Olefins sales prices were negatively affected by the continued weak worldwide economy and by additional industry production capability due to capacity additions.

Cost of Sales. Cost of sales was \$1.4 billion in 1993 compared to \$1.5 billion in 1992 and \$1.7 billion in 1991. The 1993 decrease of \$124 million compared to 1992 and the 1992 decrease of \$175 million compared to 1991 were principally due to lower olefins feedstock costs due to the curtailment of production resulting from the poor economic conditions and to a lesser extent to lower feedstock prices.

Cost of sales was reduced in 1993 and 1992 by \$5 million and \$2 million, respectively, and was increased \$2 million in 1991 relating to LIFO inventory adjustments.

Operating Income. Operating income amounted to \$57 million in 1993 compared to \$102 million in 1992 and \$213 million in 1991. The decrease of \$45 million in operating income in 1993 compared to 1992 was primarily due to lower ethylene sales volumes and lower polyolefins margins. Ethylene sales volumes and polyolefins margins were lower primarily due to poor industry and economic conditions.

The decrease of \$111 million in operating income in 1992 compared to 1991 was primarily due to lower ethylene and methanol margins. Ethylene margins were negatively affected by the continued weak worldwide economy and by industry capacity additions. Methanol sales prices were lower due to the dissipation during 1992 of the Gulf War related price premium created during 1990 and 1991. Contributing to the decrease in operating income was the absence of a \$12 million one-time gain recorded in 1991 for proceeds received from an out-of-period settlement of litigation.

REFINING SEGMENT

Revenues. Sales and other operating revenues for the first quarter of 1994 were \$535 million compared to \$814 million for the first quarter of 1993. The \$279 million decrease was primarily due to

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lower resale volumes of purchased light products, lower crude oil resales and lower sales prices for refined products. The purchase and resale activity for light refined products conducted for logistic and other reasons declined during the current period as a result of the Products Agreement. Effective with the beginning of LCR operations on July 1, 1993, a majority of the refined products produced at the Refinery is sold to CITGO under the Products Agreement. Crude oil resale volumes were lower due to reduced logistical purchases required to meet refinery feedstock requirements, a significant percentage of which are satisfied by Venezuelan crude oil purchased under the Crude Supply Contract. Refined products sales prices were lower primarily due to lower industry crude oil prices.

Cost of Sales. Cost of sales was \$496 million in the first quarter of 1994, a decrease of \$303 million compared to the first quarter of 1993. This decrease was primarily due to lower volume purchases of light refined products and crude oil and to lower crude oil prices. Purchases of light refined products declined because of the reduction in resale activity. Crude oil purchases were lower primarily due to the reduced need for logistical purchases required to meet refinery feedstock requirements. Lower crude oil prices were due to generally lower industry crude oil prices and to the processing of higher volumes of lower priced Venezuelan crude oil.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were \$13 million in the first quarter of 1994, an increase of \$3 million compared to the first quarter of 1993. Contributing to this increase were higher expenses associated with the ongoing operations of LCR commencing on July 1, 1993.

Operating Income. Operating income for the first quarter of 1994 was \$26 million compared to \$5 million for the first quarter of 1993. The \$21 million increase was primarily due to improved refined products margins. Lower period costs were offset by higher selling, general and administrative expenses. Refined products margins were higher due to processing higher volumes of Venezuelan crude oil purchased under the Crude Supply Contract and to lower industry crude oil prices, which together more than offset lower refined products sales prices.

Operating income for the first quarter of 1994 was higher by \$3 million compared to the fourth quarter of 1993. Refining results benefited from higher Venezuelan crude oil volumes and higher industry margins; however, this improvement was offset by the early January 1994 downtime on two major refining units for completion of maintenance which began in late December 1993. Additionally, lubricants and aromatics showed strong sales improvements in the first quarter of 1994 compared to the fourth quarter of 1993.

Years Ended December 31, 1993, 1992 and 1991

Revenues. Sales and other operating revenues, including intersegment sales, were \$2.8 billion in 1993 compared to \$3.7 billion in 1992 and \$4.5 billion in 1991. The 1993 decrease of \$973 million compared to 1992 was due to lower crude oil resale volumes, lower sales prices for refined products and lower resale volumes of purchased light products. Crude oil resale volumes were lower due to reduced logistical purchases required to meet refinery feedstock requirements which were impacted by higher Venezuelan crude oil volumes purchased under the Crude Supply Agreement. Refined products sales prices were lower as additional industry supply exceeded demand growth due to additions of oxygenates,

primarily MTBE to meet stricter environmental standards, as well as new industry conversion capacity. The purchase and resale activity for light refined products conducted for logistic and other reasons was curtailed during the current period because, effective with the beginning of LCR operations on July 1, 1993, a majority of the refined products produced at the Refinery are now sold to CITGO under the Products Agreement.

The 1992 decrease in sales and other operating revenues of \$790 million versus 1991 was primarily due to lower crude oil resales and to lower sales prices and volumes for refined products. The price premium that existed for refined products during 1991 that was caused by the 1990-1991 Gulf War

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dissipated in 1992 resulting in lower prices. Refined products sales volumes were lower primarily due to lower production resulting from scheduled and unscheduled downtime of major units.

Cost of Sales. Cost of sales was \$2.6 billion in 1993, compared to \$3.6 billion in 1992 and \$4.2 billion in 1991. The 1993 decrease compared to 1992 of \$1,010 million was principally due to lower quantities of crude oil purchased, lower light refined products purchased and lower crude oil prices. Crude oil purchases were lower due to the reduced logistical purchases. Purchases of light refined products were lower primarily due to lower purchases for resale activity. Lower crude oil prices were due to generally lower industry-wide crude oil prices and to the processing of higher volumes of lower priced heavy Venezuelan crude oil purchased under the Crude Supply Agreement.

The 1992 decrease compared to 1991 of \$605 million was principally due to lower crude oil purchases that were resold and to lower refining feedstock costs. Refining feedstock costs were lower primarily due to lower production resulting from the scheduled and unscheduled downtime and a reduction in crude oil runs due to unfavorable margins. Partially offsetting this decrease were higher maintenance expenses related to the scheduled and unscheduled downtime. Cost of sales was reduced in 1991 by \$8 million relating to LIFO inventory profits.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were \$48 million in 1993, compared to \$43 million in 1992 and \$42 million in 1991. The increase in 1993 compared to 1992 of \$5 million resulted primarily from higher personnel and realignment expenses associated with ongoing operations of LCR starting on July 1, 1993.

Operating Income. Operating income amounted to \$81 million in 1993, compared to \$49 million in 1992 and \$235 million in 1991. The \$32 million increase in 1993 compared to 1992 was primarily due to improved refined products margins, partially offset by higher selling, general and administrative expenses. Refined products margins were higher due to processing higher volumes of lower priced heavy Venezuelan crude oil purchased under the Crude Supply Agreement.

The decrease in operating income of \$186 million in 1992 compared to 1991 resulted primarily from lower refined products margins and to higher maintenance expenses. Refined products margins were lower primarily because decreasing product prices more than offset reductions in crude oil costs. Product prices were lower due to the dissipation during 1992 of the Gulf War related price premium created in 1990 and 1991. Higher maintenance expenses and the reduced ability to process higher margin heavy crude oils which resulted from the scheduled and unscheduled downtime of major units during 1992 contributed to lower operating profits. Also contributing to the decrease in operating income during 1992 compared to 1991 was a net reduction in benefits of \$11 million from insurance settlements and lower LIFO inventory profits of \$8 million.

UNALLOCATED AND HEADQUARTERS

Three Months Ended March 31, 1994 and 1993

Minority Interest in LYONDELL-CITGO Refining Company Ltd. Minority interest was \$3 million in the first quarter of 1994, representing CITGO's allocation of LCR's income. LCR began operations on July 1, 1993.

Income Tax. The effective income tax rate during the first quarter of 1994 from continuing operations was 35 percent compared to 24 percent (tax benefit) for the first quarter of 1993. The tax benefit in the first quarter of 1993 was reduced by a charge to state deferred taxes related to Texas franchise taxes.

Years Ended December 31, 1993, 1992 and 1991

Selling, General and Administrative. General and administrative expenses were \$45 million in 1993, \$47 million in 1992 and \$49 million in 1991. The reduction of \$2 million in general and administrative

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expenses in 1993 compared to 1992 and in 1992 compared to 1991 primarily resulted from lower personnel related costs.

Interest Expense and Interest Income. Interest expense was \$74 million in 1993 compared to \$79 million in 1992 and \$74 million in 1991. The \$5 million reduction in interest expense in 1993 compared to 1992 was primarily caused by a reduction of outstanding debt due to the prepayment of amounts due under capitalized leases during April, 1992. The \$5 million increase in 1992 compared to 1991 resulted from higher average debt outstanding in 1992 which more than offset lower interest rates.

Interest income was \$2 million in 1993 compared to \$10 million in 1992 and \$14 million in 1991. The \$8 million decrease in 1993 versus 1992 was primarily due to lower amounts of cash available for investment. The \$4 million decrease in 1992 versus 1991 was primarily due to lower interest rates and to a lesser extent to lower amounts of cash available for investment.

Minority Interest in LYONDELL-CITGO Refining Company Ltd. Minority interest was \$5 million in 1993 representing CITGO's allocation of LCR's income.

Income Tax. The effective income tax rate during 1993 from continuing operations was 73.1 percent compared to 27.3 percent for 1992 and 34.6 percent for 1991. The difference for 1993, between the effective tax rate and the federal statutory rate was primarily due to a charge to state deferred taxes related to Texas franchise taxes and the unfavorable impact on federal deferred taxes of the increase in the federal tax rate. The difference for 1992 was primarily due to a state income tax adjustment, tax exempt income related to company owned life insurance and tax exempt interest.

#### FINANCIAL CONDITION

Three Months Ended March 31, 1994 and 1993

Operating Activities. Cash flow from operations for the first quarter of 1994 was \$29 million, which was net of the annual property tax payments of \$28 million.

Investing Activities. Cash flows associated with investing activities during the first quarter of 1994 included capital expenditures of \$32 million, of which \$12 million was for environmentally related projects and \$10 million was for the upgrade project at the Refinery. CITGO, the minority owner of LCR, contributed \$10 million to LCR for the upgrade project.

Financing Activities. Cash flows associated with financing activities during

the first three months of 1994 included \$18 million of dividend payments and net \$5 million for debt repayments. On May 4, 1994, the Board of Directors declared a regular quarterly dividend in the amount of \$0.225 per share of common stock, payable June 15, 1994 to stockholders of record on May 20, 1994.

Years Ended December 31, 1993, 1992 and 1991

Investing Activities. Cash flows associated with investing activities during 1993 included capital expenditures of \$60 million, excluding \$9 million related to the Refinery upgrade project, of which \$38 million was for environmentally related projects at the Refinery and the Channelview Complex. During 1992, capital expenditures were \$97 million, of which \$57 million was for environmentally related projects. The 1994 capital expenditures budget, excluding the Refinery upgrade project, has been set at \$90 million. The budget provides approximately \$60 million for refinery projects, \$26 million of which are to be funded by Lyondell according to the terms of the agreement with LCR and \$34 million to be funded from the restricted cash balance which was created by CITGO's 1993 contributions to LCR. The remaining \$30 million is for petrochemical projects at the Channelview Complex. In addition to the capital expenditures budget, \$150 million of spending in 1994, funded by CITGO, is planned for the Refinery upgrade project designed to increase the Refinery's ability to process larger volumes of very heavy Venezuelan crude oil.

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As of December 31, 1993, \$73 million of cash and \$6 million of short-term investments were restricted for use in LCR capital projects, including the Refinery upgrade project and other expenditures as determined by the LCR owners.

Financing Activities. Cash flows associated with financing activities during 1993 included \$108 million of dividend payments, \$29 million for scheduled repayments of medium-term notes and \$4 million of net proceeds from short-term debt.

In December 1993, the Company completed a five-year, \$400 million revolving Credit Facility with a group of banks, representing an increase in amount and term compared to the Company's previous \$300 million bank credit facility, which was scheduled to terminate in July, 1994. Borrowings under the new Credit Facility bear interest based on Euro-Dollar, CD or prime rates, at the Company's option. The facility is available for working capital and general corporate purposes as needed. This Credit Facility contains covenants relating to dividend payments, debt incurrence, liens, disposition of assets, mergers and consolidations, fixed charge and leverage ratios and certain investments in LCR. At December 31, 1993, no amounts were outstanding under this Credit Facility. See Note 11 of "Notes to Consolidated Financial Statements."

Effective July 1, 1993, LCR entered into a 364 day unsecured \$100 million revolving credit facility with a group of banks. Under terms of the credit facility, LCR may borrow with interest based on prime, LIBOR or CD rates at LCR's option or have letters of credit issued on its behalf. The facility is available for working capital and general corporate purposes as needed. At December 31, 1993, no amounts were outstanding under this credit facility. See Note 11 of "Notes to Consolidated Financial Statements."

On January 21, 1994, the Board of Directors declared a quarterly dividend in the amount of \$0.225 per share of common stock, payable March 15, 1994 to stockholders of record on February 18, 1994.

During 1993, all of the \$108 million of dividend payments exceeded earnings and profits in 1993, as computed for federal income tax purposes subject to final determination by the Internal Revenue Service, and will be considered a return of capital to all stockholders. See Note 13 of "Notes to Consolidated Financial Statements."



## ENVIRONMENTAL MATTERS

Various environmental laws and regulations impose substantial requirements upon the operations of the Company. The Company's policy is to be in compliance with such laws and regulations, which include, among others, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), as amended, the Resource Conservation and Recovery Act ("RCRA") and the Clean Air Act and Clean Air Act Amendments of 1990. ARCO, along with many other companies, has been named a potentially responsible party ("PRP") under CERCLA in connection with the past disposal of waste at third party waste sites. The Company may have an obligation to reimburse ARCO for a portion of the remediation costs for two of those sites pursuant to a cross-indemnity agreement. For a discussion of this agreement, see "Relationship with ARCO-- Cross-Indemnity Agreement."

The Company reserves for contingencies, including those based upon unasserted claims, that are probable and reasonably estimable. In connection with environmental matters, the Company establishes reserves based upon known facts and circumstances. Based on current environmental laws and regulations, the Company believes that it has adequately reserved for the matters described above and, based upon such reserves, does not anticipate any material adverse effect upon its earnings, operations or competitive position, although the resolution in any reporting period of one or more of these matters could have a material impact on the Company's results of operations for that period.

The environmental reserve on December 31, 1993 was \$24 million. The environmental reserve includes \$0.5 million of estimated advances to ARCO for remediation costs associated with CERCLA waste disposal sites and \$23.5 million of estimated remediation costs related to waste disposal sites

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located within the Company's facilities associated with RCRA. The Company spent \$627,000, \$593,000 and \$1 million in 1993, 1992 and 1991, respectively, relating to CERCLA matters. The Company also spent \$2 million, \$158,000 and \$224,000 in 1993, 1992 and 1991, respectively, in conjunction with RCRA matters. The Company estimates it will incur approximately \$7 million of costs in conjunction with CERCLA and RCRA matters in 1994, an amount which is included in the December 31, 1993 environmental reserve.

## CURRENT BUSINESS OUTLOOK

Lyondell's first quarter 1994 results reflect an improved business environment for both petrochemicals and refining, as well as actions that were taken over the prior year to strengthen the Company. Those actions included the formation of LCR, a significant reduction in capital expenditures from the budgeted amount, implementation of a cost reduction program and the reduction of regular quarterly dividends from \$0.45 per share to \$0.225 per share beginning with the dividend paid in the third quarter of 1993. Profitability and cash flows for the petrochemical and refining businesses are affected by market conditions, feedstock cost volatility, capital expenditures required to meet increasing environmental standards, repair and maintenance costs, and downtime of production units due to turnarounds. Turnarounds on major units can have significant financial impact due to the repair and maintenance costs incurred as well as the associated loss of production, resulting in lower profitability during the period of the turnaround. The methanol unit at the Channelview Complex is currently expected to be shut down for maintenance for approximately six weeks within the next few quarters. In addition, turnarounds on the coker and one of the major crude distillation units at the Refinery currently are scheduled during late 1994; however, the timing of such turnarounds may be accelerated or delayed because of numerous factors, some of which are beyond the Company's control. During these Refinery turnarounds, work will be completed to "tie-in" the crude distillation unit to the upgrade



project, thereby preventing or reducing downtime of the unit that otherwise would be necessary at the completion of the upgrade project.

Management believes that the low costs and operating flexibility of its petrochemical business, as well as its large production capacity, position it to capture higher cash flows if the petrochemical cycle continues to improve. In the first quarter of 1994, the domestic olefins industry operated at close to maximum available capacity. However, additional capacity scheduled to come on-stream in 1994 and rising feedstock prices may negatively affect future operating rates and margins. Management believes the Company has significantly improved the outlook for its refining business by forming LCR which has entered into the Crude Supply Contract and Products Agreement. These arrangements are designed to diminish the impact of market volatility and stabilize cash flow at attractive levels relative to historic performance, although the remaining portion of LCR's crude oil volume continues to be sensitive to market conditions.

Although the future economic environment cannot be known with certainty, the Company believes that the cash flow management, cost reduction and other steps recently taken have positioned it to capitalize on the anticipated improvement in the business environment. Further, the Company believes that business conditions will be such that cash balances, cash generated from operating activities and existing lines of credit will be adequate to meet future cash requirements for scheduled debt repayments, necessary capital expenditures and to sustain for the reasonably foreseeable future the revised regular quarterly dividend. However, the Company continually evaluates its cash requirements and allocates cash in order to maximize stockholder returns.

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Management cautions against projecting any future results based on present or prior earnings levels because of the cyclical nature of the refining and petrochemical industries and uncertainties associated with the United States and worldwide economies and United States governmental regulatory actions.

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## FINANCIAL MATTERS

### OVERVIEW

The Company's primary financial strategy is to use its cash position and cash flow to enhance total return to stockholders as determined by stock appreciation and dividends, while maintaining suitable credit ratings and appropriate financial liquidity. The Company believes that its ability to maintain suitable debt ratings, to fund a capital program appropriate to its asset base, to pay dividends on its Common Stock and to position the Company to benefit from upturns in the business cycle are critical factors in maximizing total return to stockholders.

In 1993, as it became apparent that the downturn in petrochemicals would be broader and more prolonged than previously expected, the Company took action consistent with the strategies described above to improve its ability to generate cash flow. These actions included implementation of a cost reduction program, a reduction of the capital budget and a decrease in the regular quarterly dividend. These and the other actions, as well as management's continued commitment to keep working capital at minimal levels, have better positioned the Company to benefit from an upturn in the business cycle. See "Managements' Discussion and Analysis of Financial Condition and Results of Operations--Current Business Outlook."

### CAPITAL SPENDING

The Company invests discretionary capital in order to improve operating

efficiency, increase production capability in a cost-effective manner, lower operating costs or upgrade the petrochemical components in its product streams. A significant portion of the Company's non-discretionary capital spending is used for projects to improve the health, safety and environmental aspects of its operations, including compliance with government regulations, and for replacing capital assets.

Lyondell places major emphasis on finding innovative solutions to improve its operations without a high level of discretionary capital spending. As one example of this strategy, in order to take advantage of the strong market for its petrochemical products and to reduce operating costs, the Company debottlenecked its two olefins plants and related units in 1989, which increased the rated ethylene capacity from 2.8 to 3.6 billion pounds per year and also increased the capacities of certain downstream units at less than half of the estimated cost of new "grassroots" capacity. Another example of this strategy is the LCR transaction. The funds contributed to LCR by CITGO (other than for the upgrade project) are required to be used for capital spending and other expenditures as determined by the LCR owners, and will substantially reduce the total capital spending that the Company otherwise would be required to make in connection with Refinery operations. See "The Company--Refining--LCR Transaction--Contributions of the Parties."

The petrochemical business capital expenditures totaled \$15 million in 1993, and its capital budget for 1994 is \$30 million, of which approximately \$3 million is for environmentally-related capital projects. The refining business capital expenditures (excluding spending on the upgrade project) totaled \$45 million in 1993. The refining business capital budget (excluding the upgrade project) for 1994 is approximately \$60 million, of which \$48 million is expected to be spent on environmentally-related capital projects. There can be no assurance that the actual capital expenditures spent in 1994 for either business segment will not exceed the amounts budgeted therefor. See "The Company--Environmental Matters" for a discussion of these environmentally-related capital projects.

The Company remains obligated to fund certain Refinery environmentally-related capital projects begun prior to the creation of LCR as well as its share of ongoing Refinery capital improvements; the total of these obligations is estimated to be approximately \$75 million through the completion of the upgrade project. The level and timing of these anticipated capital expenditures will be affected by changes in applicable governmental regulations, including environmental and tax laws. See "The Company--Refining--LCR Transaction--Contributions of the Parties."

As part of its ongoing operations, the Company periodically conducts maintenance turnarounds on its facilities, during which capital expenditures and maintenance expenses as well as lost operating income are typically incurred. In addition, it may become necessary to shut down units between major turnarounds in order to perform less extensive maintenance. Such shutdowns were necessary on the two olefins units at the Channelview Complex during 1993. In addition to the required repairs, other work was performed during the shutdowns which is expected to postpone the next major turnaround on the Company's olefins units. Shutdowns also were necessary on two units at the Refinery during 1993. The methanol unit at the Channelview Complex is currently expected to be shut down for approximately six weeks to perform maintenance later this year. Although turnarounds on principal facilities are usually scheduled well in advance, the timing of such turnarounds can be accelerated or delayed because of numerous factors, many of which are beyond the Company's control. Turnarounds on the coker and one of the major crude distillation units at the Refinery currently are scheduled during late 1994; however the timing of such turnarounds may be accelerated or delayed because of numerous factors, some of which are beyond the Company's control. During these Refinery turnarounds, work will be completed on the crude distillation unit to "tie-in" this unit to the

upgrade project, thereby preventing or reducing downtime of the unit that otherwise would be necessary as part of the upgrade project.

#### LONG-TERM DEBT AND FINANCING ARRANGEMENTS

As of December 31, 1993, the Company had \$717 million of long-term debt consisting of \$300 million of notes due 1996 and 1999, \$200 million of notes due 1997 and 2002 and \$217 million of medium-term notes due from 1995 to 2005.

The notes due 1996 and 1999 and the medium-term notes contain Put Rights that would allow the holders to require the Company to repurchase the debt at par upon the occurrence of certain events combined with specified declines in public ratings on the notes due 1996 and 1999. Events that may trigger the Put Rights include, among other things, (i) acquisitions by persons other than ARCO or the Company of more than 20 percent of the Company's Common Stock, (ii) any merger or transfer of substantially all of the Company's assets in connection with which the Company's Common Stock is changed into or exchanged for cash, securities or other property and (iii) payment of dividends other than regular dividends. See "Certain Investment Considerations--Potential Restrictions on Dividend Payments."

#### Company Unsecured Revolving Credit Facility

During December, 1993, the Company executed the Credit Facility, a five year, \$400 million unsecured revolving credit facility that replaced its existing \$300 million credit facility which was due to expire in July, 1994. At March 31, 1994, no amounts were outstanding under the Credit Facility.

Under the terms of the Credit Facility, the interest rate for borrowings is based on Euro-Dollar, CD or prime rates, at the Company's option, and also is dependent upon the Credit Facility utilization rate and the Company's debt ratings. The Credit Facility contains restrictive covenants regarding the incurrence of additional debt, the maintenance of certain fixed charge coverage and leverage ratios and the provision of contributions to LCR, as well as the payment of dividends. The Company is currently in compliance with the financial and other covenants in the Credit Facility. See "Certain Investment Considerations--Potential Restrictions on Dividend Payments."

#### LCR Unsecured Revolving Credit Facility

Effective July 1, 1993, LCR entered into a 364-day unsecured \$100 million revolving credit facility with a group of banks, including Continental Bank, N.A. as agent. Under terms of the credit facility, LCR may borrow with interest based on prime, LIBOR or CD rates at LCR's option or have letters of credit

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issued on its behalf. The revolving credit facility may be extended at the request of LCR upon consent of the bank group. The credit facility contains covenants that limit LCR's ability to modify certain significant contracts, dispose of assets or merge or consolidate with other entities. At March 31, 1994, no amounts were outstanding under this credit facility. It is currently anticipated that this facility will be renewed or replaced at a level less than \$100 million prior to its expiration.

#### Petrochemical Financing Strategy

Potential funding sources for long-term capital projects, whether involving transactions with third parties or otherwise, could include, without limitation, the Company's current financial resources, potential earnings growth, future borrowings and future issuance of equity securities, as well as possible contractual arrangements such as joint ventures or partnerships. See "The Company--Business Strategy." There is no assurance that such funding could be obtained on terms acceptable to the Company. Both the Company's ability to

undertake and fund its business strategies, and the general level of the Company's capital commitments and expenditures from period to period, will be affected by a variety of factors including, without limitation, the general business environment, as well as changes in applicable government regulations and tax laws. See "Certain Investment Considerations--Financing Risks; Potential Dilution."

For a further discussion of the Company's long-term debt and financing arrangements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Financial Condition" and Note 11 of "Notes to Consolidated Financial Statements."

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## THE COMPANY

### COMPANY OVERVIEW

Lyondell is a leading manufacturer and marketer of petrochemicals and, through its interest in LCR, of refined petroleum products. The Company's corporate headquarters and manufacturing facilities are located in the Houston, Texas area.

The Company produces a wide variety of petrochemicals, including olefins (primarily ethylene, propylene and butadiene), polyolefins (low density polyethylene and polypropylene), methanol, MTBE (methyl tertiary butyl ether) and aromatics. Lyondell is the largest domestic merchant marketer of ethylene and propylene, with rated production capacities of 3.6 and 2.1 billion pounds per year, respectively. Lyondell's petrochemical products are primarily commodity chemicals that are sold to customers for use in the manufacture of chemicals, plastics and other synthetic materials. These materials are used, in turn, to produce a wide variety of consumer goods and industrial products.

The Company's refining business is conducted through its approximate 90 percent interest in LCR, which operates the Refinery. LCR sells the majority of the gasoline, jet fuel and heating oil it produces to CITGO, which currently has an approximate 10 percent interest in LCR. LCR also produces fuel oil and aromatics, as well as lubricants for the transportation, oil drilling and food processing industries.

Lyondell was originally created by ARCO as a separate division (the "Lyondell Division") in 1985 through the combination of the operations of the Channelview Complex and the Refinery. Effective July 1, 1988, ARCO transferred substantially all the assets and liabilities relating to the integrated petrochemical and petroleum processing business of the Lyondell Division to a wholly-owned subsidiary incorporated under the laws of the state of Delaware. In February, 1990, the Company acquired a polypropylene plant and a low density polyethylene plant located in Pasadena, Texas (the "Polymers Facility"). On July 1, 1993 the Company and CITGO announced the commencement of operations of LCR, a new entity formed and owned by the Company and CITGO in order to own, operate and upgrade the Company's refining business.

In exchange for the initial transfer of petrochemical and refining assets and liabilities in 1988, Lyondell issued ARCO additional shares of its Common Stock, bringing ARCO's stock ownership to 80,000,000 shares, which represented all of the then outstanding Common Stock. In January 1989, ARCO completed an initial public offering of shares of Lyondell's Common Stock, and ARCO currently owns 39,921,400 shares, or 49.9 percent of the outstanding shares. For information relating to certain continuing relationships and potential conflicts of interest among Lyondell, LCR and ARCO, including their respective subsidiaries and affiliates, see "Relationship with ARCO."

### BUSINESS STRATEGY AND MANAGEMENT PHILOSOPHY

The Company's primary objective is to maximize total return to stockholders (as measured by stock price appreciation plus dividends). Lyondell's management believes that in its petrochemical and refining commodity businesses maximizing free cash flow over the long term is the best means to create value for stockholders. Lyondell's strategy is to position the Company to capture the opportunities of the upturns and to minimize the impact of downturns in the inevitable cycles of its commodity businesses. The Company's assets are managed to maintain low costs and high operational flexibility and management strives to quickly identify and capitalize on opportunities to use its operating and organizational flexibility to improve profitability. Lyondell believes that it has the lowest cost, most flexible operations among its competitors in the domestic olefins industry. Through its interest in LCR, the Company is enhancing the value of its refining business by undertaking a major upgrade of the Refinery in connection with entering into the long-term Crude Supply Agreement and the Products Agreement. In both of its businesses, the Company employs a disciplined approach to capital spending, with discretionary capital spending focused on high-return projects. See "Financial Matters."

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Lyondell evaluates, on an ongoing basis, opportunities to expand or diversify its petrochemical operations through potential acquisitions, joint ventures and other opportunities involving third parties. The petrochemical industry is currently experiencing significant merger, acquisition and divestiture activity, and the Company believes the industry ultimately will be left with fewer but more competitive participants. Although management does not believe that the Company will be required to undertake such a transaction in order to maintain its competitive position, management believes that there may be opportunities to create incremental cash flow for the Company's petrochemical business by applying its experience in the efficient and low-cost operation of the Company's facilities to a larger asset base. Vertical integration with an ethylene or propylene consumer could increase olefins plant operating rates during weak market periods by providing captive demand. Horizontal integration with another olefins producer could improve operating efficiencies by spreading costs across larger volumes and enhancing operating flexibility. Consistent with the Company's overall strategy, however, management's intent is to undertake such a transaction only if it expects that the transaction would produce both near-term and long-term improved cash flow. While management has publicly stated the Company's interest in pursuing such transactions, no assurance can be given with respect to the size, scope, timing or likelihood, or the financial or business effect of, any possible transaction. See "Certain Investment Considerations--Financing Risks; Potential Dilution."

Management believes that Lyondell's productive work force, lean organizational structure and participative management style enable the Company to quickly identify and take advantage of profit opportunities in rapidly changing marketplaces. The Company's team-based approach and management style emphasize low costs, quality, customer satisfaction and the responsibility and accountability of each employee. In addition, industry studies have shown that Lyondell's olefins plants have the highest production per plant-level employee in the industry.

Lyondell also emphasizes superior safety performance in order to safeguard employees, the community and the Company's assets. Lyondell's safety performance at the Channelview Complex and the Refinery has been better than industry averages in each of the past four years, and has improved over that time period. The recordable incidence rates for the Channelview Complex were 1.69 and 1.39 in 1992 and 1993, respectively, both well below the petrochemical industry average rate of 3.3 in 1992 (the year of the most recently available industry data). The LCR recordable incidence rates were 3.9 and 2.8 in 1992 and 1993, respectively, also well below the refining industry average rate of 4.4 in 1992 (the year of the most recently available industry data). Recent comparative data for the polymers industry is not available, but the Polymer Facility's recordable incidence rate was 4.4 in 1993, and it has completed

seven and one half years of operations without a lost-workday injury. In 1993, the Channelview Complex received Star certification for plant safety under the Voluntary Protection Programs established by the Occupational Safety and Health Administration ("OSHA"), for which less than one-tenth of one percent of eligible sites have qualified to date.

#### INDUSTRY OVERVIEW

The manufacture and marketing of petrochemicals is fundamental to many segments of the economy, including the production of consumer products, housing components, automotive products and other durable and non-durable goods. Ethylene is the largest single petrochemical in terms of volume of production worldwide and is the key building block for a large number of chemicals. With the wide proliferation of end-use products derived from ethylene during the past 20 years, especially as plastics have developed into low-cost, high performance substitutes for a wide range of materials such as metals and paper, U.S. ethylene consumption has grown by an average annual rate of approximately four percent.

The supply of and demand for ethylene in the various geographic regions of the world, and the movement of ethylene and its derivatives between regions, significantly affects a large segment of the petrochemical business. Foreign consumption of ethylene derivatives has, on a per capita basis,

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substantially lagged that in the U.S. However, as other regions develop economically, this gap could narrow.

The petrochemical industry historically has experienced periods of high demand and high capacity utilization which result in increasingly high operating margins and profitability. This generally leads to new capacity investment until supply exceeds demand. The overcapacity in turn leads to periods of decreasing capacity utilization and declining operating margins until demand exceeds supply and the cycle is repeated. For example, during the mid 1980's, olefins capacity increases did not keep pace with demand and, by 1987-1988, domestic producers were operating at high capacity utilization rates and prices and margins had increased substantially as a result of ethylene demand growth. Ethylene demand growth peaked at 6.7 percent in 1987 resulting in average industry operating rates of 97 and 100 percent (of nameplate capacity), in 1987 and 1988, respectively. The high profitability experienced by the ethylene industry during this period peaked in early 1989. Over 7.7 billion pounds was added to domestic ethylene capacity from the end of 1989 to the beginning of 1994 (a 20 percent increase). The additional capacity, combined with poor overall U.S. and world economic conditions and further additions to supply in other parts of the world, outpaced ethylene demand growth and caused the industry to experience a decline in margins. During 1992 and 1993, U.S. industry operating rates were 89 and 92 percent, respectively. The data in this paragraph with respect to industry operating rates, demand and capacity is based on reports by Chemical Data, Inc.

Domestic ethylene demand grew at approximately three percent during 1993 and increased in the fourth quarter, with growth at more than four percent. Scheduled U.S. capacity additions in 1994 and 1995 are expected to total four billion pounds, or 8.6 percent. No new additional ethylene plants have been announced for the U.S. after 1995. The Company estimates that the average length of time to design, obtain necessary permits for, construct and begin to operate a new ethylene plant on the U.S. Gulf Coast is approximately four years. See "Certain Investment Considerations--Uncertain Petrochemical Industry Outlook."

Due to the Company's large ethylene capacity, a small change in ethylene margin causes a large change in the Company's profitability and cash flow. For example, assuming that the Company operates at its rated capacity, a one cent



per pound annual increase in ethylene margins can result in a \$36 million annual increase in the Company's pre-tax operating income. The Company's other major commodity chemical products all experience cyclical market conditions similar to (although not necessarily coincident with) those of ethylene. As a producer of olefins primarily for the merchant market, Lyondell may experience greater variations in its sales volumes and profitability when industry supply and demand relationships are at extremes in comparison to more integrated competitors, i.e., those with a higher proportion of captive demand for olefins derivatives production. In 1993 the Company sold approximately 90 percent of its ethylene and propylene production into the merchant market.

The refining business tends to be volatile as well as cyclical. Crude oil prices, which are impacted by worldwide political events and the economics of exploration and production in addition to refined products demand, are the largest source of this volatility. Demand for refined products is influenced by seasonal and short-term factors such as weather and driving patterns, as well as by longer term issues such as energy conservation and alternative fuels. The refined products supply is also dependent on industry operating capabilities and on long-term refining capacity trends. Among LCR's refining competitors are major integrated petroleum companies that have their own raw material resources and, in many cases, downstream markets, both of which tend to decrease the impact of business cycles on these competitors' sales volumes and profitability.

Although 1990 and 1991 were generally viewed as good years for the refining industry, industry profitability returned to lower levels beginning in 1992. Although apparent demand for refined products has shown a slight increase consistent with growth in the overall economy, supply has been more than adequate to meet this demand. Capacity increases have occurred in the form of debottlenecks to

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conversion units and additional oxygenate capacity, including new MTBE plants, which have added to gasoline supply. To date, this has more than offset the declines in industry crude oil distillation capacity, which are beginning to occur as smaller, less efficient plants are shut down. The resulting lower refining profitability has been more evident for merchant refiners, who do not have retail outlets for their products.

#### PETROCHEMICALS

The Company believes, based on the most recently available ethylene industry survey by Solomon Associates, Inc. (which used 1991 data), that it is the lowest cost producer of ethylene in the U.S. industry. Factors contributing to the Company's low-cost position include flexibility in feedstock supply and product output, integration of manufacturing, storage and transportation facilities and the ability to upgrade by-product streams.

#### Petrochemical Products

The Company's olefins plants and related processing units produce ethylene, propylene, butadiene, butylenes, benzene, toluene, hydrogen and certain specialty products, such as isoprene, dicyclopentadiene, piperlyenes and resin oils along with gasoline blendstocks and heavy liquid fuels. The Company's petrochemical products are used by its customers to manufacture intermediate chemicals for plastics and other synthetic materials that are used in a variety of consumer and industrial products. The Company also produces methanol and MTBE.

#### PETROCHEMICAL PRODUCTS AND RATED CAPACITIES

<TABLE>  
<CAPTION>



PRODUCT -----	PRIMARY USES -----
<S> ETHYLENE Produced at Channelview Complex. Current rated capacity: 3.6 billion pounds/year.	<C> Polyethylene, ethylene oxide used to produce ethylene glycol, ethylene dichloride used to produce polyvinyl chloride, ethylbenzene used to produce styrene. Major end uses: trash bags, packaging film, toys, blow-molded bottles, pipe, anti-freeze, polyester fibers and resins.
PROPYLENE Produced at Channelview Complex. Current rated capacity: 2.1 billion pounds/year (excludes product flexibility unit).	Polypropylene, acrylonitrile, propylene oxide. Major end uses: carpet backing, luggage, high impact plastics, polypropylene fibers, polyurethane foams, cleaning compounds and coatings.
BUTADIENE Produced at Channelview Complex. Current rated capacity: 615 million pounds/year.	Styrene butadiene rubber (SBR), ABS copolymer (acrylonitrile butadiene styrene). Major end uses: rubber for tires, hoses, surgical gloves (SBR), High-impact plastics (ABS).
AROMATICS Benzene and toluene produced at Channelview Complex. Benzene current rated capacity: 90 million gallons/year. Toluene current rated capacity: 40 million gallons/year.	Benzene: styrene, phenol nylon. Toluene: octane enhancers, benzene production, urethane chemicals. Major end uses: plastics, rubber markets, fibers for carpet and apparel, polyurethane foams for seat cushions, gasoline.
SPECIALTY PRODUCTS Dicyclopentadiene (DCPD), LRO (Lyondell resin oil), piperlyenes, isoprene produced at Channelview Complex. Total current rated capacity: 388 million pounds/year.	Various types of hydrocarbon resins and unsaturated polyester resins. Major end uses: inks, adhesives, paints and varnishes, rubber market, fiberglass products.
METHANOL Produced at Channelview Complex. Current rated capacity: 233 million gallons/year.	MTBE, formaldehyde, acetic acid. Major end uses: gasoline, adhesive resins, textiles, paints, coatings.
MTBE Produced at Channelview Complex. Current rated capacity: 167 million gallons/year.	Blending component for oxygenated gasoline.
LOW DENSITY POLYETHYLENE Produced at Polymers Facility. Current rated capacity: 140 million pounds/year.	Trash bags, packaging film, toys, housewares, paper coatings.
POLYPROPYLENE Produced at Polymers Facility. Current rated capacity: 300 million pounds/year.	Plastics for auto parts, household products, carpet backing, fibers, films.

Lyondell sells substantially all of its olefins products to long-term customers. Sales are made pursuant to written agreements, which typically provide for monthly negotiations of prices based upon then current market prices. Contract volumes are established within a range, and the contracts generally allow the customer to take up to 10 to 20 percent less than the maximum contract commitment. The terms of these contracts are fixed for a period (typically three to five years), although earlier terminations may occur if the parties fail to agree on price and deliveries are suspended for a period of several months. In some cases, these contracts also contemplate extension of the term unless specifically terminated by one of the parties.

The Company sells substantially all of its methanol output and the majority of the benzene volumes under long-term contracts having terms similar to those contained in the olefins contracts. A significant portion of the Company's benzene production is sold under contract to ARCO Chemical at market-based prices. See "Relationship with ARCO." Lyondell licenses MTBE technology from ARCO Chemical and sells MTBE produced at one of its two units to ARCO Chemical at market-based prices. The production from the second unit is tolled for LCR for gasoline blending.

Ethylene and propylene are shipped or exchanged via a comprehensive pipeline system which has connections to numerous Gulf Coast ethylene and propylene consumers. The pipeline system is owned by ARCO Pipe Line, and substantially all of it is leased by the Company under a long-term lease. See "--Facilities and Properties" and "Relationship with ARCO--Agreements Between the Company and ARCO Pipe Line Company." The Company has exchange agreements with other olefins producers which allow access to customers who are not directly connected to the pipeline system. Butadiene, methanol, aromatics and other petrochemicals are distributed by one or more of the following means: pipeline, railcar, truck or barge.

#### Feedstock Flexibility

The primary feedstocks used in the production of ethylene are natural gas liquids feedstocks (ethane, propane and butane, collectively "NGLs") and petroleum liquids. However, olefins plants with the flexibility to consume a wide range of feedstocks are better able to maintain higher levels of profitability during periods of changing energy and petrochemical prices than olefins plants that are restricted in their feedstock processing capability. Prior to the mid 1970s, the feedstocks used at most ethylene plants in the United States consisted predominantly of NGLs. As of March 1, 1994, approximately 46 percent of domestic ethylene plant capacity was limited to NGL feedstocks, and the remaining 54 percent could process to some extent both NGLs and petroleum liquids feedstocks.

Management believes that the Channelview Complex has the highest degree of feedstock flexibility in the domestic industry, and management continuously evaluates both the optimum use of the Company's current feedstock flexibility and opportunities to increase its capacity to process low-cost feeds. The Channelview olefins units are capable of processing not only 100 percent petroleum liquids feedstocks (for which the plants were originally designed) but also up to 90 percent NGLs. Liquid feedstocks have had a significant historical margin advantage over ethane and propane, with an average light naphtha to ethane variable cost advantage over the last five years of three cents per pound of ethylene. The industry margin differential between these feedstocks has been typically between one and four cents per pound of ethylene. The Company has the capability to capture this differential due to its feedstock flexibility. Lyondell is one of only five U.S. producers that has the ability to process a full range of liquid feedstocks through light vacuum gas oil. The factors described above historically have given the Company a competitive advantage that has contributed to the Company's low operating costs.

The Company obtains a portion of its petroleum liquids requirements from the Refinery (primarily naphtha and gas oil), a portion of its petroleum liquids

requirements in the form of petroleum condensates pursuant to a contract with a foreign government affiliate, and the remainder of its

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petroleum liquids requirements under short-term contracts or on the spot market from a variety of foreign and domestic sources. The Company purchases NGLs from a wide variety of domestic sources, many of which have storage facilities in the Mont Belvieu area.

The Company consumed an average of 186 million standard cubic feet per day of natural gas in 1993 for use as fuel in its operations at the Refinery and the Channelview Complex and as feedstock for its methanol plant. The Channelview Complex is connected to a diverse natural gas supply network, which provides the Channelview Complex with a choice of natural gas suppliers (including producers) at competitive prices. During 1993, the Company's natural gas costs averaged \$0.27 less per thousand cubic feet than the published Texas Average Industrial Price, resulting in \$18.3 million of savings. If NGLs or residual oils are more favorably priced than natural gas, the Company substitutes them for natural gas in some applications in order to lower its average fuel costs. The primary feedstock and fuel used in the methanol plant is natural gas, although the plant has the flexibility to process NGL feedstocks as well.

#### Product Flexibility

The Company has the flexibility to adjust its product output mix in response to changing market conditions to capture the highest available margins. The two major factors contributing to this flexibility are (i) the adjustment of olefins plants operating conditions and (ii) the product flexibility unit at the Channelview Complex. The product flexibility unit uses technology licensed from a third party as well as the Company's patented technology to convert ethylene and other light petrochemical streams into propylene. Improvements to this unique unit in 1993 included a doubling of capacity, so that the unit currently is designed to produce one billion pounds per year of propylene in addition to the Company's base capacity of 2.1 billion pounds. Adjustment of olefins plants operating conditions can result in production of up to an additional 0.4 billion pounds of propylene with some reduction in ethylene production.

#### By-Product Stream Upgrading

Another key component of Lyondell's low-cost position is the Company's capability to upgrade by-products from its olefins production. At the Channelview Complex, the Company recovers and sells valuable petrochemical components contained in a number of intermediate product streams.

The Channelview Complex includes units for butadiene recovery and aromatics recovery. The Company has further enhanced the value of its product slate by expanding its capability to recover other high value products. The Channelview Complex has recovered valuable components such as high purity isoprene, piperylenes and dicyclopentadiene ("DCPD"), and resin oils from its gasoline products since 1986. In 1993, the Company increased resin oil capacity by 14 percent and increased piperylenes capacity by 20 percent with debottlenecks and instrumentation improvements.

The Company plans to utilize its proprietary butylene isomerization technology, known as ISOMPLUS, to efficiently produce isobutylene from olefins plant butylene by-product streams. The project, which will start up in 1994, includes a MTBE unit debottleneck. See "--Research and Technology; Patents and Trademarks."

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## Integration

The Company takes advantage of the integration of operations among the Channelview Complex, the LCR Refinery and the Polymers Facility to capture additional opportunities to increase profits by upgrading product streams or providing feedstocks for downstream processes.

The Company and LCR have entered into multiple agreements designed to preserve much of the synergy between the Refinery and the Channelview Complex. Economic evaluations at the Channelview Complex and the Refinery are based on sending products to the highest-value disposition, which may be local use, use at the other site, or third party sales. Certain refinery products (propane, butane, low-octane naphthas, heating oils, and gas oils) can be used as feedstocks for olefins production, and certain Channelview Complex olefins by-products (pyrolysis gasoline and pyrolysis gas oil) can be processed by the Refinery into gasoline, jet fuel or heating oil. Butylenes from the LCR Refinery are tolled through Channelview for the production of alkylate and MTBE for gasoline blending. Hydrogen from the Channelview Complex is used at the Refinery for sulfur removal and product stabilization. Ethylene and propylene produced at the Channelview Complex are used as feedstocks for the Polymers Facility.

[Paste up Graph]

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## REFINING

Through its interest in LCR, the Company is undertaking a major upgrade project at the Refinery in connection with securing a long-term supply of crude oil and a long-term arrangement to sell its light refined products. Management believes that this strategic initiative will stabilize cash flow from the refining business and reduce the Company's exposure to market volatility. See "-- LCR Transaction" and "Certain Investment Considerations--LCR Transaction and Refinery Upgrade Project."

### Refined Products

The Refinery produces gasoline, heating oil and jet fuel, for sale primarily to CITGO, aromatics and lube oils (white oils, industrial lubricants, motor oils and process oils) and certain industrial products for sale to others, and feedstocks for the Channelview Complex. The Refinery's aromatics recovery unit produces benzene, toluene, paraxylene and orthoxylene which are marketed by the Company. Benzene and toluene also are produced at the Channelview Complex.

The Refinery has a crude distillation rated capacity of 265,000 barrels per day. In 1993, the Refinery produced approximately 293,000 barrels per day of total products.

The following table shows the typical ranges of production for the Refinery's principal products based on 1993 actual production. It is not possible to produce the maximum amount of all products at the same time. Specific product mix (and thus production volume) is dependent on feedstock type and operating conditions, which are selected based on market conditions.

<TABLE>  
<CAPTION>

PRODUCT -----	TYPICAL PRODUCTION ----- (BARRELS PER DAY)
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<S>

<C>

Gasoline.....	80,000 - 120,000
Heating Oil.....	35,000 - 70,000
Jet Fuel/Kerosene.....	10,000 - 35,000
Lube Oils.....	3,000 - 7,000

</TABLE>

The Refinery has maintained a low-cost position in the best one-third of the domestic industry, according to the two most recent refining industry surveys by Solomon Associates, Inc. The Refinery's flexibility to process a wide range of crude oils as well as its access to numerous sources of crude oil are important factors in maximizing the margins of its cracking operations. The Refinery also has the capability to produce lubricants and aromatics, process purchased intermediates such as fluid and reformer feed, and produce oxygenated gasoline and other specialty products when market conditions are favorable.

#### Marketing and Product Distribution

CITGO purchases gasoline, heating oil and jet fuel from LCR under the long-term Products Agreement at market-based prices. See "--LCR Transaction-- Products Agreement." Lube oils are manufactured and sold directly to end consumers and to distributors throughout the United States and international markets. Aromatics produced at the Refinery are marketed on LCR's behalf by Lyondell.

#### LCR Transaction

Overview. Management believes that the LCR transaction, entered into in July 1993, accomplishes the Company's strategy for the refining business by significantly upgrading the quality of the refining assets and securing an economically favorable long-term supply of crude oil while reducing the exposure of the refining business to market volatility. The LCR transaction is expected to stabilize cash flow from the refining business at attractive levels relative to historic performance. Major components of the LCR transaction include:

- . An upgrade project to increase heavy crude oil processing capability;
- . Asset contributions by the Company, cash contributions by CITGO and the resulting ownership positions;
- . A long-term crude supply contract for heavy Venezuelan crude oil; and
- . A long-term product arrangement to sell light products to CITGO.

Prior to completion of the upgrade project, the keys to operational success for LCR will be (i) to maximize the amount of heavy Venezuelan crude oil processed in the coking mode, (ii) to optimize the efficient utilization of the remaining cracking capacity, and (iii) to maintain an overall focus on low-cost operations. The Refinery currently is processing approximately 130,000 barrels per day of heavy (22 degree API gravity) Venezuelan crude in a coking mode on its largest crude distillation unit. This crude is supplied pursuant to the Crude Supply Agreement, which is intended to stabilize cash flow from this portion of the refinery. Prior to completion of the Refinery upgrade project, when the full benefits of the upgrade and the Crude Supply Agreement should be realized, the margins realized from the remaining crude processed at the Refinery in a cracking mode will continue to be subject to the volatile refining business environment. The Refinery's low cost, flexibility and access to numerous sources of crude oil supply continue to be important factors in maximizing margins on this portion of the Refinery's operations. See "Certain Investment Considerations--LCR Transaction and Refinery Upgrade Project."

Upgrade Project. LCR is undertaking a major upgrade project at the Refinery

to enable the facility to process substantial additional volumes of very heavy crude oil. Project engineering for the upgrade is currently underway. The upgrade project, which is subject to regulatory approvals and the resolution of certain other matters, is intended to increase the heavy crude oil processing capability of the Refinery from approximately 130,000 barrels per day of 22 degree API gravity crude oil to approximately 200,000 barrels per day of 17 degree API gravity Venezuelan crude oil in a full conversion mode. The upgrade is not intended to increase the total throughput of the Refinery, but rather its ability to process heavier, higher margin crude oils. The project also will include expansion of the Refinery's reformulated gasoline capability and the addition of low sulfur diesel production capability. Major components of the upgrade include new coking, hydrotreating and sulfur recovery units; a new crude distillation unit and modifications to the Refinery's largest existing crude distillation unit and various hydrodesulfurization units.

The cost of the upgrade project, based on preliminary engineering, was initially estimated to be approximately \$800 million. Preliminary engineering, or "scoping quality" estimates, are generally regarded as valid within a range of plus or minus thirty percent of the ultimate installed costs, assuming no significant changes to the scope of a project. Definitive engineering for the upgrade project is still in progress and design enhancements have been made to the project scope. LCR's management expects the next cost estimate for the project (which may be available in the second quarter of 1994) to be higher than \$800 million, although not in excess of the range of the original estimate. The final cost of the project will be influenced by numerous factors, many of which are beyond LCR's control, including the timing and terms of necessary construction, operating and regulatory permits, as well as construction schedule delays whether caused by adverse weather conditions, material shortages, labor disputes or otherwise.

Following the upgrade, the earnings potential of the Refinery is expected to be enhanced because of the higher margins expected to be associated with the resulting heavier crude oil mix and the

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Refinery's increased coking capability, enhanced reformulated fuel and low sulfur diesel production capability and other yield improvements.

Contributions of the Parties. Pursuant to agreements between the Company and CITGO (and their affiliates), the Company contributed its refining business and refining working capital to LCR in July 1993. CITGO contributed \$100 million to LCR in 1993 (excluding its contribution towards the upgrade project described below) giving it an approximate 10 percent interest in LCR. Prior to the in-service date for the upgrade project, CITGO is required to reinvest its share of LCR's operating cash flow and thereby increase its interest in LCR. These contributions by CITGO will be used for ongoing LCR capital projects, other than (i) the upgrade project and (ii) certain Refinery environmental capital projects for which liability has been retained by the Company and that the Company will fund with cash contributions. Any additional ongoing LCR capital requirements prior to the in-service date (for purposes other than the upgrade project) will be funded substantially by Lyondell, primarily in the form of subordinated loans to LCR. The Company estimates that during 1994 to 1996 its total contributions to LCR with respect to the capital requirements described in this paragraph will be approximately \$75 million, with a significant portion of this amount being in the form of subordinated loans to LCR.

Funding for the upgrade project will occur in three phases. The first phase, the initial \$300 million, will be funded by CITGO. As of January 1, 1994, CITGO had contributed \$150 million, including letters of credit and cash, toward this phase. The second phase is expected to be funded by an LCR borrowing of approximately \$200 million. The third phase (which would be \$300 million based on an estimated \$800 million cost for the upgrade project and is expected to occur toward the end of the upgrade project) is anticipated to be funded (i) 50

percent through an LCR borrowing estimated at \$150 million, (ii) 25 percent through contributions from CITGO estimated at \$75 million and (iii) 25 percent through subordinated loans from the Company estimated at \$75 million. Prior to completion of the upgrade project, the financing costs for the third party borrowings are required to be funded by CITGO. In exchange for CITGO's upgrade project contributions described above and an additional \$30 million cash contribution at the in-service date, CITGO's interest in LCR is expected to increase to approximately 35 percent effective as of the in-service date. The timing of the third phase and the level of contributions from the Company and CITGO will depend on the total cost of the upgrade project and on LCR's ability to obtain construction financing. See "Certain Investment Considerations--LCR Transaction and Refinery Upgrade Project--Refinery Upgrade Project Cost and Potential Delays." In the event that LCR is unable to obtain construction financing for the refinery upgrade project, the Company and CITGO each are obligated to fund one-half of the cost of the upgrade project in excess of \$300 million. In turn, CITGO's interest in LCR as of the in-service date will be dependent upon the actual contributions of CITGO as discussed in this and the preceding paragraph. CITGO will have a one-time option to increase its interest in LCR up to 50 percent during the 20-month period following the in-service date. See "Certain Investment Considerations--LCR Transaction and Refinery Upgrade Project--Financing of Refinery Upgrade Project and Potential Limitations on LCR Distributions."

Crude Supply Agreement. LCR also has entered into the Crude Supply Agreement with Lagoven. The Crude Supply Agreement requires Lagoven to supply and LCR to purchase specified quantities of crude oil for 25 years. The contract incorporates a formula price based on the market value of a slate of refined products deemed to be produced from each particular crude oil or feedstock, less: (i) certain deemed operating costs; (ii) certain actual costs, including crude transportation costs, import duties and taxes; and (iii) a deemed margin, which varies according to the grade of crude oil or other feedstock delivered. Deemed margins and deemed costs are adjusted periodically by a formula primarily based on the rate of inflation. Because deemed operating costs and the slate of refined products deemed to be produced from a given barrel of crude oil or other feedstock do not necessarily reflect the actual costs and yields in any period, the actual refining margin earned by LCR under the contract will vary depending on, among other things, the efficiency with which LCR conducts its operations during such period. See "Certain Investment Considerations--LCR Transaction and Refinery Upgrade Project--Crude Supply Agreement."

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Products Agreement. CITGO also has entered into the long-term Products Agreement with LCR to purchase at market-based prices the full volume of gasoline, jet fuel and heating oil manufactured at the Refinery following the expiration of one contract retained by Lyondell. LCR evaluates and determines the optimal product output mix based on spot market prices and conditions. The Products Agreement thus provides a secure outlet for the Refinery's products without imposing an economic penalty caused by production requirements based on retail outlet needs.

Other Agreements. Effective July 1, 1993, LCR and Lyondell entered into multiple agreements for feedstock and product sales designed to preserve much of the synergy between the Refinery and the Company's petrochemical business. Under the terms of these agreements, various feedstock and product streams will be transferred between the Refinery and Lyondell's Channelview Complex at market-related prices. LCR and Lyondell also have entered into tolling agreements, pursuant to which alkylate and MTBE attributable to Refinery feedstocks will be produced for LCR at Lyondell's Channelview Complex.

Also effective July 1, 1993, the majority of the employees formerly employed by Lyondell in its refining business became employees of LCR. Pursuant to the terms of a number of service agreements, Lyondell has contracted with LCR to



continue to perform services in certain areas, including employee services, administrative services and marketing services. Lyondell and LCR also have entered into a variety of contracts providing for the assignment or licensing of intellectual property rights associated with the refining business.

Management of LCR. LCR is a limited liability company organized under the laws of the state of Texas, and has pass-through tax characteristics similar to those of a partnership for federal income tax purposes. The Company owns its interest in LCR through a wholly-owned subsidiary, Lyondell Refining Company. CITGO holds its interest through CITGO Refining Investment Company, a wholly-owned subsidiary of CITGO (together with Lyondell Refining Company, the "Owners"). The operative agreement with respect to the rights of each of the Owners and their parent companies is the Amended and Restated Limited Liability Company Regulations (the "Regulations") of LCR. The Regulations govern ownership and cash distribution rights. CITGO has committed to reinvest its share of operating cash flow during the upgrade project which will increase its interest in LCR. Under the Regulations, the Company has unrestricted access to its share of operating cash flow from LCR. See "Certain Investment Considerations--LCR Transaction and Refinery Upgrade Project--Financing of Refinery Upgrade Project and Potential Limitations on LCR Distributions." The term of the Regulations is 25 years, although they may be terminated under certain circumstances, including the insolvency of LCR or either Owner, uncured material breaches by either Owner or failure to obtain permits for the upgrade project. Under the terms of a reciprocal Performance Guarantee and Control Agreement, Lyondell and CITGO each have unconditionally guaranteed the obligations and performance of their respective Owner under the terms of the Regulations.

The Regulations provide that LCR is managed by an Owners Committee, which has three representatives from each Owner. Certain actions require unanimous consent of the representatives, including, without limitation, amendment of the Regulations, borrowing money outside of LCR's existing credit facility, delegation of authority to committees, certain purchase commitments and capital expenditures in excess of designated amounts. All actions not requiring unanimous consent can be determined by Lyondell so long as it is the majority owner. The day-to-day operations of the Refinery are managed by the executive officers of LCR, including former Lyondell officers with responsibility for manufacturing and refining operations and refined products marketing. The results of LCR's operations currently are consolidated into Lyondell's financial statements.

#### Refining Feedstocks

The Refinery can process a wide variety of domestic and foreign crude oil feedstocks, including heavy (low API gravity, high viscosity) and sour (high sulfur content) crude oils. In addition to 45,000

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barrels per day of light sweet crude oil for lubricants production, the Refinery can process up to (i) approximately 220,000 barrels per day of light sour crude oil in a coking mode, or (ii) in the mode in which it currently operates, approximately 130,000 barrels per day of heavy sour crude oil (22 degree API gravity) primarily in a coking mode plus approximately 80,000 barrels per day of light crude oil in a cracking mode. The upgrade project is intended to increase the Refinery's processing capability to 200,000 barrels per day of very heavy Venezuelan crude oil (17 degree API gravity) in a coking mode.

The Refinery began processing Venezuelan crude oil in the third quarter of 1992. Since that time, the Company and LCR have identified and overcome a number of obstacles inherent in processing high rates of heavy Venezuelan crude oil, including making operational changes to the coker and physical modifications to one of the crude distillation units. The resulting improved

unit reliability and increased unit processing capability has increased the Refinery's capability of running high volumes of heavy Venezuelan crude oil to approximately 130,000 barrels per day. The remainder of the Refinery's capacity currently is used to process lighter crude oils and feedstocks. See "Certain Investment Considerations--LCR Transaction and Refinery Upgrade Project--Heavy Crude Oil Processing."

Domestic crude oil is transported to the Refinery primarily by common carrier pipeline systems. Foreign crude oil is transported by tankers either directly to the Refinery or to the connecting deepwater terminals at Texas City or on the Houston Ship Channel.

#### FACILITIES AND PROPERTIES

##### Channelview Petrochemical Complex

The Channelview petrochemical complex, located on an approximately 2,900 acre site in Channelview, Texas, 20 miles east of Houston, includes two large olefins plants, two MTBE units, a methanol plant, a butadiene recovery unit, a product flexibility unit, an aromatics (benzene and toluene) recovery unit, an isoprene recovery unit, a DCPD recovery unit, a piperlyenes recovery unit, an alkylation unit and other petrochemical processing units. This complex is connected by pipeline systems to Lyondell's salt dome storage facility at Mont Belvieu, Texas, which has approximately 10 million barrels of storage capacity for NGL feedstocks and for the Company's ethylene and propylene production. The Channelview Complex also is connected by pipeline systems to the LCR Refinery, which is approximately 16 miles away and provides a portion of the petroleum liquids feedstock requirements for the Channelview Complex. See "--Other Properties."

The combined rated capacity of the two olefins plants at January 1, 1994 was approximately 3.6 billion pounds of ethylene per year or approximately 7.7 percent of total domestic production capacity. Based on published rated production capacities, the Company believes it is one of the five largest producers of ethylene in the United States. Of the total ethylene production capacity in the United States, approximately 93 percent is located along the Gulf Coast, and approximately 77 percent is owned by ten manufacturers.

Lyondell licenses MTBE technology from ARCO Chemical and sells MTBE produced at one of its two units to ARCO Chemical at market-based prices. The production from the second unit is tolled for LCR for gasoline blending. The Channelview Complex also includes an isopropyl alcohol ("IPA") unit, which the Company uses for the manufacture of IPA for ARCO Chemical. See "Relationship with ARCO--Agreements Between the Company and ARCO Chemical Company."

##### Polymers Facility

The Polymers Facility, located on approximately 200 acres in Pasadena, Texas, converts propylene and ethylene supplied by the Channelview Complex into polypropylene and low density polyethylene that is sold into the derivative markets and transported by railcar and truck. The Polymers Facility is connected by pipeline systems to the Company's Mont Belvieu, Texas storage facility for feedstock supply.

##### LCR Refinery

The LCR Refinery, located on an approximately 700 acre site alongside the Houston Ship Channel, currently includes a coker, a fluid catalytic cracking unit, three reformers, four crude distillation units, two sulfur recovery plants and several hydrodesulfurization units, as well as lube oil manufacturing and packaging facilities and an aromatics recovery unit. The upgrade project will include new coker, hydrotreater, sulfur recovery and crude

distillation units, as well as modifications to the largest existing crude distillation unit and various hydrodesulfurization units. The Refinery is connected by pipeline to the Channelview Complex and provides feedstocks to and receives by-products from that complex.

Historically, the Refinery has operated in a "full conversion" mode, processing the heaviest portion of crude oil through the coker unit without producing lower-value residual fuel. The Refinery currently produces residual fuel as a result of processing the heavy Venezuelan crude oil. The upgrade project will enhance the Refinery's conversion capability so that very heavy 17 degree API gravity Venezuelan crude oil can be processed in a full conversion mode.

#### Other Properties

In addition to the real property, plant and equipment that comprise its Channelview Complex and the real property, plant and equipment which comprise the Polymers Facility, Lyondell owns several pipelines connecting the Channelview Complex, the Refinery and the Mont Belvieu storage facility, including six lines used to transport heavy liquid feedstocks, butylenes, benzene, hydrogen, butane, MTBE and unfinished gasolines between the Channelview Complex and the Refinery. Lyondell also owns the storage facility, a brine pond facility and a tract of vacant land at Mont Belvieu, Texas. Storage capacity for up to 10 million barrels of NGL feedstocks, ethylene, propylene and butylenes is provided in salt domes at the Mont Belvieu facility. The Company also owns an approximate 10 percent undivided joint interest in much of the real property surrounding the Mont Belvieu site which is maintained as a greenbelt for these facilities. The Company has a lease on product pipelines from Mont Belvieu to most olefins customers. See "Relationship with ARCO--General" and "--Agreements Between the Company and ARCO Pipeline."

In addition to the real property, plant and equipment which comprise the Refinery, LCR also owns the real property, plant and equipment which comprise a lube oil blending and packaging plant in Birmingham, Alabama. LCR owns a pipeline and utilizes another pipeline to transport refined products from the Refinery to the GATX Terminal to interconnect with common carrier pipelines.

#### RESEARCH AND TECHNOLOGY; PATENTS AND TRADEMARKS

The Company maintains a small, focused research and development effort that builds on the Company's strengths and existing businesses. Recent efforts have concentrated on Lyondell's position in butylenes. In 1992, the Company introduced a new technology called ISOMPLUS for producing low-cost isobutylene by isomerizing normal butylenes. Management believes that ISOMPLUS will play an important role in the next increments of capacity that the industry will need to supply the growing MTBE demand in reformulated gasoline. Lyondell is seeking to take advantage of this opportunity by commercializing the technology through a joint development and licensing relationship with CDTECH, a joint venture that is a leading supplier of ethers technologies used in reformulated fuels production. The arrangement with CDTECH is intended to commercialize two isomerization processes that produce blending agents for cleaner burning gasolines. If successful, the alliance is expected to accelerate worldwide commercialization of Lyondell's butene isomerization process. Research efforts are continuing on a similar technology to produce isoamylene, a feedstock used to produce TAME, another oxygenate used in the production of reformulated gasoline. The Company also has product development efforts aimed at tailoring products to meet specific customer needs, especially in such areas as resins, fibers, adhesives and sealants.

The Company, including LCR, uses numerous patents in its operations, many of which are licensed from third parties, including ARCO. See "Relationship with ARCO." Although the Company's licenses from ARCO and others are significant to

its operations, the Company is not dependent upon any particular patent, trade secret or the like, and it believes that the loss of any individual patent, trade secret, or similar proprietary right would not have a material adverse effect on the operations of the Company. The Company submitted several new patent applications during 1993 to protect processes it developed.

The Company, including LCR, uses numerous trademarks in its marketing operations, a portion of which are licensed from third parties, including ARCO. The Company is not dependent upon any particular trademark, and it believes the loss of any individual trademark would not have a material adverse effect on its operations. The Company submitted several new trademark applications during 1993 to protect product line names and to foster its marketing position.

#### ENVIRONMENTAL MATTERS

The Company's production facilities generally are required to have permits and licenses regulating air emissions, discharges to water and generation, storage, treatment and disposal of hazardous wastes. Companies that are permitted to treat, store or dispose of hazardous waste and maintain underground storage tanks pursuant to RCRA also are required to meet certain financial responsibility requirements. The Company believes that it has all permits and licenses generally necessary to conduct its business or, where necessary, is applying for additional, amended or modified permits, and that it meets applicable financial responsibility requirements.

The Company's policy is to be in compliance with all applicable environmental laws. The Company is committed to Responsible Care(R), a chemical industry initiative to enhance the industry's responsible management of chemicals. The Company (together with the industry in which it operates) is subject to extensive federal, state and local environmental laws and regulations concerning emissions to the air, discharges onto land or waters and the generation, handling, storage, transportation, treatment and disposal of waste materials. Some of these laws and regulations are subject to varying and conflicting interpretations. In addition, the Company cannot accurately predict future developments, such as increasingly strict requirements of environmental laws, inspection and enforcement policies and compliance costs therefrom, which might affect the handling, manufacture, use, emission or disposal of products, other materials or hazardous and non-hazardous waste. For example, a revised testing procedure under RCRA, the toxicity characteristic leachate procedure ("TCLP"), resulted in the reclassification of some wastes at the Company's facilities which has required changes in the Company's waste management practices. These changes have caused the Company to make expenditures in 1993 and will cause the Company to make substantial additional expenditures in 1994. Some risk of environmental costs and liabilities is inherent in particular operations and products of the Company, as it is with other companies engaged in similar businesses, and there is no assurance that material costs and liabilities will not be incurred. With respect to the capital expenditures and risks described above, however, the Company does not expect that it will be affected differentially from the rest of the domestic petrochemical and refining industry.

In some cases, compliance with environmental, health and safety laws and regulations require capital expenditures. In the years ended December 31, 1992 and 1993, the Company spent approximately \$57 million and \$38 million, respectively, for environmentally-related capital expenditures at existing facilities. For 1994 and 1995, the Company currently estimates that environmentally-related capital expenditures at existing facilities (including the Refinery) will be approximately \$51 million and \$50 million, respectively. The timing and amount of these expenditures are subject to the regulatory and other uncertainties described above as well as obtaining of the necessary permits and approvals. The Company's 1994 capital budget includes the following environmentally-related projects: (1) work on installation of a wet gas scrubber that will reduce sulfur dioxide and particulate emissions from the

Refinery's fluid catalytic cracking unit; (2) TCLP-related projects at the Refinery, including closure of some surface impoundments, source reductions and rerouting of streams; (3) completion of a number of projects to reduce benzene emissions in compliance with federal regulations; (4) a marine vapor recovery project at the Refinery; and (5) compliance costs at the Channelview Complex and the Refinery related to nitrogen oxide emissions from combustion sources. Additional projects may be required as a result of various enforcement orders that the Company is negotiating with the appropriate regulatory authorities. For periods beyond 1995, additional environmentally related capital expenditures will be required, although the Company cannot accurately predict the levels of such expenditures at this time.

The Refinery contains on-site solid-waste landfills which were used in the past to dispose of waste, and it is anticipated that corrective actions will be necessary to comply with federal and state requirements with respect to this facility. In addition, the Company negotiated an order with the Texas Water Commission, now the Texas Natural Resource Conservation Commission (the "TNRCC"), for assessment and remediation of groundwater and soil contamination at the Refinery. The Company has reserved an amount (without regard to potential insurance recoveries or other third party reimbursements) it believes to be sufficient to cover current estimates of the cost for remedial measures at its manufacturing facilities based upon its interpretation of current environmental standards. Based on the establishment of such reserves, and the status of discussions with the applicable regulatory agencies, and although the reserves are subject to increase, the Company does not anticipate any material adverse effect upon its earnings, operations or competitive position as a result of compliance with the laws and regulations described in this or the preceding paragraphs. See also "Legal Proceedings--Claims Relating to Waste Disposal Sites."

## LEGAL PROCEEDINGS

### General

Although Lyondell is involved in numerous and varied legal proceedings, a significant portion of its litigation arises in three contexts: (1) claims for personal injury or death allegedly arising out of exposure to the Company's products; (2) claims for personal injury or death, and/or property damage allegedly arising out of the generation and disposal of chemical wastes at Superfund and other waste disposal sites; and (3) claims for personal injury and/or property damage and air and noise pollution allegedly arising out of the operation of the Company's facilities. Lyondell (either directly or through ARCO as its indemnitee) is the real party at interest in these proceedings, all of which are described at greater length in the Company's periodic filings with the Commission.

In connection with the transfer of assets and liabilities from ARCO to Lyondell, Lyondell agreed to assume certain liabilities arising out of the operation of the Company's integrated petrochemical and petroleum processing business prior to July 1, 1988. At that time, the Company and ARCO entered into an agreement ("Cross-Indemnity Agreement") whereby the Company agreed to defend and indemnify ARCO against certain uninsured claims and liabilities which ARCO may incur relating to the operation of the business of the Company prior to July 1, 1988, including liabilities which may arise out of certain of the legal proceedings described in this section. See "Relationship with ARCO."

Prior to November 20, 1990, ARCO's insurance carriers had assumed the defense of most of the lawsuits described in this section. Since that date, ARCO's insurance carriers have refused to advance defense costs in those lawsuits relating to certain of the waste disposal sites. On November 21, 1990, ARCO filed suit against certain of its insurers with respect to insurance policies in effect at times during past years. This litigation involves claims for reimbursement of defense costs and environmental expenses incurred by ARCO in connection with ARCO's activities at sites and locations throughout the United

States. ARCO's insurers had been participating in the defense of the Company and ARCO for the Mont Belvieu proceedings (see "--Claims Related to Company Operations") as well as the litigation

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involving the French Ltd. and the Brio Superfund sites (see "--Claims Related to Waste Disposal Sites"); however, subsequent to the filing of ARCO's lawsuit, the insurers have refused to advance defense costs for these proceedings (and certain other proceedings relating to the Company's products) until the coverage dispute has been resolved. ARCO currently is paying the defense costs in these proceedings, as well as other waste disposal site litigation, pending the resolution of the coverage dispute. It has not been determined whether or not the Company has an obligation to reimburse ARCO for defense costs related to the coverage dispute.

In addition to the types of proceedings specifically described in this section, ARCO, the Company and its subsidiaries are defendants in other suits, some of which are not covered by insurance. Many of these additional suits involve smaller amounts than the matters described herein, or make no specific claim for relief. Although final determination of legal liability and the resulting financial impact with respect to the litigation described in this section, as well as the other litigation affecting the Company, cannot be ascertained with any degree of certainty, the Company does not believe that any ultimate uninsured liability resulting from the legal proceedings in which it currently is involved (directly or indirectly) will individually, or in the aggregate, have a material adverse effect on the business or financial condition of the Company. See Note 18 of "Notes to Consolidated Financial Statements."

#### Claims Related to Company Products

ARCO and the Company are involved in numerous suits arising in whole or in part from the operation of the Company's integrated petrochemical and petroleum processing business and the assets related thereto in which the plaintiffs allege damages arising from exposure to allegedly toxic chemical products, such as benzene and butadiene. Plaintiffs in these cases usually worked at a manufacturing facility as employees of one of Lyondell's customers, were employees of the Company's contractors, or were employees of companies involved in the transportation of the Company's products to its customers. These suits allege toxic effects of exposure to chemicals sold in the ordinary course of business to third parties by various industrial concerns, including ARCO or the Company, or allege toxic chemical exposures at the Company's manufacturing facilities. The Company believes that it has always followed a policy of not only complying with all mandated standards related to product warnings and exposure levels but also of complying with Company specific standards that were more strict than those imposed by the law. As a result, the Company believes that it has a basis to avail itself of legal defenses against claims regarding its products due to exposures by employees and by claims of exposures from third parties to whom the Company sold its products.

The vast majority of chemical exposure cases name a large number of industrial concerns, in addition to the Company, as defendants and are at various stages of discovery. Although the Company does not believe that the pending chemical exposure cases will have a material adverse effect on its business or financial condition, it is difficult to determine the potential outcome of this type of case. The majority of the plaintiffs in chemical exposure legal proceedings request relief in the form of unspecified monetary damages. Furthermore, when specific amounts are requested they often bear no objective relation to the merits of the case. Notwithstanding the foregoing, it is possible that if one or more of the presently pending chemical exposure cases were resolved against ARCO or the Company, the resulting damage award could be material to the Company without giving effect to contribution or indemnification obligations of co-defendants or others, or to the effect of any



insurance coverage that may be available to offset the effects of any such award.

#### Claims Relating to Waste Disposal Sites

Wastes generated from products produced by facilities transferred from ARCO and now owned by the Company have, from time to time, been disposed of at waste disposal landfill sites owned by third parties. Two of these waste disposal facilities, known as the "French Ltd." and the "Brio" sites, both of

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which are located near Houston, Texas, have been classified as "Superfund" sites under CERCLA. The Environmental Protection Agency ("EPA") has entered into consent decrees with numerous PRPs, including ARCO, from whom wastes were allegedly received at each site. Based on the current law, the Company does not believe that its obligation to ARCO related to ARCO's share of clean-up costs at either of these sites will result in a liability that will have, individually or in the aggregate, a material adverse effect on the business or financial condition of the Company. In addition, numerous private plaintiffs have made claims and filed lawsuits involving the French Ltd. and Brio sites. ARCO (or its affiliate) is the named defendant in the above described proceedings. Under the provisions of the Cross-Indemnity Agreement, Lyondell is not obligated to indemnify ARCO for costs arising out of this or any other litigation for which ARCO is insured. Although ARCO currently is litigating the nature and extent of its coverage with its insurance carriers (see "--General"), Lyondell believes that the ultimate resolution of the above described lawsuits, ARCO's insurance litigation and related issues will not result in any material obligation on the part of Lyondell to ARCO with respect to the Brio and the French Ltd. Superfund sites.

It is possible that the Company may be involved in future CERCLA and comparable state law investigations and clean-ups. The Administration recently proposed a plan to revise significantly the Superfund law which is scheduled for reauthorization this year. Because the proposal is so recent and because it has generated strong reactions from business, insurance companies, lenders, municipalities and environmentalists, the Company is not able to predict whether the Administration's plan will be enacted or to determine with specificity what the impact of such legislation would be on the Company.

#### Claims Related To Company Operations

Several organizations and groups of citizens who own property in the vicinity of Mont Belvieu, Texas, have instituted lawsuits against ARCO and others who own underground storage and transportation facilities in the city of Mont Belvieu. ARCO is paying all defense costs in all of the Mont Belvieu litigation and the Company does not expect that a claim will be made under the Cross-Indemnity Agreement. The Company also is a defendant in lawsuits alleging the emission of loud noises, bright lights and noxious fumes from the Channelview Complex in proximity to the plaintiffs homes as well as a diminished quality of well water.

#### Other Matters

In the fourth quarter of 1992, the Refinery underwent an EPA multi-media inspection and an OSHA Process Quality Verification Audit. The OSHA inspection of the Refinery was resolved in an informal settlement agreement in April 1993. At this time, the EPA has not formally notified the Company of the enforcement action to be taken, if any.

The Company has reached a preliminary settlement agreement with the City of Houston, Texas and the TNRCC to resolve a lawsuit filed by the City of Houston alleging violations of the Texas Clean Air Act at the Refinery. Pursuant to the preliminary settlement agreement, the Company has agreed to pay fines of



\$175,000 to each of the City of Houston and the TNRCC and has agreed to cover attorneys' fees of \$50,000. In addition, LCR has committed to construct a larger flare as part of the Refinery upgrade project and to tie-in certain atmospheric relief valves. Lyondell will fund \$1.5 million of the costs of these modifications, which is the current estimate of the costs of the tie-in to the flare system. See "The Company--Refining--LCR Transaction--Contributions of the Parties."

In addition to the matters reported herein, from time to time the Company receives notices from federal, state or local governmental entities of alleged violations of environmental laws and regulations pertaining to, among other things, the disposal, emission and storage of chemical and petroleum substances, including hazardous wastes. Although the Company has not been the subject of significant penalties to date, such alleged violations may become the subject of enforcement actions or other legal proceedings and may (individually or in the aggregate) involve monetary sanctions of \$100,000 or more (exclusive of interest and costs).

MANAGEMENT

Five of the eleven members of the Board of Directors of Lyondell are officers of ARCO, which owns 49.9 percent of the outstanding Common Stock. Following consummation of the offering of the Exchangeable Notes, ARCO has informed the Company that it will cause the ARCO officers who currently serve on the Board of Directors to resign. Although the Board of Directors has not made a final determination with respect to the size of the Board following these proposed resignations, the Nominating Committee of the Board intends to nominate persons unaffiliated with either the Company or ARCO to fill any vacancies. Set forth below are the directors of the Company as of April 1, 1994.

<TABLE>  
<CAPTION>

NAME, AGE AND PRESENT  
POSITION WITH LYONDELL  
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BUSINESS EXPERIENCE DURING PAST FIVE YEARS  
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<S>

Mike R. Bowlin, 51.....  
Chairman of the Board

<C>

Mr. Bowlin was elected a Director of the Company on July 23, 1993 and Chairman of the Board on August 13, 1993. On March 28, 1994 Mr. Bowlin was elected Chief Executive Officer of ARCO, effective on July 1, 1994. He has been President and Chief Operating Officer of ARCO since June 1, 1993 and a director of ARCO since June 1992. He was an Executive Vice President of ARCO from June 1992 to May 1993. He was a Senior Vice President of ARCO from August 1985 to June 1992 and President of ARCO International Oil and Gas Company from November 1987 to June 1992. He was Senior Vice President of International Oil and Gas Acquisitions from July 1987 to November 1987. He was President of ARCO Coal Company from August 1985 to July 1987. He was a Vice President of ARCO from October 1984 to July 1985. From April 1981 to December 1984, he was Vice President of ARCO Oil and Gas Company. He has been an officer of ARCO since October 1984. He originally joined ARCO in 1969.

William T. Butler, 61.....

Dr. Butler was elected a Director of the Company on December 21, 1988, effective as of January 25, 1989. He has held his current position as President and Chief Executive Officer of Baylor College of Medicine (education and research) since

1979. He is also a director of First City Bancorporation of Texas, Inc., C. R. Bard, Inc. and Browning-Ferris Industries Inc.

Allan L. Comstock, 50..... Mr. Comstock was elected a Director of the Company on July 23, 1993. He has been a Vice President and Controller of ARCO since June 1993. He was a Vice President of ARCO Chemical from October 1989 through May 1993. From November 1985 to September 1989 he was General Auditor of ARCO. He originally joined ARCO in 1969.

Terry G. Dallas, 43..... Mr. Dallas was elected a Director of the Company on July 23, 1993. He has been a Vice President of ARCO since June 1993 and Treasurer of ARCO since January 24, 1994. He was Vice President, Corporate Planning of ARCO from June 1993 to January 1994. He served as Assistant Treasurer for ARCO Corporate Finance from 1990 to 1993. He was Vice President of Finance, Control

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NAME, AGE AND PRESENT POSITION WITH LYONDELL -----	BUSINESS EXPERIENCE DURING PAST FIVE YEARS -----
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and Planning for ARCO British, Ltd. from 1988 to 1990 and Manager of International Acquisitions for ARCO International Oil and Gas Company from 1986 to 1988. He originally joined ARCO in 1979.

Bob G. Gower, 56..... Mr. Gower was elected Chief Executive Officer of the Company on October 24, 1988 and a Director and President of the Company on June 27, 1988. He has been President of Lyondell and its predecessor, the Lyondell Division, since the formation of the Lyondell Division in April 1985. Mr. Gower was a Senior Vice President of ARCO from June 1984 until his resignation as an officer of ARCO in January 1989. Prior to 1984 he served in various capacities with the then ARCO Chemical Division. He originally joined ARCO in 1963. Mr. Gower is also a director of Texas Commerce Bank-Houston and Keystone International Inc.

Stephen F. Hinchliffe, Jr., 60..... Mr. Hinchliffe was elected a Director of the Company on March 1, 1991. Since 1988, he has held his current position of Chairman of the Board and Chief Executive Officer of BHH Management, Inc., the managing partner of Leisure Group, Inc. Previously, he served as Chairman of the Board of Leisure Group, Inc. (a manufacturer of consumer products), which he founded in 1964.

Dudley C. Mecum II, 59..... Mr. Mecum was elected a Director of the Company on November 28, 1988, effective as of January 25, 1989. He has held his current position as a partner with G. L. Ohrstrom & Company (merchant banking) since August 1989. Previously he was Chairman of Mecum Associates, Inc. (management consulting) from December 1987 to August 1989. He served as Group Vice President and director of Combustion Engineering Inc. from 1985 to December 1987, and as a managing partner of the New York region of Peat, Marwick, Mitchell & Co. from 1979

to 1985. He is also a director of The Travelers, Inc., Dyncorp, VICORP Restaurants, Inc., Fingerhut Companies, Inc. and Roper Industries, Inc.

William C. Rusnack, 49.....

Mr. Rusnack was elected a Director of the Company on October 24, 1988. He has been a Senior Vice President of ARCO since July 1990 and President of ARCO Products Company since June 1993. He was President of ARCO Transportation Company from July 1990 to May 1993. He was Vice President, Corporate Planning, of ARCO from July 1987 to July 1990. He was Senior Vice President, Marketing and Employee Relations, of the ARCO Oil and Gas Division from August 1985 to July 1987 and Vice President, Manufacturing, of the ARCO Products Division from July 1984 to August 1985. From June 1983 to July 1984 he was Vice President, Planning

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<TABLE>  
<CAPTION>

NAME, AGE AND PRESENT  
POSITION WITH LYONDELL

BUSINESS EXPERIENCE DURING PAST FIVE YEARS

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<C>

and Control, of the ARCO Products Division. He originally joined ARCO in 1966. Mr. Rusnack is also a director of BWIP Holding, Inc.

Dan F. Smith, 47.....  
Executive Vice President  
and Chief Operating Officer

Mr. Smith was elected a Director of the Company on October 24, 1988. He was elected Executive Vice President and Chief Operating Officer on May 6, 1993. He served as Vice President Corporate Planning of ARCO from October 1991 until May 1993. He previously served as Executive Vice President and Chief Financial Officer of the Company from October 1988 to October 1991 and as Senior Vice President of Manufacturing of Lyondell, and its predecessor, the Lyondell Division, from June 1986 to October 1988. From August 1985 to June 1986 Mr. Smith served as Vice President of Manufacturing for the Lyondell Division. He joined the Lyondell Division in April 1985 as Vice President, Control and Administration. Prior to 1985, he served in various financial, planning and manufacturing positions with ARCO. He originally joined ARCO in 1968.

Paul R. Staley, 64.....

Mr. Staley was elected a Director of the Company on November 28, 1988, effective as of January 25, 1989. He has held his current position as Chairman of the Executive Committee of the Board of Directors of P. Q. Corporation (an industry supplier of silicates) since January 1991. He held the positions of President and Chief Executive Officer of P.Q. Corporation from 1973 and 1981, respectively, until January 1991.

William E. Wade, Jr., 51....

Mr. Wade was elected a director of the Company on August 13, 1993. He has been Executive Vice President of ARCO since June 1, 1993 and a director of ARCO since June 1, 1993. He was a Senior Vice President of ARCO from May 1987 to May 1993 and President of ARCO Oil and Gas Company from October 1990 to May 1993. He was President of ARCO Alaska, Inc. from July 1987 to July 1990. He

was a Vice President of ARCO from 1985 to May 1987. From 1981 to 1985, he was Vice President of ARCO Exploration Company. He has been an officer of ARCO since 1985. He originally joined ARCO in 1968.

</TABLE>

Set forth below are the executive officers of the Company as of April 1, 1994.

<TABLE>

<CAPTION>

NAME, AGE AND PRESENT  
POSITION WITH LYONDELL

BUSINESS EXPERIENCE DURING PAST  
FIVE YEARS AND PERIOD SERVED AS OFFICER(S)

<S>

John R. Beard, 42.....  
Vice President, Quality,  
Supply and Planning

<C>

Mr. Beard became Vice President Quality, Supply and Planning on July 1, 1993. Mr. Beard was appointed Vice President, Planning and Evaluations in May 1992. He served as the Site Manager of Lyondell's Houston Refinery from 1988 until April 1992. From 1985 until

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<CAPTION>

NAME, AGE AND PRESENT  
POSITION WITH LYONDELL

BUSINESS EXPERIENCE DURING PAST  
FIVE YEARS AND PERIOD SERVED AS OFFICER(S)

<S>

Bob G. Gower, 56.....  
Chief Executive Officer,  
President and Director

<C>

1988, he served in management assignments in evaluations, marketing and manufacturing. Prior to 1985, he served in various management positions for ARCO Products Company and the ARCO Chemical Division. He originally joined ARCO in 1974. Mr. Gower was elected Chief Executive Officer of the Company on October 24, 1988 and Director and President of the Company on June 27, 1988. He has been President of Lyondell and its predecessor, the Lyondell Division, since formation of the Lyondell Division in April, 1985. Mr. Gower was a Senior Vice President of ARCO from June, 1984 until his resignation as an officer of ARCO in January, 1989. Prior to 1984, he served in various capacities with the then ARCO Chemical Division. He originally joined ARCO in 1963.

Robert H. Ise, 59.....  
Vice President, Lyondell  
Petrochemical Company  
Vice President, Marketing,  
Supply and Evaluations,  
LYONDELL-CITGO Refining  
Company Ltd.

Mr. Ise was appointed Vice President, Marketing, Supply and Evaluations of LYONDELL-CITGO Refining Company Ltd. on July 1, 1993. He previously served Lyondell as Vice President, Marketing and Sales, Polymers and Petroleum Products from April, 1992 until June, 1993 and continues to serve as a Vice President of Lyondell. He served as Vice President, Marketing and Sales, Petroleum Products, from December, 1988 until April, 1992. He served as Vice President of Industrial Products Marketing of the Lyondell Division from June, 1987 to December, 1988. From May, 1985 to June, 1987 he served as Director, Industrial Products Marketing for the Lyondell Division. Prior thereto, he served in various marketing capacities for the ARCO Products Division. He originally joined ARCO

Richard W. Park, 54..... Vice President, Human Resources	in 1959. Mr. Park was elected Vice President, Human Resources on June 27, 1988. He previously served as Vice President of Employee Relations of the Lyondell Division since February, 1987. From 1985 to 1987 he served as Manager of Personnel for the then ARCO Chemical Division's Specialty Chemicals and International Units. Prior to 1985 he held other employee relations positions with divisions of ARCO. He originally joined ARCO in 1965.
Jeffrey R. Pendergraft, 45.. Senior Vice President, Secretary and General Counsel	Mr. Pendergraft was named Senior Vice President on May 6, 1993. Mr. Pendergraft was elected Vice President and General Counsel on June 27, 1988 and Secretary on October 24, 1988. From September, 1985 to June, 1988, he served as General Attorney of the Lyondell Division. Prior to September, 1985, he served as an attorney for various operating divisions and corporate units of ARCO at increasing levels of responsibility. He originally joined ARCO in 1972.
W. Norman Phillips, Jr., 39. Vice President, Channelview Operations	Mr. Phillips was elected Vice President, Channelview Operations on May 6, 1993. From May 22, 1992 until May 6, 1993, he served as Site Manager of Channelview

</TABLE>

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<CAPTION>

NAME, AGE AND PRESENT POSITION WITH LYONDELL	BUSINESS EXPERIENCE DURING PAST FIVE YEARS AND PERIOD SERVED AS OFFICER(S)
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Joseph M. Putz, 53..... Vice President and Controller	<p>&lt;S&gt;</p> <p style="text-align: center;">&lt;C&gt;</p> <p>Operations. He previously served as Manager, Planning from August, 1991 until May, 1992. Prior to August, 1991, he served in various positions in manufacturing and marketing for ARCO and Lyondell, including Sales Manager in the Petroleum Products Marketing Department from September, 1987 until August, 1991. He originally joined ARCO in 1977.</p> <p>Mr. Putz was elected Vice President and Controller on October 24, 1988. Previously he was Vice President, Control and Administration of Lyondell, and its predecessor, the Lyondell Division, from June 1987 to October 1988. From 1986 to 1987 he served as Director, Internal Control of ARCO. From 1985 to 1986 he served as Manager of Special Projects for ARCO. Prior to 1985, he held various financial positions with divisions of ARCO. He originally joined ARCO in 1965.</p>
Dan F. Smith, 47..... Executive Vice President and Chief Operating Officer	<p>Mr. Smith was elected a Director of the Company on October 24, 1988. He was elected Executive Vice President and Chief Operating Officer on May 6, 1993. He served as Vice President Corporate Planning of ARCO from October 1991 until May 1993. He previously served as Executive Vice President and Chief Financial Officer of the Company from October 1988 to October 1991 and as Senior Vice President of Manufacturing of Lyondell, and its predecessor, the Lyondell Division, from June 1986 to October 1988. From August 1985 to June 1986, Mr. Smith served as Vice President of Manufacturing for the Lyondell Division. He joined</p>

the Lyondell division in April 1985 as Vice President, Control and Administration. Prior to 1985, he served in various financial, planning and manufacturing positions with ARCO. He originally joined ARCO in 1968.

Debra L. Starnes, 41.....  
Vice President,  
Petrochemicals Business  
Management and Marketing

Ms. Starnes was appointed Vice President, Petrochemicals Business Management and Marketing on July 1, 1993. She previously served as Vice President, Petrochemicals Business Management from May 22, 1992 to July 1993. She served as Vice President, Corporate Planning from September 1991 until May 1992. From January 1989 to September 1991, she served as Director, Planning. Prior to 1989, she held various manufacturing, marketing and planning positions with ARCO and Lyondell. She originally joined ARCO in 1975.

Russell S. Young, 45.....  
Senior Vice President,  
Chief Financial Officer and  
Treasurer

Mr. Young was elected Senior Vice President, Chief Financial Officer and Treasurer on May 7, 1992. He previously served as Vice President and Treasurer from November 1988 until May 1992. Mr. Young served as Controller of the ARCO Products Division from September 1986 to January, 1989. From July 1984 to September 1986 he served as Assistant Treasurer of ARCO. Prior thereto he served in corporate finance positions for ARCO. He originally joined ARCO in 1980.

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The By-Laws of the Company provide that each officer shall hold office until the officer's successor is elected or appointed and qualified or until the officer's death, resignation or removal by the Board of Directors.

#### RELATIONSHIP WITH ARCO

##### GENERAL

As described in "The Company," Lyondell was first a division and then a wholly-owned subsidiary of ARCO until January 1989, when ARCO completed an initial public offering of Lyondell's Common Stock. ARCO currently owns 39,921,400 shares, or 49.9 percent of the outstanding Common Stock. The Company and ARCO have entered into various intercompany transactions and arrangements as described below. Five of the eleven directors of Lyondell are officers of ARCO. Following consummation of the offering of the Exchangeable Notes, ARCO has informed the Company that it intends to cause the ARCO officers who currently serve on the Board of Directors to resign; however, ARCO has not limited its right to nominate and vote for candidates for Lyondell's Board of Directors. ARCO has also stated its current intent to vote its shares of Lyondell Common Stock proportionately to the votes of the non-ARCO stockholders, including with respect to the election of directors; provided, that in the event a person other than ARCO is deemed to own more than 10 percent of the Common Stock within the meaning of Section 13(d) of the Exchange Act and there occurs a contested proxy solicitation within the meaning of Rule 14a-11(a) of the Exchange Act, ARCO intends to vote its shares as it deems appropriate.

##### REGISTRATION RIGHTS AGREEMENT WITH ARCO

Subject to the terms and conditions of a registration rights agreement ("Registration Rights Agreement") to be entered into with Lyondell concurrently with the underwriting agreement with respect to the offering of the Exchangeable Notes ("Underwriting Agreement"), ARCO will agree that it will not, without the prior approval of Lyondell's Board of Directors, prior to the

maturity of the Exchangeable Notes, (i) initiate or solicit proposals by a single entity or a group of affiliated entities to acquire all or substantially all of ARCO's Lyondell Common Stock or otherwise to acquire Lyondell (ii) take action by written consent in lieu of a meeting of Lyondell's stockholders or cause to be called any special meeting of Lyondell's stockholders, (iii) initiate or propose, or solicit proxies in respect of, stockholder proposals with respect to the Company, or (iv) solicit proxies or written consents in respect of replacing or adding members of the Lyondell Board of Directors.

Under the terms and conditions of the Registration Rights Agreement, ARCO will also agree that it will not, without the prior approval of Lyondell's Board of Directors or except upon exchange of the Exchangeable Notes as contemplated by the prospectus for the Exchangeable Notes, prior to one year following maturity date of the Exchangeable Notes dispose of (or enter into an agreement contemplating the disposition of) all or any portion of its Lyondell Common Stock in a private sale to a single entity or a group of affiliated entities, provided that this agreement will not restrict ARCO from selling all or any portion of its Lyondell Common Stock (i) in a public offering intended to result in widespread distribution; (ii) in a Rule 144 transaction under the Securities Act in accordance with the volume limitations set forth therein; (iii) in a Rule 144A transaction intended to result in widespread distribution to institutional buyers; or (iv) pursuant to a tender offer or exchange offer by Lyondell or a third party or a merger or other business combination including Lyondell that is not solicited by ARCO and in which ARCO is treated on substantially comparable terms with other holders of Lyondell Common Stock. Notwithstanding the foregoing, ARCO is not precluded from (i) participating in any self tender offer or exchange offer or open market purchase program conducted by Lyondell, (ii) voting its shares of Lyondell Common Stock as it deems proper, or (iii) disclosing (including in response to private inquiries) either its intentions concerning matters to be brought before Lyondell's stockholders or making such disclosures as ARCO determines appropriate in compliance with its obligation under the federal securities laws.

Pursuant to the Registration Rights Agreement, ARCO will have the right to require the Company to use its best efforts to file up to three registration statements under the Securities Act covering ARCO

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shares of Lyondell Common Stock. ARCO will also have the right, if the Company files a registration statement, to require the Company to register ARCO's shares of Common Stock for sale under the Securities Act on such registration statement. If the exercise by ARCO of such "piggyback registration rights" would result in the registration of a number of shares of Common Stock, that in the judgment of the managing underwriter for the proposed offering exceeds the number which can be sold in the offering, the number of shares that ARCO initially intended to register shall be reduced. ARCO has agreed to pay all costs and expenses relating to the exercise of ARCO's "demand" registration rights. In the event of a "demand" registration, ARCO and the Company will indemnify the underwriters of the offering for certain liabilities, including liabilities under the Securities Act in connection with any such registration, except that in the event that ARCO owns less than 20 percent of the Lyondell Common Stock, the Company will indemnify both ARCO and the underwriters.

ARCO will pay all costs and expenses incurred by Lyondell in connection with this Prospectus, the Registration Statement and the offering of the Exchangeable Notes. For a further description of expense reimbursement and indemnification agreements, see "Plan of Distribution."

#### RELATIONSHIP BETWEEN LYONDELL AND ARCO

In connection with the transfer of assets and liabilities to Lyondell in 1988, the Company and ARCO entered into a number of agreements for the purpose of defining their ongoing relationships. In addition, in July 1987 the Lyondell



Division and ARCO Chemical Company ("ARCO Chemical"), then a wholly-owned (and now an 83.3 percent owned) subsidiary of ARCO, entered into a number of agreements in connection with the organization of ARCO Chemical. None of these agreements was the result of arm's-length negotiations between independent parties. It was the intention of the Company, ARCO and ARCO Chemical that such agreements and the transactions provided for therein, taken as a whole, accommodate the parties' interests in a manner that was fair to the parties, while continuing certain mutually beneficial joint arrangements. The Audit Committee of the Board of Directors of the Company, none of the members of which are affiliated with the Company (including LCR), ARCO or ARCO Chemical has determined that such agreements, taken as a whole, were in its opinion fair to the Company and its stockholders. Because of the complexity of the various relationships between the Company, ARCO and its direct and indirect subsidiaries, including ARCO Chemical (together, "ARCO Affiliates"), however, there can be no assurance that each of such agreements, or the transactions provided for therein, has been effected on terms at least as favorable to the Company as could have been obtained from unaffiliated third parties.

The terms and provisions of many of those initial agreements have been modified subsequently or supplemented and additional or modified agreements, arrangements and transactions have been and will continue to be entered into by the Company and ARCO Affiliates. Any such future agreements, arrangements and transactions will be determined through negotiation between the Company and ARCO Affiliates and it is possible that conflicts of interest will be involved. Future contractual relations among the Company and ARCO Affiliates will be subject to certain provisions of the Company's Certificate of Incorporation. See "--Certificate of Incorporation Provisions Relating to Corporate Conflicts of Interest." In addition, the Audit Committee of the Board of Directors has adopted a set of guidelines for the review of all agreements entered into between the Company and ARCO Affiliates. These guidelines include a provision that, at least annually, the Audit Committee will review such agreements, or the transactions provided for therein, to assure that such agreements are, in its opinion, fair to the Company and its stockholders.

For the year ended December 31, 1993, Lyondell (including LCR) paid ARCO Affiliates an aggregate of approximately \$80 million. For the year ended December 31, 1993, Lyondell recorded revenues of approximately \$278 million from sales to ARCO Affiliates, of which \$263 million represented sales to ARCO Chemical. Sales to ARCO Chemical accounted for approximately 17 percent of total revenues from sales of petrochemical products, and approximately seven percent of revenues from gross sales.

#### TECHNOLOGY TRANSFERS AND LICENSES

Effective July 1, 1988, ARCO assigned to the Company numerous domestic and foreign trademarks and certain U.S. and foreign patents and granted the Company a nonexclusive license to use other trademarks which contain the word "ARCO," to use ARCO's spark symbol as a logo and to use ARCO's color striping scheme, which license was royalty-free for a period of four years. The Company paid ARCO approximately \$80,000 under the terms of this license in 1993.

In connection with the transfer of assets and liabilities relating to the Lyondell Division from ARCO to the Company, the Company and ARCO, effective July 1, 1988, entered into (i) a License Agreement pursuant to which ARCO licensed to the Company on a nonexclusive, royalty-free basis certain rights (including Lyondell's right to sublicense to third parties, in some cases without accounting to ARCO) to ARCO's technology and intellectual property related to certain operations or assets of the Company, (ii) a technology assignment agreement pursuant to which legal title to certain other technology and intellectual property useful in the Company's business (including, without limitation, technology relating to olefins, including product flexibility) was transferred to the Company; provided, however, that except for technology

relating to the product flexibility unit, ARCO retained a nonexclusive license to use the technology and property rights in ARCO's other operations, and (iii) an immunity from suit agreement in respect of the Company's right to practice all remaining technology in the possession of the Company prior to July 1, 1988. During 1990, the Company and ARCO entered into a series of amendments to these agreements designed to clarify the parties' rights under the original technology transfer. In addition, Lyondell and ARCO executed a patent maintenance agreement pursuant to which ARCO agreed to maintain certain patents licensed to Lyondell. Lyondell and ARCO also entered into a letter agreement granting Lyondell the right to obtain additional licensing rights.

#### CROSS-INDEMNITY AGREEMENT

In connection with the transfer by ARCO of substantially all of the assets and liabilities of its Lyondell Division to the Company, the Company and ARCO executed the Cross-Indemnity Agreement. In the Cross-Indemnity Agreement, the Company agreed generally to indemnify ARCO against substantially all fixed and contingent liabilities relating to the integrated petrochemical and petroleum processing business and certain assets of the Lyondell Division. The liabilities assumed by the Company include the following, to the extent not covered by ARCO's insurance: (1) all liabilities and obligations of the Company and its combined subsidiaries, as of July 1, 1988; (2) all liabilities and obligations under contracts and commitments relating to the business of the Lyondell Division and certain assets relating thereto; (3) employment and collective bargaining agreements affecting the Company's employees; (4) specified pending litigation and other proceedings; (5) federal, state, foreign and local income taxes to the extent provided in the Cross-Indemnity Agreement; (6) liabilities for other taxes associated with the Lyondell Division's business and certain assets relating thereto; (7) liabilities for any past, present or future violations of federal, state or other laws (including environmental laws), rules, regulations or other requirements of any governmental authority in connection with the business of the Lyondell Division and certain assets relating thereto; (8) existing or future liabilities for claims based on breach of contract, breach of warranty, personal or other injury or other torts relating to such integrated petrochemical and petroleum processing businesses and certain assets relating thereto; and (9) any other liabilities relating to the assets transferred to the Company or its subsidiaries. ARCO has indemnified the Company with respect to other claims or liabilities and other matters of litigation not related to the assets or business transferred by ARCO to the Company.

The Cross-Indemnity Agreement includes procedures for notice and payment of indemnification claims and provides that a party entitled to indemnification for a claim or suit brought by a third party may require the other party to assume the defense of such claim. The Cross-Indemnity Agreement also includes a defense cost-sharing agreement, whereby the Company will bear its allocated defense costs for certain lawsuits.

#### SERVICES AGREEMENTS

The Company and ARCO entered into an agreement effective January 1, 1991 and amended as of February, 1992 (the "Administrative Services Agreement") under which ARCO agreed to continue to provide various transitional services to the Company that ARCO had been providing pursuant to previous administrative service agreements. The services which ARCO now provides the Company pursuant to the Administrative Services Agreement include telecommunications and certain computer-related services. The Administrative Services Agreement terminates no later than December 31, 1997, although it may be terminated in its entirety earlier than such date upon the terminating party providing the other party with at least two years prior notice, and a party may elect to terminate some of the services it is receiving upon 30 days prior notice to the other party. The Administrative Services Agreement provides for an annual renegotiation of

fees. ARCO earned a fee of approximately \$2 million during 1993 for all of the services (some of which are now provided under other agreements as discussed below) which it provided under the Administrative Services Agreement.

Effective January 1, 1994, certain services that ARCO had previously been providing under the Administrative Services Agreement began to be provided pursuant to an agreement (the "Employee Services Agreement") covering various employee benefits administration and payroll services and an agreement (the "Investment Management Agreement") covering investment services with regard to the management of Lyondell's qualified employee benefit plan funds. Each of these agreements terminates on May 1, 1998, although it may be terminated in its entirety by ARCO (provided that ARCO no longer owns at least five percent of the outstanding Common Stock) by giving Lyondell at least two years prior notice. In addition, Lyondell may elect to terminate some or all of the services being provided upon 30 days prior notice. Upon termination of any or all services, ARCO will provide Lyondell with support and assistance to accomplish an orderly transition from ARCO's provision of the services to Lyondell's acquisition of comparable services. The Employee Services Agreement provides for substantially all services to be provided at a fee based on ARCO's costs and for the other services to be provided at mutually-agreed fees. The Investment Management Agreement provides for a renegotiation of fees from time to time.

Effective January 1, 1991, the Company and ARCO entered into an agreement which terminated the insurance coverage previously provided by ARCO and established procedures for the resolution of pending and future claims that are or will be covered under ARCO's policies in effect prior to January 1, 1991.

#### AGREEMENTS BETWEEN THE COMPANY AND ARCO PIPE LINE COMPANY

The Company has entered into several contracts with ARCO Pipe Line Company ("ARCO Pipe Line") pursuant to which the Company (1) leased certain pipelines and pipeline segments from ARCO Pipe Line at annual rental rates which include recovery of operating costs, return on capital investment and inflation escalators (2) acquired the services of ARCO Pipe Line to operate various groups of pipelines owned by the Company, and (3) entered into a throughput and deficiency commitment for volumes at tariff rates for transportation of crude oil and other products. Certain of these contracts that relate to the refining business were assigned to LCR as of July 1, 1993. The Company and LCR paid ARCO Pipe Line approximately \$20 million during 1993 for rental fees and services under these contracts. In April 1994, the Company and ARCO Pipe Line concluded negotiations that extend the term of the Company's lease of ARCO Pipe Line's pipeline system described in (1) above through December 31, 2023. Absent any major regulatory changes, the terms and conditions of this lease extension will not be materially different from the current lease.

ARCO Pipe Line also owns various easements and licenses for its pipelines and related equipment located on the property of the Company or LCR and has performed services relating to the pipeline

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systems. The Company (including LCR) also ships products over common carrier pipelines owned and operated by ARCO Pipe Line pursuant to filed tariffs on the same basis as other non-affiliated customers.

#### AGREEMENTS BETWEEN THE COMPANY AND ARCO CHEMICAL COMPANY

Lyondell provides to ARCO Chemical a large portion of the feedstocks (including ethylene, propylene and methanol) purchased by ARCO Chemical for its manufacturing facilities located at Channelview, Texas. Pricing arrangements under these contracts are generally representative of prevailing market prices. Lyondell also provides certain nominal plant services at the aforementioned plants. ARCO Chemical in turn provides certain feedstocks and supplies to

Lyondell at market-based prices.

The Company sells MTBE produced at one of its two MTBE units to ARCO Chemical at market-based prices. The term of this agreement extends through December 1995. In addition, the Company has agreed to sell to ARCO Chemical MTBE produced at the Company's second MTBE unit that is in excess of LCR's requirements at market-based prices.

#### DISPUTE RESOLUTION AGREEMENT

In April 1993, the Company, ARCO and ARCO Chemical entered into a Dispute Resolution Agreement that mandates a procedure for negotiation and binding arbitration of significant commercial disputes among any two or more of the parties.

#### OTHER AGREEMENTS BETWEEN THE COMPANY AND ARCO

Lyondell has purchased and LCR continues to purchase certain of its crude oil requirements from affiliates of ARCO under short-term arrangements at prices based on market values at the time of delivery. LCR also purchases crude oil from affiliates of ARCO from time to time on the spot market at then-current spot market prices. The Company and LCR also purchased natural gas and natural gas liquids from affiliates of ARCO during 1993 on the spot market at then-current spot market prices.

The Company (including LCR) also sold products to ARCO Affiliates, including crude oil resales and sales of heating oil and lube oil at market-based prices.

#### CERTIFICATE OF INCORPORATION PROVISIONS RELATING TO CORPORATE CONFLICTS OF INTEREST

In order to address certain potential conflicts of interest between the Company and ARCO (for purposes of this section the term "ARCO" also includes ARCO's successors and any corporation, partnership or other entity in which ARCO owns fifty percent or more of the voting securities or other interests), the Company's Certificate of Incorporation contains provisions regulating and defining the conduct of certain affairs of the Company as they may involve ARCO and its officers and directors, and the powers, rights, duties and liabilities of the Company and its officers, directors and stockholders in connection therewith. In general, these provisions recognize that from time to time the Company and ARCO may engage in the same or similar activities or lines of business and have an interest in the same areas of corporate opportunities. The Certificate of Incorporation provides that ARCO has no duty to refrain from (1) engaging in business activities or lines of business that are the same as or similar to those of the Company, (2) doing business with any customer of the Company or (3) employing any officer or employee of the Company. The Certificate of Incorporation provides that ARCO is not under any duty to present any corporate opportunity to the Company which may be a corporate opportunity for both ARCO and the Company, and that ARCO will not be liable to the Company or its stockholders for breach of any fiduciary duty as a stockholder of the Company by reason of the fact that ARCO pursues or acquires such corporate opportunity for itself, directs such corporate opportunity to another person or does not present the corporate opportunity to the Company. ARCO currently owns interests in certain chemical companies and refiners (other than the Company) and has advised the Company that it may continue to acquire additional interests in chemical companies and refiners.

The Certificate of Incorporation provides that directors and officers of the Company will not be liable to the Company or its stockholders for breach of any fiduciary duty if they comply with the following provisions of the Certificate of Incorporation. When a corporate opportunity is offered in writing to an officer or an officer and a director of the Company who is also an officer or

an officer and a director of ARCO, solely in his or her designated capacity with one of the two companies, such opportunity shall be first presented to whichever company was so designated. No person is currently in this category. Otherwise, (1) a corporate opportunity offered to any person who is an officer or officer and director of the Company and who is also a director of ARCO, shall be first presented to the Company, (2) a corporate opportunity offered to a person who is a director of the Company and who is also an officer or officer and director of ARCO shall be first presented to ARCO, (3) in all other cases, a corporate opportunity offered to any person who is an officer and/or a director of both the Company and ARCO shall be first presented to the Company. Mr. Bowlin, Mr. Comstock, Mr. Dallas, Mr. Rusnack and Mr. Wade are in category (2) and no persons currently are in categories (1) and (3).

Another section of the Certificate of Incorporation provides that no contract, agreement, arrangement or transaction between the Company and ARCO or between the Company and a director or officer of the Company or of ARCO would be void or voidable for the reason that ARCO or any director or officer of the Company or of ARCO are parties thereto or because any such director or officer were present or participated in the meeting of the Board of Directors which authorized the contract if the material facts about the contract, agreement, arrangement or transaction were disclosed or known to the Board of Directors or the stockholders and the Board of Directors in good faith authorizes the contract by a vote of a majority of the disinterested directors or the majority of stockholders approves such contract, agreement, arrangement or transaction.

The foregoing Certificate of Incorporation provisions describe the obligations of officers and directors of the Company with respect to presentation of corporate opportunities, but do not limit the ability of the Company or of ARCO to consider and act upon such opportunities whether or not such provisions have been followed.

#### SECURITY OWNERSHIP BY ARCO

ARCO currently owns, and immediately following the offering of the Exchangeable Notes will own, 39,921,400 shares, or 49.9 percent, of the outstanding Common Stock. Pursuant to the terms of the Exchangeable Notes, ARCO may, at its option, consummate the mandatory exchange at maturity thereof by delivering to holders thereof shares of Common Stock or cash with an equal value. ARCO's ownership interest after maturity of the Exchangeable Notes could remain at 49.9 percent of the presently outstanding number of shares of Common Stock (if it elects to deliver cash) or could be reduced to less than one percent of the presently outstanding shares of Common Stock if (a) at maturity of the Exchangeable Notes the "Maturity Price" is less than or equal to the "Initial Price" (each as defined in the prospectus for the Exchangeable Notes), (b) the underwriters of the offering of the Exchangeable Notes elect to exercise their over-allotment option in full and (c) ARCO elects to deliver Common Stock instead of cash. However, ARCO is under no obligation to, and there can be no assurance that ARCO will, elect to exercise its option to deliver Common Stock pursuant to the terms of the Exchangeable Notes.

For a description of expense reimbursement and indemnification agreements with respect to this Prospectus, the Registration Statement and the offering of the Exchangeable Notes, see "Plan of Distribution," and for a description of ARCO's intentions with respect to the Company and of the Registration Rights Agreement between ARCO and the Company, see "Relationship with ARCO--General" and "--Registration Rights Agreement with ARCO."

For additional information concerning the relationship between the Company and ARCO, see "Relationship with ARCO."

The authorized capital stock of the Company currently consists of 250,000,000 shares of Common Stock, par value \$1 per share. ARCO, which owns 49.9 percent of the outstanding Common Stock, has entered into a Registration Rights Agreement with the Company regarding certain voting, transfer and other matters with respect to the shares of Common Stock it owns. See "Relationship with ARCO--Registration Rights Agreement with ARCO."

#### COMMON STOCK

The Company is currently authorized to issue 250,000,000 shares of Common Stock, of which 80,000,000 shares of Common Stock are outstanding at the date hereof.

Holders of Common Stock are entitled (i) to receive such dividends as may from time to time be declared by the Board of Directors of the Company; (ii) to one vote per share on all matters on which the stockholders are entitled to vote; (iii) to act by written consent in lieu of voting at a meeting of stockholders; and (iv) to share ratably in all assets of the Company available for distribution to the stockholders, in the event of liquidation, dissolution or winding up of the Company. For additional information regarding the Company's dividend policy, see Item 5 of the Company's 1993 Form 10-K Report, which report is incorporated herein by reference. The holders of a majority of the shares of Common Stock represented at a meeting can elect all of the directors.

Shares of Common Stock are not liable to further calls or assessments by the Company for any liabilities of the Company that may be imposed on its stockholders under the laws of the State of Delaware, the state of incorporation of the Company. There are no preemptive rights for the Common Stock in the Certificate of Incorporation.

The Transfer Agent, Registrar and Dividend Disbursing Agent for the Common Stock is The Bank of New York.

#### PREFERRED STOCK

The Board of Directors has adopted a resolution declaring the advisability of an amendment to the Certificate of Incorporation of the Company to authorize the issuance of up to 80,000,000 shares of Preferred Stock, \$0.01 par value (the "Preferred Stock"). The proposed amendment to the Certificate of Incorporation is included in the 1994 Proxy Statement and incorporated herein by reference. The discussion hereunder is qualified in its entirety by reference to Appendix A of the 1994 Proxy Statement. If this proposal is approved by the stockholders, the Board will be able to specify the precise characteristics of the Preferred Stock to be issued, in light of current market conditions and the nature of specific transactions, and will not be required to solicit further authorization from stockholders for any specific issue of Preferred Stock.

The Board of Directors has adopted a policy providing that no future issuance of Preferred Stock will be effected without stockholder approval unless the Board (whose decision shall be conclusive) determines in good faith (i) that such issuance is primarily for the purpose of facilitating a financing, an acquisition or another proper corporate objective or transaction, and (ii) that any anti-takeover effects of such issuance are not the Company's primary purpose for effecting such issuance. The Board of Directors will not amend or revoke this policy without giving written notice to the holders of all outstanding shares of the Company's stock, however, no such amendment or revocation will be effective, without stockholder approval, to permit a subsequent issuance of Preferred Stock for the primary purpose of obstructing a takeover of the Company by any person who has, prior to such written notice to stockholders, notified the Board of Directors of such person's desire to pursue a takeover of the Company. As of the date hereof, the Board of Directors has no present intention to issue any series of Preferred Stock.



The authorization of preferred stock could have the effect of discouraging a tender offer or unsolicited attempt to acquire control of the Company in a transaction that a stockholder might deem desirable, including takeover attempts that might result in a premium over the market price of the Common Stock. Preferred stock issuances involving certain voting or conversion privileges can be used to make the acquisition of a company more difficult or more costly. The Company is not aware of any present effort by any person to accumulate the Company's Common Stock or to obtain control of the Company.

Adoption of the proposed amendment to the Certificate of Incorporation will require the affirmative vote of a majority of the outstanding shares of Common Stock.

CERTAIN UNITED STATES FEDERAL TAX CONSEQUENCES  
FOR NON-UNITED STATES HOLDERS OF COMMON STOCK

The following is a summary of certain United States federal income tax consequences of the acquisition, ownership and disposition of Common Stock by a holder that, for United States federal income and estate tax purposes, is a Non-United States Holder. For purposes of this discussion, a "Non-United States Holder" means a corporation, individual or partnership, that is, as to the United States, a foreign corporation, a non-resident alien individual or a foreign partnership, or a trust, other than one the income of which is subject to United States federal income tax regardless of its source. This summary does not address all aspects of the United States federal income and estate taxation and does not deal with foreign, state and local tax consequences that may be relevant to non-United States Holders in light of their specific circumstances. Furthermore, this summary is based upon the provisions of the United States Internal Revenue Code of 1986, as amended and the regulations, rulings and judicial decisions thereunder, all of which are subject to change. PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE UNITED STATES TAX CONSEQUENCES TO THEM OF ACQUIRING, HOLDING AND DISPOSING OF COMMON STOCK AS WELL AS ANY TAX CONSEQUENCES WHICH MAY ARISE UNDER THE LAWS OF ANY FOREIGN, STATE, LOCAL OR OTHER TAXING JURISDICTION.

DIVIDENDS

Dividends paid to a Non-United States Holder generally will be subject to withholding of United States federal income tax at a rate of 30 percent (or a lower rate prescribed by an applicable tax treaty). If the dividends are effectively connected with the conduct of a trade or business within the United States by the Non-United States Holder, the dividends will be subject to the ordinary United States federal income tax on net income that applies to United States persons and will not be subject to withholding if the Non-United States Holder files a United States Internal Revenue Service Form 4224 with the Company or its dividend paying agent. In the case of corporate holders, such dividends might also be subject to the United States branch profits tax at a rate of 30 percent (or a lower rate prescribed by an applicable tax treaty). A Non-United States Holder may be required to satisfy certain certification requirements in order to obtain any reduction of or exemption from withholding under the foregoing rules and may obtain a refund of any excess amounts currently withheld by filing an appropriate refund claim with the United States Internal Revenue Service.

Distributions in excess of the Company's current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated first as a return of capital to the extent of the Non-United States Holder's tax basis in the Common Stock (and will be applied against and reduce such holder's tax basis in the Common Stock) and thereafter as gain from the sale of Common Stock. The portion treated as a return of capital will not be subject to United States federal income tax and the portion, if any, treated as



gain will be subject to the rules described below under "--Gain on Disposition." Because the Company will not be able to determine whether a distribution

should properly be treated as a dividend or as a return of capital at the time of payment, it is required to treat all distributions as dividends for United States withholding tax purposes. Non-United States Holders will be eligible to claim a refund to the extent that a distribution represents a return of capital and may in certain circumstances be eligible to claim a refund to the extent that a distribution is treated as gain. Non-United States Holders should consult their own tax advisors with respect to distributions in excess of current and accumulated earnings and profits.

#### GAIN ON DISPOSITION

**General Rule.** Subject to special rules for individuals described below, a Non-United States Holder generally will not be subject to United States federal income tax on gain recognized on a sale or other disposition of Common Stock unless (i) the gain is effectively connected with the conduct of a trade or business within the United States by the Non-United States Holder (in which case the United States branch profits tax described above may also apply to corporate holders) or (ii) the gain is treated as effectively connected with the conduct of a trade or business within the United States because the Company is or has been a "United States real property holding corporation" for United States federal income tax purposes (in which case, withholding of such tax may also apply). The Company believes that it is currently, and is likely to remain, a United States real property holding corporation. The preceding sentence notwithstanding, under currently effective United States federal income tax laws, gain recognized by a Non-United States Holder will not be treated as effectively connected with the conduct of a trade or business within the United States (or subject to withholding) unless such Non-United States Holder held, directly or indirectly, at any time during the five-year period ending on the date of disposition, more than five percent of the Common Stock. Non-United States Holders should consult applicable tax treaties, which may provide for different rules (including possibly the exemption of certain capital gains from tax).

**Individuals.** In addition to the rules described above, an individual Non-United States Holder who holds Common Stock as a capital asset generally will be subject to tax on any gain recognized on the disposition of such stock if such individual is present in the United States for 183 days or more in the taxable year of disposition and (i) has a "tax home" in the United States (as specifically defined under the United States federal income tax laws) or (ii) maintains an office or other fixed place of business in the United States to which the gain from the sale of the stock is attributable. Certain individual Non-United States Holders may also be subject to tax pursuant to provisions of United States federal income tax law applicable to certain United States expatriates.

#### FEDERAL ESTATE TAX

Common Stock owned or treated as owned by an individual Non-United States Holder at the date of death will be subject to United States federal estate tax, unless an applicable estate tax treaty provides otherwise.

#### INFORMATION REPORTING AND BACKUP WITHHOLDING

The Company or its designated paying agent (the "payor") must report annually to the United States Internal Revenue Service and to each Non-United States Holder the amount of dividends paid to and the tax, if any, withheld with respect to such holder. That information may also be made available to the tax authorities of the country in which the Non-United States Holder resides.

United States information reporting requirements (other than the reporting of dividend payments described in the preceding paragraph ) and United States backup withholding (imposed at a 31 percent rate) generally will not apply to dividends paid to a Non-United States Holder at an address outside the United States, unless the payor has knowledge that the payee is a United States person. Otherwise, information reporting and backup withholding may apply to dividends paid on the Common Stock to a

Non-United States Holder who fails to furnish certain information, including a tax identification number, in the manner required by United States law and applicable regulations.

Payment of the proceeds of a disposition of Common Stock by a United States office of a broker is subject to backup withholding and information reporting, unless the holder certifies to the broker under penalties of perjury as to its name, address and status as a Non-United States Holder or the holder otherwise establishes an exemption. Neither backup withholding nor information reporting generally will apply to a payment of the proceeds of a disposition of Common Stock by a foreign office of a foreign broker that is not a United States Related Person. Information reporting requirements (but not backup withholding) will apply to a payment of the proceeds of a disposition of Common Stock by a foreign office of a broker that is a United States person or a United States Related Person, unless the broker has documentary evidence in its records that the holder is a Non-United States Related Person, unless the broker has no knowledge to the contrary and certain other conditions are met. For this purpose, a "United States Related Person" is (i) a foreign broker, 50 percent or more of whose gross income for certain periods is effectively connected with the conduct of a trade or business in the United States or (ii) a foreign broker that is a "controlled foreign corporation" for United States federal income tax purposes.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be refunded or credited against the Non-United States Holder's United States federal income tax liability, provided that required information is furnished to the United States Internal Revenue Service.

PLAN OF DISTRIBUTION

Subject to the terms and conditions of the Underwriting Agreement, ARCO has agreed to sell to each of the Underwriters named below (the "Underwriters"), and each of such Underwriters, for whom Goldman, Sachs & Co., Merrill Lynch & Co. and Salomon Brothers Inc are acting as representatives, has severally agreed to purchase from ARCO the respective number of Exchangeable Notes set forth opposite its name below:

<TABLE>  
<CAPTION>

UNDERWRITER -----	NUMBER OF EXCHANGEABLE NOTES -----
<S>	<C>
Goldman, Sachs & Co.....	
Merrill Lynch & Co.....	
Salomon Brothers Inc.....	
Total.....	35,000,000 =====

</TABLE>

Under the terms and conditions of the Underwriting Agreement, the Underwriters are committed to take and pay for all of the Exchangeable Notes offered pursuant to the prospectus related thereto, if any are taken.

The Underwriters propose to offer the Exchangeable Notes in part directly to the public at the initial public offering price set forth on the cover of the prospectus for the Exchangeable Notes and in part to certain securities dealers at such price less a selling concession of \$        per Exchangeable Note. The Underwriters may allow, and each such dealer may reallow, to other dealers a concession not exceeding \$        per Exchangeable Note. After the Exchangeable Notes are released for sale to the public the offering price and other selling terms may from time to time be varied by the representatives.

ARCO has granted the Underwriters an option exercisable for 30 calendar days after the date of this Prospectus to purchase up to an aggregate of an additional 4,921,400 Exchangeable Notes to cover over-allotments, if any. If the Underwriters exercise their over-allotment option, the Underwriters have severally agreed, subject to certain conditions, to purchase approximately the same percentage thereof that the number of the Exchangeable Notes to be purchased by each of them, as shown in the foregoing table, bears to the 35,000,000 Exchangeable Notes offered hereby. The Underwriters may exercise such option only to cover over-allotments in connection with the sale of the Exchangeable Notes offered hereby.

ARCO and Lyondell have agreed not to offer, sell or otherwise dispose of, without the prior written consent of the representatives of the Underwriters, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock for a period of 120 days after the date of this Prospectus subject to certain exceptions set forth in the Underwriting Agreement.

The Exchangeable Notes will be a new issue of securities with no established trading market. The representatives have advised ARCO that they intend to make a market in the Exchangeable Notes, but the representatives will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Exchangeable Notes.

The Company has agreed to indemnify ARCO and the Underwriters of the Exchangeable Notes against certain civil liabilities, including liabilities under the Securities Act. ARCO has agreed to reimburse Lyondell for any legal and other expenses reasonably incurred by Lyondell in the preparation, printing and filing of, and in connection with investigating or defending any action or claim relating to, this Prospectus, the Registration Statement or the offering of the Exchangeable Notes.

#### CERTAIN LEGAL MATTERS

Certain legal matters will be passed upon for the Company by Jeffrey R. Pendergraft, Esq., Senior Vice President, Secretary and General Counsel of Lyondell. Mr. Pendergraft beneficially owns 25,521 shares of Common Stock. Certain legal matters will be passed upon for the Underwriters by Cravath, Swaine & Moore. Cravath, Swaine & Moore provides legal services to ARCO from time to time, and is currently doing so on certain matters relating to ARCO's investment in the Company.

#### EXPERTS

The consolidated balance sheet as of December 31, 1993 and 1992 and the consolidated statements of income and accumulated deficit, and cash flows for each of the three years in the period ended December 31, 1993, included in this

Prospectus, have been included herein in reliance on the report of Coopers & Lybrand, independent accountants, given on the authority of that firm as experts in accounting and auditing.

With respect to the unaudited consolidated interim financial information for the three-month periods ended March 31, 1994 and 1993 included in this Prospectus, the independent accountants have reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report, appearing elsewhere herein states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. The accountants are not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their report on the unaudited consolidated interim financial information because that report is not a "report" or a "part" of the Registration Statement prepared or certified by the accountants within the meaning of Sections 7 and 11 of the Securities Act.

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#### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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#### REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors  
of Lyondell Petrochemical Company

We have audited the accompanying consolidated balance sheet of Lyondell Petrochemical Company as of December 31, 1993 and 1992, and the related consolidated statements of income and accumulated deficit and cash flows for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 Lyondell Petrochemical Company as of December 31, 1993 and 1992, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

As discussed in Note 4 to the consolidated financial statements, during 1993 the Company changed its method of accounting for the cost of repairs and maintenance incurred in connection with turnarounds of major units at its manufacturing facilities and in 1992, the Company changed its method of accounting for income taxes and for postretirement benefits other than pensions.

Coopers & Lybrand

Houston, Texas  
February 11, 1994

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LYONDELL PETROCHEMICAL COMPANY

CONSOLIDATED STATEMENT OF INCOME AND ACCUMULATED DEFICIT

<TABLE>  
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31		
	1993	1992	1991
	MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS		
<S>	<C>	<C>	<C>
Sales and other operating revenues:			
Unrelated parties.....	\$3,572	\$4,480	\$5,209
Related parties.....	278	329	526
	-----	-----	-----
	3,850	4,809	5,735
Operating costs and expenses:			
Cost of sales:			
Unrelated parties.....	3,359	4,283	4,801
Related parties.....	268	295	409
Selling, general and administrative expenses.....	130	127	126
	-----	-----	-----
	3,757	4,705	5,336
	-----	-----	-----
Operating income.....	93	104	399
Interest expense.....	(74)	(79)	(74)
Interest income.....	2	10	14
Minority interest in LYONDELL-CITGO Refining Company Ltd.....	(5)	--	--
	-----	-----	-----
Income before income taxes and cumulative effect of			

accounting changes.....	16	35	339
Provision for income taxes.....	12	9	117
	-----	-----	-----
Income before cumulative effect of accounting changes.....	4	26	222
Cumulative effect on prior years of accounting changes, net of tax.....	22	(10)	--
	-----	-----	-----
Net income.....	\$ 26	\$ 16	\$ 222
	=====	=====	=====
Earnings (loss) per share:			
Income before cumulative effect of accounting changes.....	\$ .06	\$ .32	\$ 2.78
Cumulative effect on prior years of accounting changes.....	.27	(.12)	--
	-----	-----	-----
Net income.....	\$ .33	\$ .20	\$ 2.78
	=====	=====	=====
Pro forma amounts, assuming retroactive application of new accounting method for turnarounds:			
Income before cumulative effect of accounting changes.....		\$ 31	\$ 216
		=====	=====
Income per share before cumulative effect of accounting changes.....		\$ .39	\$ 2.70
		=====	=====
Net income.....	\$ 4	\$ 22	\$ 216
	=====	=====	=====
Net income per share.....	\$ .06	\$ .27	\$ 2.70
	=====	=====	=====
Accumulated deficit at beginning of year.....	\$ (244)	\$ (116)	\$ (200)
Net income.....	26	16	222
Cash dividends.....	(108)	(144)	(140)
Other.....	--	--	2
	-----	-----	-----
Accumulated deficit at end of year.....	\$ (326)	\$ (244)	\$ (116)
	=====	=====	=====

</TABLE>

See notes to consolidated financial statements.

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LYONDELL PETROCHEMICAL COMPANY  
CONSOLIDATED BALANCE SHEET

<TABLE>  
<CAPTION>

	DECEMBER 31	
	1993	1992
	-----	-----
ASSETS	MILLIONS OF DOLLARS	
-----	<C>	<C>
Current assets:		
Cash and cash equivalents.....	\$ 40	\$ 108
Restricted cash (Note 3).....	73	--
Short-term investments.....	6	13
Accounts receivable:		
Trade.....	179	227
Related parties.....	25	26
Inventories.....	191	180

Prepaid expenses and other current assets.....	9	14
	-----	-----
Total current assets.....	523	568
	-----	-----
Fixed assets:		
Property, plant and equipment.....	2,545	2,470
Less accumulated depreciation and amortization.....	1,890	1,847
	-----	-----
	655	623
Deferred charges and other assets.....	53	24
	-----	-----
Total assets.....	\$1,231	\$1,215
	=====	=====

<CAPTION>

LIABILITIES AND STOCKHOLDERS' DEFICIT

<S>	<C>	<C>
Current liabilities:		
Accounts payable:		
Trade.....	\$ 203	\$ 234
Related parties.....	4	9
Notes payable.....	4	--
Current maturities of long-term debt.....	8	29
Other accrued liabilities.....	80	73
	-----	-----
Total current liabilities.....	299	345
	-----	-----
Long-term debt.....	717	725
Other liabilities and deferred credits.....	78	72
Deferred income taxes.....	101	79
Commitments and contingencies (Note 18)		
Minority interest.....	124	--
Stockholders' equity (deficit):		
Common stock, \$1 par value, 250,000,000 shares authorized, 80,000,000 issued and outstanding.....	80	80
Additional paid-in capital.....	158	158
Accumulated deficit.....	(326)	(244)
	-----	-----
Total stockholders' deficit.....	(88)	(6)
	-----	-----
Total liabilities and stockholders' deficit.....	\$1,231	\$1,215
	=====	=====

</TABLE>

See notes to consolidated financial statements.

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LYONDELL PETROCHEMICAL COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>  
<CAPTION>

	FOR THE YEAR		
	ENDED DECEMBER		
	31		
	-----		
	1993	1992	1991
	----	----	----
	MILLIONS OF		
	DOLLARS		
<S>	<C>	<C>	<C>
Cash flows from operating activities:			



Net income.....	\$ 26	\$ 16	\$222
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting changes, net of tax.....	(22)	10	--
Depreciation and amortization.....	58	39	39
Deferred taxes.....	7	2	18
Net change in accounts receivable, inventories and accounts payable.....	(11)	54	(1)
Net change in other working capital accounts.....	16	(20)	3
Minority interest.....	5	--	--
Other.....	5	7	(11)
	----	----	----
Net cash provided by operating activities.....	84	108	270
	----	----	----
Cash flows from investing activities:			
Minority owner contribution.....	116	--	--
Additions to fixed assets.....	(69)	(97)	(43)
Purchases of short-term investments.....	(9)	--	(104)
Proceeds from sales of short-term investments.....	16	88	3
	----	----	----
Net cash provided by (used in) investing activities....	54	(9)	(144)
	----	----	----
Cash flows from financing activities:			
Proceeds from short-term debt.....	16	--	--
Repayments of short-term debt.....	(12)	--	--
Proceeds from long-term debt.....	--	200	150
Repayments of long-term debt.....	(29)	(67)	(29)
Repayments of capitalized lease obligations.....	--	(186)	(28)
Dividends paid.....	(108)	(144)	(140)
	----	----	----
Net cash used in financing activities.....	(133)	(197)	(47)
	----	----	----
Increase (decrease) in cash, restricted cash and cash equivalents.....	5	(98)	79
Cash and cash equivalents at beginning of period.....	108	206	127
	----	----	----
Cash, restricted cash and cash equivalents at end of period..	\$113	\$108	\$206
	=====	=====	=====

</TABLE>

See notes to consolidated financial statements.

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LYONDELL PETROCHEMICAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. FORMATION OF THE COMPANY AND OPERATIONS

In 1985, Atlantic Richfield Company (ARCO) established the Lyondell Petrochemical Company as a division of ARCO (Lyondell Division). Lyondell Petrochemical Corporation, a wholly-owned subsidiary of ARCO, was incorporated in the state of Delaware in 1985 and subsequently changed its name to Lyondell Petrochemical Company (Company). Effective July 1, 1988, ARCO transferred substantially all the assets and liabilities relating to the integrated petrochemical and petroleum processing business of the Lyondell Division to the Company. In addition, certain pipeline assets were transferred to the Company. For financial reporting purposes, the transfer of these assets and liabilities was recorded at the historical net book value of \$127 million as of July 1, 1988.

On January 25, 1989, ARCO completed an initial public offering of 43,000,000 shares of the Company's 80,000,000 shares of common stock owned by ARCO. The

Company received none of the proceeds from the sale. As of December 31, 1993, ARCO owned 39,921,400 shares, which represents 49.9 percent of the outstanding common stock.

The Company and LYONDELL-CITGO Refining Company Ltd. (LCR) operate in two business segments: petrochemicals and refining. The Company generally sells its petrochemical products to customers for use primarily in the manufacture of other chemicals and products, which in turn are used in the production of a wide variety of consumer and end-use products. LCR sells its principal refined products primarily to CITGO Petroleum Corporation (CITGO) and to a lesser extent, other marketers of petroleum products. See Note 3.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**--The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant transactions between the entities of the Company have been eliminated from the consolidated financial statements. Certain amounts from prior years have been reclassified to conform to current year presentation.

**Cash, Cash Equivalents and Short-Term Investments**--Cash equivalents consist of highly liquid debt instruments such as certificates of deposit, commercial paper and money market accounts purchased with an original maturity date of three months or less. Short-term investments consist of similar investments maturing in more than three months from purchase. The Company's policy is to invest cash in conservative, highly rated instruments and limit the amount of credit exposure to any one institution. The Company performs periodic evaluations of the relative credit standing of these financial institutions which are considered in the Company's investment strategy. Cash equivalents and short-term investments are stated at cost which approximates market value because of the short maturity of these instruments.

The Company has no requirements for compensating balances in a specific amount at a specific point in time. The Company does maintain compensating balances for some of its banking services and products. Such balances are maintained on an average basis and are solely at the Company's discretion, so that effectively on any given date, none of the Company's cash is restricted with the exception of cash held for use in connection with LCR capital projects and other expenditures as determined by the LCR owners (see Note 3).

**Accounts Receivable**--The Company sells its products primarily to companies in the petrochemical and refining industries. The Company performs ongoing credit evaluations of its customers' financial condition and in certain circumstances requires letters of credit from them. The Company's allowance for doubtful accounts receivable, which is reflected in the consolidated balance sheet as a reduction in accounts receivable, totaled \$2 million at December 31, 1993 and 1992.

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### LYONDELL PETROCHEMICAL COMPANY

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (CONTINUED)

**Inventories**--Inventories are stated at the lower of cost or market. Cost is determined on the last-in, first-out (LIFO) basis except for materials and supplies, which are valued at average cost.

**Fixed Assets**--Fixed assets are recorded at cost. Depreciation of fixed assets is computed using the straight-line method over the estimated useful lives of the related assets as follows:

<TABLE>

<S>

<C> <C>

Manufacturing facilities and equipment	-- 5 to 30 years
Leased assets and improvements	-- 5 to 20 years

</TABLE>

Upon retirement or sale, the Company removes the cost of the assets and the related accumulated depreciation from the accounts and reflects any resulting gains or losses in income.

Environmental Remediation Costs--Expenditures related to investigation and remediation of contaminated sites which include operating facilities and waste disposal sites, are accrued when it is probable that a liability has been incurred and the amount of that liability can reasonably be estimated. These costs are expensed or capitalized in accordance with generally accepted accounting principles.

Futures Contracts--The Company executes futures contracts primarily to hedge fluctuations in product prices and feedstock costs. Changes in the market value of hedging contracts are reported as an adjustment to cost of sales upon completion of the hedged transaction.

Exchanges--Crude oil and finished product exchange transactions, which are of a homogeneous nature of commodities in the same line of business, that do not involve the payment or receipt of cash, are not accounted for as purchases and sales. Any resulting volumetric exchange balances are accounted for as inventory in accordance with the normal LIFO valuation policy. Exchanges that are settled through payment and receipt of cash are accounted for as purchases and sales.

Income Taxes--Deferred taxes result from temporary differences in the recognition of revenues and expenses for tax and financial reporting purposes and are calculated, effective in 1992 with the adoption of Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes", based upon cumulative book/tax differences in the balance sheet.

### 3. FORMATION OF LYONDELL-CITGO REFINING COMPANY LTD.

On July 1, 1993, the Company and CITGO announced the commencement of operations of LCR, a new entity formed and owned by the Company and CITGO in order to own and operate the Company's refining business, including the full-conversion Houston refinery (Refinery). LCR is undertaking a major upgrade project at the Refinery to enable the facility to process substantial additional volumes of very heavy crude oil.

LCR is a limited liability company organized under the laws of the state of Texas. The Company owns its interest in LCR through a wholly-owned subsidiary, Lyondell Refining Company. CITGO holds its interest through CITGO Refining Investment Company, a wholly-owned subsidiary of CITGO. CITGO has committed to reinvest its share of operating cash flow during the upgrade project, while the Company has unrestricted access to its share of operating cash flow from LCR.

Under the terms of the transaction, CITGO will provide a major portion of the funds for the upgrade project, as well as certain funds for general refinery capital projects. Project engineering for the upgrade is currently underway and at the present time, LCR management anticipates the cost over the next three to four years to be approximately \$800 million.

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## LYONDELL PETROCHEMICAL COMPANY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (CONTINUED)

Funding for the upgrade project will occur in three phases. The first phase, the initial \$300 million, will be funded by CITGO. The second phase will be

funded by an LCR borrowing of \$200 million. The third phase, which is expected to occur toward the end of the upgrade project, will be a combination of LCR borrowing and contributions from CITGO and the Company. Prior to completion of the upgrade project, the financing costs for the upgrade project loans will be funded by CITGO. The timing of the third phase and the level of contributions from the Company and CITGO will be dependent upon the total cost of the upgrade project. It is currently anticipated that the Company will contribute, in the form of a subordinated loan, 25 percent of the cost of the upgrade project in excess of \$500 million (\$75 million if the cost of the upgrade project equals \$800 million).

On July 1, 1993, the Company contributed its refining assets (including the lube oil blending and packaging plant in Birmingham, Alabama) and refining working capital to LCR and retained an approximate 95 percent interest in LCR. CITGO contributed \$50 million for future capital projects of LCR and in exchange received an approximate five percent interest in LCR. CITGO also made an additional \$50 million contribution for future capital projects of LCR on December 31, 1993. At December 31, 1993, CITGO had an approximate 10 percent interest in LCR. In addition to the funding related to the upgrade project described in the prior paragraph, CITGO has one additional contribution commitment of \$30 million to be made upon completion of the upgrade project and it has an option to make an additional equity contribution sufficient to increase its interest to 50 percent.

On July 1, 1993, LCR entered into a long-term crude oil supply agreement with LAGOVEN, S.A., an affiliate of CITGO. In addition, under the terms of a long-term product sales agreement, CITGO will purchase a majority of the refined products produced at the Refinery. Both LAGOVEN and CITGO are subsidiaries of Petroleos de Venezuela, S.A., the national oil company of Venezuela.

Also effective July 1, 1993, the parties entered into multiple agreements for feedstock and product sales between LCR and the Company. These agreements generally are aimed at preserving much of the synergy that previously existed between the Company's refining and petrochemical businesses. LCR and the Company also have entered into a tolling agreement, pursuant to which alkylate and MTBE will be produced at the Channelview Complex for LCR, and various administrative services agreements.

With respect to liabilities associated with LCR, the Company generally has retained liability for events that occurred prior to July 1, 1993 and certain on-going environmental projects at the Refinery. LCR generally is responsible for liabilities associated with events occurring after June 30, 1993 and on-going environmental compliance inherent to the operation of the Refinery.

At December 31, 1993, \$73 million of cash and \$6 million of short-term investments were restricted for use in connection with LCR capital projects, including the Refinery upgrade project and other expenditures as determined by the LCR owners.

#### 4. ACCOUNTING CHANGES

In the first quarter of 1993, effective January 1, 1993, the Company changed its method of accounting for the cost of repairs and maintenance incurred in connection with turnarounds of major units at its manufacturing facilities. Under the new method, turnaround costs exceeding \$5 million are deferred and amortized on a straight-line basis until the next planned turnaround, generally four to six years. In prior years, all turnaround costs were expensed as incurred. The Company believes that the new method of accounting is preferable in that it provides for a better matching of turnaround costs with future product revenues. The cumulative effect of this accounting change for years prior to 1993

LYONDELL PETROCHEMICAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

resulted in a benefit of \$33 million (\$22 million or \$.27 per share after income taxes), and was included in first quarter income. The change resulted in \$9 million after-tax (or \$.11 per share) of additional amortization expenses during the year ended December 31, 1993.

In the fourth quarter of 1992, the Company adopted, effective January 1, 1992, the provisions of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", requiring the accrual of postretirement benefits. The applicable postretirement benefits include medical and life benefit plans. In prior years, expenses for these plans were recognized on a pay-as-you-go basis. The change resulted in a decrease of 1992 net income before cumulative effect of accounting changes of approximately \$3 million (or \$.04 per share). The unfavorable effect of this accounting change through December 31, 1991 amounted to \$28 million before taxes or \$18 million (or \$.22 per share) net of tax and was charged against 1992 income.

In the fourth quarter of 1992, the Company adopted, effective January 1, 1992, the provisions of SFAS No. 109, "Accounting for Income Taxes". The Statement requires, among other things, a change from the deferred to the liability method of computing deferred income taxes. The favorable cumulative effect of this accounting change on years prior to 1992 was an \$8 million (or \$.10 per share) reduction in the Company's deferred tax liability and was included in 1992 income. The favorable effect of the change on 1992 net income, excluding the cumulative effect upon adoption, was \$2 million (or \$.02 per share).

Effective January 1, 1992, the Company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits". The standard requires companies to accrue the cost of postemployment (prior to retirement) benefits either during the years that the employee renders the necessary service or at the date of the event giving rise to the benefit, depending upon whether certain conditions are met. The effect of adoption did not have a material impact on 1992 net income.

5. RELATED PARTY TRANSACTIONS

Related party transactions with ARCO are summarized as follows:

<TABLE>  
<CAPTION>

	1993	1992	1991
	----	----	----
	MILLIONS OF DOLLARS		
<S>	<C>	<C>	<C>
Costs			
Crude oil purchases.....	\$53	\$140	\$299
Product purchases.....	3	9	13
Transportation fees.....	27	24	24
Other, net.....	2	2	2
	---	----	----
Total.....	\$85	\$175	\$338
	===	=====	=====
Sales of crude oil and products.....	\$15	\$ 33	\$171
	===	=====	=====

</TABLE>

In addition, sales to an affiliate, ARCO Chemical Company, consisting of benzene, ethylene, propylene, butylene, methanol and other products and services, were \$263 million, \$296 million and \$355 million for the years ended December 31, 1993, 1992 and 1991, respectively.

6. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information is summarized as follows:

<TABLE>  
<CAPTION>

	1993	1992	1991
	----	----	----
	MILLIONS OF DOLLARS		
<S>	<C>	<C>	<C>
Cash paid during the year for:			
Interest.....	\$76	\$77	\$72
Income taxes.....	\$ 7	\$23	\$98

</TABLE>

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LYONDELL PETROCHEMICAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

As of December 31, 1993, fixed assets included \$16 million of non-cash additions of which \$14 million related to accounts payable accruals.

7. INVENTORIES

The categories of inventory and their book values at December 31, 1993 and 1992, were as follows:

<TABLE>  
<CAPTION>

	1993	1992
	----	----
	MILLIONS OF DOLLARS	
<S>	<C>	<C>
Crude oil.....	\$ 68	\$ 51
Refined products.....	29	26
Petrochemicals.....	57	68
Materials and supplies.....	37	35
	----	----
	\$191	\$180
	=====	=====

</TABLE>

For the years ended December 31, 1993, 1992 and 1991, the Company reduced cost of sales by approximately \$6 million, \$1 million and \$6 million, respectively, associated with the reduction in LIFO inventories. The excess of the current cost of inventories over book value was approximately \$56 million and \$135 million at December 31, 1993 and 1992, respectively.

8. FIXED ASSETS

The components of fixed assets at December 31, 1993 and 1992, were as follows:

<TABLE>  
<CAPTION>

	1993	1992
	-----	-----
	MILLIONS OF	

	DOLLARS	
<S>	<C>	<C>
Manufacturing facilities and equipment.....	\$2,516	\$2,441
Land.....	26	26
Leased assets and improvements.....	3	3
	-----	-----
	\$2,545	\$2,470
	=====	=====

</TABLE>

9. DEFERRED CHARGES AND OTHER ASSETS

Deferred charges and other assets at December 31, 1993 and 1992, was comprised of the following:

<TABLE>  
<CAPTION>

	1993	1992
	----	----
	MILLIONS	
	OF	
	DOLLARS	
<S>	<C>	<C>
Deferred turnaround costs (Note 4).....	\$18	\$--
Company owned life insurance.....	17	12
Other.....	18	12
	---	---
	\$53	\$24
	===	===

</TABLE>

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LYONDELL PETROCHEMICAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (CONTINUED)

10. OTHER ACCRUED LIABILITIES

Other accrued liabilities at December 31, 1993 and 1992, were as follows:

<TABLE>  
<CAPTION>

	1993	1992
	----	----
	MILLIONS	
	OF	
	DOLLARS	
<S>	<C>	<C>
Income taxes.....	\$--	\$ 5
Accrued taxes other than income.....	29	26
Accrued interest.....	11	11
Accrued payroll.....	20	19
Other.....	20	12
	---	---
	\$80	\$73
	===	===

</TABLE>

11. LONG-TERM DEBT AND FINANCING ARRANGEMENTS

Long-term debt at December 31, 1993 and 1992, was comprised of the following:

<TABLE>



<CAPTION>

	1993	1992
	----	----
	MILLIONS	
	OF	
	DOLLARS	
<S>	<C>	<C>
9.95% Notes due in 1996.....	\$150	\$150
10.00% Notes due in 1999.....	150	150
8.25% Notes due in 1997.....	100	100
9.125% Notes due in 2002.....	100	100
Medium-Term Notes.....	225	254
	----	----
	725	754
Less current portion.....	8	29
	----	----
Total long-term debt.....	\$717	\$725
	=====	=====

</TABLE>

Aggregate maturities of long-term debt during the five years subsequent to December 31, 1993 are as follows: 1994-\$8 million; 1995-\$10 million; 1996-\$150 million; 1997-\$112 million; 1998-\$32 million.

Effective July 1, 1993, LCR entered into a 364 day unsecured revolving credit facility with a group of banks with Continental Bank, N.A., as agent. Under terms of the credit facility, LCR may borrow a maximum of \$100 million in the form of cash or letters of credit with interest based on prime, LIBOR or CD rates at LCR's option. The credit facility may be extended at the request of LCR upon consent of the bank group. The credit facility contains covenants that limit LCR's ability to modify certain significant contracts, dispose of assets or merge or consolidate with other entities. At December 31, 1993, no amounts were outstanding under this credit facility.

During December, 1993, the Company finalized a five year, \$400 million unsecured revolving credit facility (Credit Facility) which replaced its existing \$300 million credit facility which was due to expire in July, 1994. In connection with the Credit Facility, the Company paid administrative, arrangement and commitment fees totaling \$3.2 million. At December 31, 1993, no amounts were outstanding under the Credit Facility.

Under the terms of the Credit Facility, the interest rate is based on Euro-Dollar or CD rates, at the Company's option, and also is dependent upon the Credit Facility utilization rate and the Company's debt ratings. The Credit Facility contains restrictive covenants regarding the incurrence of additional debt, the maintenance of certain fixed charge coverage and leverage ratios and the making of

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LYONDELL PETROCHEMICAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (CONTINUED)

contributions to LCR, as well as the payment of dividends to the extent that the Company's net income after January 1, 1994 generally does not exceed, over time, dividends declared or paid after that date.

The Credit Facility's debt incurrence covenant restricts the incurrence by the Company of additional debt, including debt under the Credit Facility, unless, immediately after giving effect to the additional borrowing, the ratio of earnings before depreciation, amortization, interest and income taxes, to interest expense exceeds the limits set forth in the Credit Facility. However, the debt incurrence covenant does not become applicable until the debt incurred

by the Company after December 31, 1993 exceeds \$75 million.

During March, 1992, the Company completed the placement of \$200 million of Notes consisting of \$100 million of 8.25 percent Notes due 1997 and \$100 million of 9.125 percent Notes due 2002. A majority of the proceeds was used in April, 1992 to prepay amounts due under capitalized leases relating to the olefins plants, which allowed the Company to terminate the leases and acquire ownership of the plants.

The Company's Medium-Term Notes mature at various dates from 1994 to 2005 and have a weighted average interest rate at December 31, 1993 and 1992 of 9.85 percent.

The Notes due 1996 and 1999, and the Medium-Term Notes contain provisions that would allow the holders to require the Company to repurchase the debt upon the occurrence of certain events together with specified declines in public ratings on the Notes due 1996 and 1999. Certain events include acquisitions by persons other than ARCO or the Company of more than 20 percent of the Company's common stock, any merger or transfer of substantially all of the Company's assets, in connection with which the Company's common stock is changed into or exchanged for cash, securities or other property and payment of certain "special" dividends.

At December 31, 1993, the Company had letters of credit outstanding totaling \$33.8 million.

Based on the borrowing rates currently available to the Company for debt with terms and average maturities similar to the Company's debt portfolio, the fair value of long-term debt is \$776 million.

## 12. EARNINGS PER SHARE

Earnings per share were computed based on the weighted average number of shares outstanding of 80,000,000 for the years ended December 31, 1993, 1992 and 1991.

## 13. STOCKHOLDERS' EQUITY (DEFICIT)

Dividends--During 1993, the Company paid a regular dividend to stockholders in the amount of \$.45 per share during the first and second quarters and a regular dividend to stockholders in the amount of \$.225 per share during each of the remaining two quarters. During 1992, the Company paid regular quarterly dividends of \$.45 per share. During 1991, the Company paid a regular dividend to stockholders in the amount of \$.40 per share during the first quarter and \$.45 per share during each of the remaining three quarters.

Return of Capital--During 1993, the Company paid \$108 million in dividends. Total dividends paid during the year exceeded cumulative earnings and profits, as computed for federal income tax purposes. Subject to final determination by the Internal Revenue Service, 100 percent of each of the 1993 quarterly dividend payments was considered a return of capital.

Stock Options--The Company's Executive Long-Term Incentive Plan (LTI Plan), became effective November 7, 1988. The LTI Plan provides, among other things, for the granting to officers and other

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LYONDELL PETROCHEMICAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (CONTINUED)

key management employees of non-qualified stock options for the purchase of up to 1,295,000 shares of the Company's common stock. The number of options

exercisable each year is equal to 25 percent of the number granted after each year of continuous service starting one year from the date of grant. The LTI Plan provides that the option price per share will not be less than 100 percent of the fair market value of the stock on the effective date of the grant. As of December 31, 1993, options covering 761,732 shares were outstanding under the LTI Plan of which 283,056 were exercisable at a weighted average price of \$22.10 per share.

<TABLE>  
<CAPTION>

	NUMBER OF SHARES	OPTION PRICE AVERAGE PER SHARE	TOTAL
<S>	<C>	<C>	<C>
Balance, December 31, 1991.....	373,560	\$21.42	\$ 8,002,196
Granted.....	222,290	23.00	5,112,670
Exercised.....	(12,115)	18.67	(226,205)
Canceled.....	(7,433)	22.84	(169,768)
-----			
Balance, December 31, 1992.....	576,302	22.07	\$12,718,893
-----			
Granted.....	259,490	26.00	6,746,740
Exercised.....	(1,808)	21.01	(37,984)
Canceled.....	(72,252)	22.29	(1,610,782)
-----			
Balance, December 31, 1993.....	761,732	23.39	\$17,816,867
=====			

</TABLE>

The Company's Incentive Stock Option Plan (ISO Plan) became effective January 12, 1989. The ISO Plan is a qualified plan which provides for the granting of stock options for the purchase of up to 550,000 shares of the Company's common stock. All employees of the Company who are not on the executive payroll are eligible to participate in the ISO Plan, subject to certain restrictions. Various restrictions apply as to when and to the number of stock options that may be exercised during any year. In no event, however, may a stock option be exercised prior to the first anniversary of the date the stock option was granted. As of December 31, 1993, options covering 476,665 shares were outstanding at an average exercise price of \$29.35 per share. These options were held by 2,053 eligible employees. At December 31, 1993, no stock options were exercisable. The following summarizes stock option activity for the ISO Plan:

<TABLE>  
<CAPTION>

	NUMBER OF SHARES	OPTION PRICE AVERAGE PER SHARE	TOTAL
<S>	<C>	<C>	<C>
Balance, December 31, 1991.....	528,614	\$29.06	\$15,362,755
Granted.....	8,729	30.00	261,870
Exercised.....	(5,614)	19.44	(109,136)
Canceled.....	(27,710)	26.80	(742,649)
-----			
Balance, December 31, 1992.....	504,019	29.31	\$14,772,840
-----			
Granted.....	--	--	--
Exercised.....	--	--	--
Canceled.....	(27,354)	28.59	(782,034)
-----			
Balance, December 31, 1993.....	476,665	29.35	\$13,990,806
=====			

</TABLE>

## LYONDELL PETROCHEMICAL COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (CONTINUED)

## 14. LEASES

At December 31, 1993, future minimum rental payments for operating leases with noncancelable lease terms in excess of one year were as follows:

<TABLE>  
<CAPTION>

	AMOUNT
	-----
	MILLIONS OF DOLLARS
<S>	<C>
1994.....	\$ 36
1995.....	30
1996.....	22
1997.....	20
1998.....	19
Thereafter.....	17
	----
Total minimum lease payments.....	\$144
	=====

</TABLE>

Operating lease net rental expenses for 1993, 1992 and 1991 were \$43 million, \$35 million and \$33 million, respectively.

## 15. RETIREMENT PLANS

All Lyondell and LCR employees are covered by defined benefit pension plans. Retirement benefits are based on years of service and the employee's compensation primarily during the last three years of service. The funding policy for these plans is to make periodic contributions as required by applicable regulations. Lyondell and LCR accrue pension costs based on an actuarial valuation and fund the plans through contributions to separate trust funds that are kept apart from Lyondell or LCR's funds. Lyondell and LCR also have unfunded supplemental nonqualified retirement plans which provide pension benefits for certain employees in excess of the qualified plans' limits.

The following table sets forth the funded status of Lyondell and LCR's retirement plans and the amounts recognized in the Company's consolidated balance sheet at December 31, 1993 and 1992:

<TABLE>  
<CAPTION>

	1993		1992	
	-----		-----	
	PLANS WITH ASSETS IN EXCESS OF ABO	PLANS WITH ABO IN EXCESS OF ASSETS	PLANS WITH ASSETS IN EXCESS OF ABO	PLANS WITH ABO IN EXCESS OF ASSETS
	-----			
	MILLIONS OF DOLLARS			
<S>	<C>	<C>	<C>	<C>
Actuarial present value of benefit obligations:				
Vested benefit obligation.....	\$53	\$21	\$46	\$ 2
	===	===	===	===
Accumulated benefit obligation				

(ABO).....	\$54	\$25	\$49	\$ 2
	===	===	===	===
Projected benefit obligation.....	\$84	\$42	\$78	\$ 4
Plan assets at fair value, primarily stocks and bonds.....	62	18	69	--
	---	---	---	---
Projected benefit obligation in excess of plan assets.....	(22)	(24)	(9)	(4)
Unrecognized net loss.....	22	14	10	1
Prior service cost not yet recognized in pension cost.....	(2)	3	(1)	--
Remaining unrecognized net asset...	(4)	--	(5)	1
	---	---	---	---
Net pension liability.....	\$(6)	\$(7)	\$(5)	\$(2)
	===	===	===	===

</TABLE>

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LYONDELL PETROCHEMICAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The Company's net pension cost for 1993, 1992 and 1991 included the following components:

<TABLE>  
<CAPTION>

	1993	1992	1991
	----	----	----
	MILLIONS OF DOLLARS		
<S>	<C>	<C>	<C>
Service cost--benefits earned during the period.....	\$ 5	\$ 4	\$ 4
Interest cost on projected benefit obligations.....	8	6	5
Actual (gain) loss on plan assets.....	(14)	(4)	(10)
Net amortization and deferral.....	7	(2)	5
	----	---	----
Net periodic pension cost.....	\$ 6	\$ 4	\$ 4
	=====	===	=====

</TABLE>

The assumptions used as of December 31, 1993, 1992 and 1991, in determining the pension costs and pension liability shown above were as follows:

<TABLE>  
<CAPTION>

	1993	1992	1991
	----	----	----
	PERCENT		
<S>	<C>	<C>	<C>
Discount rate.....	7.25	8.75	8.95
Rate of salary progression.....	5.00	5.00	5.00
Long-term rate of return on assets.....	9.50	9.50	9.50

</TABLE>

Lyondell and LCR also maintain voluntary defined contribution Capital Accumulation and Savings plans for eligible employees. Under provisions of the plans, Lyondell and LCR contribute an amount equal to 150 percent of employee contributions up to a maximum Lyondell or LCR contribution of 6 percent of the employee's base salary for the Capital Accumulation plans and 200 percent of employee contributions up to a maximum Lyondell or LCR contribution of 2 percent of the employee's base salary for the Savings plans. Lyondell and LCR

contributions to these plans totaled \$8 million in 1993, \$7 million in 1992 and \$7 million in 1991.

16. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

Lyondell and LCR sponsor unfunded defined benefit postretirement plans other than pensions that cover both salaried and non-salaried employees which provide medical and life insurance benefits. The postretirement health care plans are contributory while the life insurance plans are non-contributory. Currently, Lyondell and LCR pay approximately 80 percent of the cost of the health care plans, but reserve the right to modify the cost-sharing provisions at any time.

The following table sets forth the plans' separate postretirement benefit liabilities as of December 31, 1993 and 1992:

<TABLE>  
<CAPTION>

	1993		1992	
	-----		-----	
	MEDICAL	LIFE	MEDICAL	LIFE
	-----		-----	
	MILLIONS OF DOLLARS			
<S>	<C>	<C>	<C>	<C>
Accumulated postretirement benefit obligation:				
Retirees.....	\$ (2)	\$ (1)	\$ (2)	
Fully eligible active plan participants.....	(5)	(1)	(3)	\$ (1)
Other active plan participants.....	(37)	(6)	(23)	(4)
	----	---	----	---
	(44)	(8)	(28)	(5)
Unrecognized net loss.....	12	2	--	--
	----	---	----	---
Accrued postretirement benefit liability.....	\$ (32)	\$ (6)	\$ (28)	\$ (5)
	====	===	====	===

</TABLE>

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LYONDELL PETROCHEMICAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (CONTINUED)

Net periodic postretirement benefit costs for 1993 and 1992 included the following components:

<TABLE>  
<CAPTION>

	1993		1992	
	-----		-----	
	MEDICAL	LIFE	MEDICAL	LIFE
	-----		-----	
	MILLIONS OF DOLLARS			
<S>	<C>	<C>	<C>	<C>
Service cost--benefits attributed to service during the period.....	\$ 2		\$ 2	
Interest cost on accumulated postretirement benefit obligation.....	3	\$ 1	2	\$ 1
	---	---	---	---
Net periodic postretirement benefit cost.....	\$ 5	\$ 1	\$ 4	\$ 1
	===	===	===	===

</TABLE>

For measurement purposes, the assumed annual rate of increase in the per capita cost of covered health care benefits was 13 percent for 1993-1996, 9 percent for 1997-2001, and 6 percent thereafter. The health care cost trend

rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit liability as of December 31, 1993 by \$10 million and the net periodic postretirement benefit cost for the year then ended by \$1 million.

The accumulated postretirement benefit obligation was calculated utilizing a weighted-average discount rate of 7.25 percent and 8.75 percent at December 31, 1993 and 1992, respectively, and an average rate of salary progression of 5 percent in each year. Lyondell and LCR's current policy is to fund the postretirement health care and life insurance plans on a pay-as-you-go basis.

#### 17. INCOME TAXES

Effective January 1, 1992, the Company changed its method of accounting for income taxes from the deferred method to the liability method required by SFAS No. 109, "Accounting for Income Taxes" (see Note 4). As permitted under the new standard, prior years' financial statements have not been restated.

During 1993, the Company increased its provision for deferred income taxes by \$3 million due to an increase in the federal corporate income tax rate from 34 percent to 35 percent effective January 1, 1993. Significant components of the Company's provision for income taxes attributable to continuing operations follows:

<TABLE>  
<CAPTION>

	LIABILITY METHOD		DEFERRED METHOD
	1993	1992	1991
	MILLIONS OF DOLLARS		
<S>	<C>	<C>	<C>
Current			
Federal.....	\$ 5	\$ 6	\$ 89
State.....	--	1	10
	---	---	----
Total current.....	5	7	99
Deferred			
Federal.....	2	4	17
State.....	5	(2)	1
	---	---	----
Total deferred.....	7	2	18
	---	---	----
	\$12	\$ 9	\$117
	===	===	=====

</TABLE>

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#### LYONDELL PETROCHEMICAL COMPANY

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (CONTINUED)

Prior to the change in accounting methods, the components of the Company's provision for deferred income taxes for the year ended December 31, 1991 were as follows (millions of dollars):

<TABLE>

<S>	<C>
Depreciation and amortization.....	\$19
Other.....	(1)



</TABLE>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of December 31, 1993 and 1992 are as follows:

<TABLE>  
<CAPTION>

	1993	1992
	-----	-----
	MILLIONS	
	OF	
	DOLLARS	
<S>	<C>	<C>
Deferred tax liabilities:		
Tax over book depreciation.....	\$126	\$106
Change in accounting method for turnarounds.....	6	--
LIFO inventory.....	8	3
	-----	-----
Total deferred tax liabilities.....	140	109
	-----	-----
Deferred tax assets:		
OPEB obligation.....	13	12
Environmental and other long-term liabilities.....	12	10
Alternative minimum tax credit receivable.....	7	2
Other.....	11	6
	-----	-----
Total deferred tax assets.....	43	30
	-----	-----
Net deferred tax liabilities.....	\$ 97	\$ 79
	=====	=====

</TABLE>

Pretax income from continuing operations for the years ended December 31, 1993, 1992 and 1991 was taxed under domestic jurisdictions only.

The reconciliation of income tax attributable to continuing operations computed at the U.S. federal statutory tax rates to the Company's effective tax rates follows:

<TABLE>  
<CAPTION>

DESCRIPTION	LIABILITY		DEFERRED
	METHOD		METHOD
	1993	1992	1991
	-----	-----	-----
<S>	<C>	<C>	<C>
U.S. statutory income tax rates.....	35.0%	34.0%	34.0%
State income taxes, net of federal.....	19.3	(1.5)	2.3
Company owned life insurance.....	3.8	(2.1)	--
Deferred tax liability rate change.....	15.6	--	--
Other, net.....	(0.6)	(3.1)	(1.7)
	-----	-----	-----
Effective income tax rate.....	73.1%	27.3%	34.6%
	=====	=====	=====

</TABLE>

18. COMMITMENTS AND CONTINGENCIES

The Company has various purchase commitments for materials, supplies and services incident to the ordinary conduct of business. In the aggregate, such commitments are not at prices in excess of current market.

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LYONDELL PETROCHEMICAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (CONTINUED)

In connection with the transfer of assets and liabilities from ARCO to the Company, the Company agreed to assume certain liabilities arising out of the operation of the Company's integrated petrochemical and petroleum processing business prior to July 1, 1988. In connection with the transfer of such liabilities, the Company and ARCO entered into an agreement (Cross-Indemnity Agreement) whereby the Company has agreed to defend and indemnify ARCO against certain uninsured claims and liabilities which ARCO may incur relating to the operation of the business of the Company prior to July 1, 1988, including certain liabilities which may arise out of pending and future lawsuits.

ARCO indemnified the Company under the Cross-Indemnity Agreement with respect to other claims or liabilities and other matters of litigation not related to the assets or business included in the consolidated financial statements. ARCO has also indemnified the Company for all federal taxes which might be assessed upon audit of the operations of the Company included in the consolidated financial statements prior to January 12, 1989, and for all state and local taxes for the period prior to July 1, 1988.

In addition to lawsuits for which the Company has indemnified ARCO, the Company is also subject to various lawsuits and proceedings. Subject to the uncertainty inherent in all litigation, management believes the resolution of these proceedings will not have a material adverse effect upon the Company's operations.

The Company's policy is to be in compliance with all applicable environmental laws. The Company is subject to extensive environmental laws and regulations concerning emissions to the air, discharges to surface and subsurface waters and the generation, handling, storage, transportation, treatment and disposal of waste materials. Some of these laws and regulations are subject to varying and conflicting interpretations. In addition, the Company cannot accurately predict future developments, such as increasingly strict requirements of environmental laws, inspection and enforcement policies and compliance costs therefrom which might affect the handling, manufacture, use, emission or disposal of products, other materials or hazardous and non-hazardous waste.

Subject to the terms of the Cross-Indemnity Agreement, the Company is currently contributing funds to the cleanup of two waste sites (French Ltd. and Brio, both of which are located near Houston, Texas) under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) as amended and the Superfund Amendments and Reauthorization Act of 1986. The Company is also subject to certain assessment and remedial actions at the Refinery under the Resource Conservation and Recovery Act (RCRA). In addition, the Company has negotiated an order with the Texas Water Commission, now the Texas Natural Resource Conservation Commission (TNRCC), for assessment and remediation of groundwater and soil contamination at the Refinery.

The Company has accrued \$24 million related to future CERCLA, RCRA and TNRCC assessment and remediation costs, of which \$7 million is included in current liabilities while the remaining amounts are expected to be incurred over the next three to seven years. However, it is possible that new information about the sites for which the reserve has been established, or future developments such as involvement in other CERCLA, RCRA, TNRCC or other comparable state law investigations could require the Company to reassess its potential exposure related to environmental matters.

In the opinion of management, any liability arising from these matters will not have a material adverse effect on the consolidated financial condition of the Company, although the resolution in any reporting period of one or more of these matters could have a material impact on the Company's results of operations for that period.

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LYONDELL PETROCHEMICAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (CONTINUED)

19. SEGMENT INFORMATION

As discussed in Note 3, the refining operations of the Company were contributed to LCR effective July 1, 1993. Prior to July 1, 1993, the petrochemical and refining operations of the Company were considered to be a single segment due to the integrated nature of their operations. However, these operations are now considered to be separate segments due to the formation of LCR and the related separate management and operations of that entity.

The Petrochemical segment consists of olefins, including ethylene, propylene, butadiene, butylenes and specialty products; polyolefins, including polypropylene and low density polyethylene; aromatics produced at the Channelview Complex, including benzene and toluene; methanol and refinery blending stocks.

The refining segment is primarily composed of the LCR venture (see Note 3) and consists of refined petroleum products, including gasoline, heating oil and jet fuel; aromatics produced at the Refinery, including benzene, toluene, paraxylene and orthoxylene; lubricants; olefins feedstocks and crude oil resales. Crude oil resales consist of revenues from the resale of previously purchased crude oil and from locational exchanges of crude oil that are settled on a cash basis. Crude oil exchanges and resales facilitate the operation of the Company's petroleum processing business by allowing the Company to optimize the crude oil feedstock mix in response to market conditions and refinery maintenance turnarounds and also to reduce transportation costs. Crude oil resales amounted to \$401 million, \$893 million and \$1,308 million for years ended December 31, 1993, 1992 and 1991, respectively.

Consolidated sales to CITGO totaled \$864 million in 1993, \$282 million in 1992 and \$181 million in 1991. No other customer accounted for 10 percent or more of consolidated sales.

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LYONDELL PETROCHEMICAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (CONTINUED)

Summarized below is the segment data for the Company which includes certain pro forma adjustments necessary to present the petrochemical and refining operations as individual segments for periods prior to the formation of LCR. These adjustments relate principally to allocations of costs and expenses between the two segments and are based on current operating agreements between the Company and LCR. Intersegment sales between petrochemical and refining segments include olefins feedstocks produced at the Refinery and gasoline and fuel oil blending stocks produced at the Channelview Complex and were made at prices based on current market values.

<TABLE>  
<CAPTION>

PETROCHEMICAL REFINING  
 SEGMENT      SEGMENT      UNALLOCATED      ELIMINATIONS      CONSOLIDATED

	MILLIONS OF DOLLARS				
<S>	<C>	<C>	<C>	<C>	<C>
1993					
Sales and other operating revenues:					
Customers.....	\$1,326	\$2,524			\$3,850
Intersegment.....	180	237		\$ (417)	--
	-----	-----		-----	-----
	1,506	2,761		(417)	3,850
	-----	-----		-----	-----
Cost of sales.....	1,412	2,632		(417)	3,627
Selling, general and administrative expenses.....	37	48	\$ 45	--	130
	-----	-----	-----	-----	-----
Operating income.....	\$ 57	\$ 81	\$ (45)	\$ --	\$ 93
	=====	=====	=====	=====	=====
Depreciation and amortization expense...	\$ 44	\$ 13	\$ 1		\$ 58
	=====	=====	=====		=====
Capital expenditures....	\$ 14	\$ 54	\$ 1		\$ 69
	=====	=====	=====		=====
Identifiable assets.....	\$ 688	\$ 514	\$ 68	\$ (39)	\$1,231
	=====	=====	=====	=====	=====
1992					
Sales and other operating revenues:					
Customers.....	\$1,409	\$3,400			\$4,809
Intersegment.....	266	334		\$ (600)	--
	-----	-----		-----	-----
	1,675	3,734		(600)	4,809
	-----	-----		-----	-----
Cost of sales.....	1,536	3,642		(600)	4,578
Selling, general and administrative expenses.....	37	43	\$ 47	--	127
	-----	-----	-----	-----	-----
Operating income.....	\$ 102	\$ 49	\$ (47)	\$ --	\$ 104
	=====	=====	=====	=====	=====
Depreciation and amortization expense...	\$ 33	\$ 5	\$ 1		\$ 39
	=====	=====	=====		=====
Capital expenditures....	\$ 43	\$ 53	\$ 1		\$ 97
	=====	=====	=====		=====
Identifiable assets.....	\$ 716	\$ 346	\$153		\$1,215
	=====	=====	=====		=====
1991					
Sales and other operating revenues:					
Customers.....	\$1,666	\$4,069			\$5,735
Intersegment.....	293	455		\$ (748)	--
	-----	-----		-----	-----
	1,959	4,524		(748)	5,735
	-----	-----		-----	-----
Cost of sales.....	1,711	4,247		(748)	5,210
Selling, general and administrative expenses.....	35	42	\$ 49	--	126
	-----	-----	-----	-----	-----
Operating income.....	\$ 213	\$ 235	\$ (49)	\$ --	\$ 399
	=====	=====	=====	=====	=====
Depreciation and					

amortization expense...	\$ 34	\$ 4	\$ 1	\$ 39
	=====	=====	=====	=====
Capital expenditures....	\$ 21	\$ 21	\$ 1	\$ 43
	=====	=====	=====	=====
Identifiable assets.....	\$ 754	\$ 390	\$335	\$1,479
	=====	=====	=====	=====

</TABLE>

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LYONDELL PETROCHEMICAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (CONTINUED)

20. UNAUDITED QUARTERLY RESULTS

<TABLE>  
<CAPTION>

	QUARTER ENDED			
	JUNE		SEPTEMBER 30	DECEMBER 31
	MARCH 31	30		
	MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS			
<S>	<C>	<C>	<C>	<C>
1993 (*)				
-----				
Sales and other operating revenues.	\$1,065	\$1,080	\$ 885	\$ 820
Operating income.....	7	5	38	43
Income (loss) before income taxes and cumulative effect of accounting changes.....	(10)	(14)	18	22
Income (loss) before cumulative effect of accounting changes.....	(8)	(11)	9	14
Cumulative effect of accounting changes, net of tax.....	22	--	--	--
Net income (loss).....	14	(11)	9	14
Earnings (loss) per share before cumulative effect of accounting changes.....	(.09)	(.14)	.12	.17
Earnings (loss) per share.....	.18	(.14)	.12	.17
1992 (*)				
-----				
Sales and other operating revenues.	\$1,029	\$1,221	\$1,336	\$1,223
Operating income (loss).....	(5)	33	33	43
Income (loss) before income taxes and cumulative effect of accounting changes.....	(22)	15	17	25
Income (loss) before cumulative effect of accounting changes.....	(14)	10	12	18
Cumulative effect of accounting changes, net of tax.....	(10)	--	--	--
Net income (loss).....	(24)	10	12	18
Earnings (loss) per share before cumulative effect of accounting changes.....	(.17)	.13	.15	.22
Earnings (loss) per share.....	(.29)	.13	.15	.22

</TABLE>

(\*) The 1992 quarterly results have been restated to reflect the adoption during the fourth quarter of 1992, of accounting changes which were effective January 1, 1992. In addition, the first two quarters of 1993 and

all four quarters of 1992 include certain pro forma adjustments necessary to present the petrochemical and refining operations as individual segments for periods prior to the formation of LCR effective July 1, 1993.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Stockholders and Board of Directors  
of Lyondell Petrochemical Company

We have reviewed the accompanying condensed consolidated balance sheet of Lyondell Petrochemical Company as of March 31, 1994, and the related condensed consolidated statements of income and cash flows for the three month periods ended March 31, 1994 and 1993. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of December 31, 1993, and the related consolidated statements of income and accumulated deficit, and cash flows for the year then ended; and in our report dated February 11, 1994, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1993, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Coopers & Lybrand

Houston, Texas  
April 25, 1994

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LYONDELL PETROCHEMICAL COMPANY  
CONSOLIDATED STATEMENT OF INCOME  
(UNAUDITED)

<TABLE>  
<CAPTION>

FOR THE THREE  
MONTHS ENDED MARCH  
31,  
-----  
1994            1993  
-----  
MILLIONS OF  
DOLLARS EXCEPT  
PER SHARE AMOUNTS

<u>&lt;S&gt;</u>	<u>&lt;C&gt;</u>	<u>&lt;C&gt;</u>
<b>SALES AND OTHER OPERATING REVENUES:</b>		
Unrelated parties.....	\$ 755	\$ 996
Related parties.....	69	69
	-----	-----
	824	1,065
<b>OPERATING COSTS AND EXPENSES:</b>		
Cost of sales:		
Unrelated parties.....	682	963
Related parties.....	54	66
Selling, general and administrative expenses.....	34	29
	-----	-----
	770	1,058
	-----	-----
Operating income.....	54	7
Interest expense.....	(18)	(18)
Interest income.....	1	1
Minority interest in LYONDELL-CITGO Refining Company Ltd.....	(3)	--
	-----	-----
Income (loss) before income taxes and cumulative effect of accounting changes.....	34	(10)
Income tax provision (benefit).....	12	(2)
	-----	-----
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES.....	22	(8)
Cumulative effect on prior years of accounting changes...	--	22
	-----	-----
NET INCOME.....	\$ 22	\$ 14
	=====	=====
<b>EARNINGS (LOSS) PER SHARE:</b>		
Income (loss) before cumulative effect of accounting changes.....	\$ .27	\$ (.09)
Cumulative effect on prior years of accounting changes.	--	.27
	-----	-----
Net income.....	\$ .27	\$ .18
	=====	=====

</TABLE>

See notes to consolidated financial statements--unaudited.

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LYONDELL PETROCHEMICAL COMPANY

CONSOLIDATED BALANCE SHEET  
(UNAUDITED)

<TABLE>  
<CAPTION>

	MARCH 31, 1994	DECEMBER 31, 1993
	-----	-----
<b>ASSETS</b>		
-----		
MILLIONS OF DOLLARS		
<u>&lt;S&gt;</u>	<u>&lt;C&gt;</u>	<u>&lt;C&gt;</u>
Current assets:		
Cash and cash equivalents.....	\$ 35	\$ 40
Restricted cash (Note 3).....	46	73
Short-term investments.....	22	6
Accounts receivable:		
Trade.....	213	179
Related parties.....	26	25
Inventories.....	190	191



Prepaid expenses and other current assets.....	12	9
	-----	-----
Total current assets.....	544	523
	-----	-----
Fixed assets:		
Property, plant and equipment.....	2,577	2,545
Less accumulated depreciation and amortization.....	1,901	1,890
	-----	-----
	676	655
Deferred charges and other assets.....	50	53
	-----	-----
Total assets.....	\$1,270	\$1,231
	=====	=====

<CAPTION>

LIABILITIES AND STOCKHOLDERS' DEFICIT

-----

<S>	<C>	<C>
Current liabilities:		
Accounts payable:		
Trade.....	\$ 230	\$ 203
Related parties.....	3	4
Notes payable.....	2	4
Current maturities of long-term debt.....	5	8
Other accrued liabilities.....	75	80
	-----	-----
Total current liabilities.....	315	299
	-----	-----
Long-term debt.....	717	717
Other liabilities and deferred credits.....	83	78
Deferred income taxes.....	102	101
Commitments and contingencies (Note 6)		
Minority interest.....	137	124
Stockholders' equity (deficit):		
Common stock, \$1 par value, 250,000,000 shares authorized, 80,000,000 issued and outstanding.....	80	80
Additional paid-in capital.....	158	158
Accumulated deficit.....	(322)	(326)
	-----	-----
Total stockholders' deficit.....	(84)	(88)
	-----	-----
Total liabilities and stockholders' deficit.....	\$1,270	\$1,231
	=====	=====

</TABLE>

See notes to consolidated financial statements--unaudited.

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LYONDELL PETROCHEMICAL COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

<TABLE>  
<CAPTION>

FOR THE  
THREE  
MONTHS  
ENDED  
MARCH 31,  
-----  
1994 1993  
-----  
MILLIONS

	OF	
	DOLLARS	
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.....	\$ 22	\$ 14
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of accounting changes, net of tax.....	--	(22)
Depreciation and amortization.....	15	14
Deferred taxes.....	3	--
Net change in accounts receivable, inventories and accounts payable.....	(8)	18
Net change in other working capital accounts.....	(10)	(22)
Minority interest.....	3	--
Other.....	4	7
	----	----
Net cash provided by operating activities.....	29	9
	----	----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Minority owner contribution.....	10	--
Additions to fixed assets.....	(32)	(15)
Purchases of short-term investments.....	(19)	--
Proceeds from sales of short-term investments.....	3	13
	----	----
Net cash used in investing activities.....	(38)	(2)
	----	----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term debt.....	15	--
Repayments of short-term debt.....	(17)	--
Repayments of long-term debt.....	(3)	(19)
Dividends paid.....	(18)	(36)
	----	----
Net cash used in financing activities.....	(23)	(55)
	----	----
DECREASE IN CASH, RESTRICTED CASH AND CASH EQUIVALENTS.....	(32)	(48)
Cash, restricted cash and cash equivalents at beginning of period..	113	108
	----	----
Cash, restricted cash and cash equivalents at end of period.....	\$ 81	\$ 60
	=====	=====

</TABLE>

See notes to consolidated financial statements--unaudited.

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LYONDELL PETROCHEMICAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--UNAUDITED

1. BASIS OF PREPARATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting only of normal, recurring adjustments considered necessary for a fair presentation, have been included. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 1993 included in the Lyondell Petrochemical Company (Company) 1993 Annual Report and the Annual Report on Form 10-K pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. The year-end

condensed balance sheet data was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles. Certain amounts from prior periods have been reclassified to conform to current period presentation.

## 2. ACCOUNTING CHANGE

In May 1993 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (Statement). The Company adopted the provisions of the Statement for investments held as of or acquired after January 1, 1994. In accordance with the Statement, prior period financial statements have not been restated to reflect the change in accounting principle. The effect of adopting the Statement did not have a material impact on income for the three month period ended March 31, 1994.

In the first quarter of 1993, effective January 1, 1993, the Company changed its method of accounting for the cost of repairs and maintenance incurred in connection with turnarounds of major units at its manufacturing facilities. Under the new method, turnaround costs exceeding \$5 million are deferred and amortized on a straight-line basis until the next planned turnaround, generally four to six years. In prior years, all turnaround costs were expensed as incurred. The Company believes that the new method of accounting is preferable in that it provides for a better matching of turnaround costs with future product revenues. The cumulative effect of this accounting change for years prior to 1993 resulted in a benefit of \$33 million (\$22 million or \$.27 per share after income taxes), and was included in first quarter 1993 income.

## 3. RESTRICTED CASH

As of March 31, 1994 and December 31, 1993, \$46 million and \$73 million, respectively, was restricted for use in connection with LYONDELL-CITGO Refining Company Ltd. (LCR) capital projects, including the Refinery upgrade project, and other expenditures as determined by the LCR owners. (See Note 4 for discussion of additional restricted funds.)

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## LYONDELL PETROCHEMICAL COMPANY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--UNAUDITED--(CONTINUED)

## 4. SHORT-TERM INVESTMENTS

As of March 31, 1994, the Company held \$10 million and \$12 million of U.S. corporate securities and other debt securities, respectively. As of January 1, 1994, the Company held approximately \$3 million each of U.S. corporate securities and other debt securities. As of March 31, 1994 and January 1, 1994, the cost of securities held approximated their estimated fair value and were classified as available-for-sale.

The Company realized no gains or losses on sales of securities during the three-month period ended March 31, 1994. All securities held by the Company as of March 31, 1994 have contractual maturities of less than one year. At March 31, 1994 and December 31, 1993, in addition to restricted cash, all short-term investments were restricted for use in connection with LCR capital projects, including the Refinery upgrade project, and other expenditures as determined by the LCR owners.

## 5. INVENTORIES

The categories of inventory and their book values at March 31, 1994 and December 31, 1993 were:

<TABLE>  
<CAPTION>

	1994	1993
	----	----
	MILLIONS	
	OF	
	DOLLARS	
<S>	<C>	<C>
Crude oil.....	\$ 59	\$ 68
Refined products.....	27	29
Petrochemicals.....	67	57
Materials and supplies.....	37	37
	----	----
	\$190	\$191
	====	====

</TABLE>

## 6. COMMITMENTS AND CONTINGENCIES

The Company has various purchase commitments for materials, supplies and services incident to the ordinary conduct of business. In the aggregate, such commitments are not at prices in excess of current market.

In connection with the transfer of assets and liabilities from ARCO to the Company, the Company agreed to assume certain liabilities arising out of the operation of the Company's integrated petrochemical and petroleum processing business prior to July 1, 1988. In connection with the transfer of such liabilities, the Company and ARCO entered into an agreement (Cross-Indemnity Agreement) whereby the Company has agreed to defend and indemnify ARCO against certain uninsured claims and liabilities which ARCO may incur relating to the operation of the business of the Company prior to July 1, 1988, including certain liabilities which may arise out of pending and future lawsuits.

ARCO indemnified the Company under the Cross-Indemnity Agreement with respect to other claims or liabilities and other matters of litigation not related to the assets or business included in the consolidated financial statements. ARCO has also indemnified the Company for all federal taxes which might be assessed upon audit of the operations of the Company included in the consolidated financial statements prior to January 12, 1989, and for all state and local taxes for the period prior to July 1, 1988.

In addition to lawsuits for which the Company has indemnified ARCO, the Company is also subject to various lawsuits and proceedings. Subject to the uncertainty inherent in all litigation, management

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## LYONDELL PETROCHEMICAL COMPANY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--UNAUDITED--(CONTINUED)

believes the resolution of these proceedings will not have a material adverse effect upon the Company's operations.

The Company's policy is to be in compliance with all applicable environmental laws. The Company is subject to extensive environmental laws and regulations concerning emissions to the air, discharges to surface and subsurface waters and the generation, handling, storage, transportation, treatment and disposal of waste materials. Some of these laws and regulations are subject to varying and conflicting interpretations. In addition, the Company cannot accurately predict future developments, such as increasingly strict requirements of environmental laws, inspection and enforcement policies and compliance costs therefrom which might affect the handling, manufacture, use, emission or disposal of products, other materials or hazardous and non-hazardous waste.

Subject to the terms of the Cross-Indemnity Agreement, the Company is currently contributing funds to ARCO for the cleanup of two waste sites (French Ltd. and Brio, both of which are located near Houston, Texas) under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) as amended and the Superfund Amendments and Reauthorization Act of 1986. The Company is also subject to certain assessment and remedial actions at the Refinery under the Resource Conservation and Recovery Act (RCRA). In addition, the Company has negotiated an order with the Texas Natural Resource Conservation Commission (TNRCC), formerly the Texas Water Commission, for assessment and remediation of groundwater and soil contamination at the Refinery.

The Company has accrued \$24 million related to future CERCLA, RCRA and TNRCC assessment and remediation costs, of which \$7 million is included in current liabilities while the remaining amounts are expected to be incurred over the next three to seven years. However, it is possible that new information about the sites for which the reserve has been established, or future developments such as involvement in other CERCLA, RCRA, TNRCC or other comparable state law investigations could require the Company to reassess its potential exposure related to environmental matters.

In the opinion of management, any liability arising from these matters will not have a material adverse effect on the consolidated financial condition of the Company, although the resolution in any reporting period of one or more of these matters could have a material impact on the Company's results of operations for that period.

#### 7. DIVIDENDS

On March 15, 1994, the Company paid a regular quarterly dividend of \$0.225 per share to stockholders of record on February 18, 1994. Additionally, on May 4, 1994, the Board of Directors declared a regular quarterly dividend of \$0.225 per share of Common Stock payable June 15, 1994 to stockholders of record on May 20, 1994.

#### 8. EARNINGS PER SHARE

Earnings per share for all periods presented are computed based on the weighted average number of shares outstanding for the periods, which was 80,000,000 shares.

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### LYONDELL PETROCHEMICAL COMPANY

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--UNAUDITED--(CONTINUED)

#### 9. SEGMENT INFORMATION

Summarized below is the segment data for the Company which includes certain pro forma adjustments necessary to present the petrochemical and refining operations as individual segments for periods prior to the commencement of LCR operations on July 1, 1993. These adjustments relate principally to allocations of costs and expenses between the two segments and are based on current agreements between the Company and LCR. The refining segment is primarily composed of LCR operations. Intersegment sales between petrochemical and refining segments include olefins feedstocks produced at the Refinery and gasoline blending stocks produced at the Channelview Complex and were made at prices that are based on current market values.

<TABLE>  
<CAPTION>

THREE MONTHS

	ENDED MARCH 31,	
	1994	1993
	(MILLIONS OF DOLLARS)	
<S>	<C>	<C>
Sales and other operating revenues:		
Petrochemical segment.....	\$ 384	\$ 390
Refining segment.....	535	814
Intersegment sales.....	(95)	(139)
	-----	-----
	\$ 824	\$ 1,065
	=====	=====
Cost of sales:		
Petrochemical segment.....	\$ 335	\$ 369
Refining segment.....	496	799
Intersegment purchases.....	(95)	(139)
	-----	-----
	\$ 736	\$ 1,029
	=====	=====
Selling, general and administrative expense:		
Petrochemical segment.....	\$ 10	\$ 9
Refining segment.....	13	10
Unallocated.....	11	10
	-----	-----
	\$ 34	\$ 29
	=====	=====
Operating income:		
Petrochemical segment.....	\$ 39	\$ 12
Refining segment.....	26	5
Unallocated.....	(11)	(10)
	-----	-----
	\$ 54	\$ 7
	=====	=====

</TABLE>

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LYONDELL PETROCHEMICAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--UNAUDITED-- (CONTINUED)

Summarized below are intersegment sales for the two segments.

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED MARCH 31,	
	1994	1993
	(MILLIONS OF DOLLARS)	
<S>	<C>	<C>
Petrochemical segment.....	\$44	\$ 66
Refining segment.....	51	73
	---	---
	\$95	\$139
	===	===

</TABLE>

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NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN SO AUTHORIZED. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES TO WHICH IT RELATES OR ANY OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

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35,000,000 SHARES

[LOGO OF LYONDELL PETROCHEMICAL APPEARS HERE]

COMMON STOCK  
(PAR VALUE \$1.00 PER SHARE)

PROSPECTUS



PAGE WHERE  
GRAPHIC  
APPEARS

DESCRIPTION OF GRAPHIC OR CROSS-REFERENCE

TX]32 PLANT INTEGRATION CHART

This graph illustrates the integration of the Company's two petrochemical manufacturing facilities and LCR's Refinery. It identifies the primary feedstocks and primary products for each of the three facilities and identifies (i) the refinery products used as olefins feedstocks; (ii) the Channelview Complex olefins by-products used at the Refinery; and (iii) the Channelview Complex olefins products used as feedstocks for the production of polyolefins at the Bayport Facility.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES TO WHICH IT RELATES OR AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

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 </TABLE>

-----  
 -----  
 -----  
 -----  
 35,000,000 EXCHANGEABLE NOTES

ATLANTIC RICHFIELD COMPANY

% EXCHANGEABLE NOTES

DUE , 199

-----  
 [LOGO]  
 -----

GOLDMAN, SACHS & CO.

MERRILL LYNCH & CO.

SALOMON BROTHERS INC

REPRESENTATIVES OF THE UNDERWRITERS

-----  
 -----

PART II. INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

<TABLE>		<C>
<S>		
SEC registration fee.....		\$330,386
NYSE Listing Fee.....		
NASD Fee.....		
Fees and expenses of the Trustee.....	20,000*	
Printing and engraving expenses.....		
Accounting fees.....		
Qualification under state securities laws.....	25,000	
Miscellaneous.....		
		-----
		\$
		=====

</TABLE>

-----  
 \* Estimated and subject to future contingencies.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Reference is made to Section 25 of the By-Laws of the Company and to Section 145 of the General Corporation Law of the State of Delaware as set forth below.

Section 25 of the By-Laws of the Company provides:

(a) Right to Indemnification. Each person who was or is a party or is threatened to be made a party to or is involved or is threatened to be involved (as a witness or otherwise) in or otherwise requires representation by counsel in connection with any threatened, pending or completed action, suit or proceeding, or any inquiry that such person in good faith believes might lead to the institution of any such action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or officer of the Company or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, and the basis of such proceeding is alleged action or inaction in an official capacity or in any other capacity while serving as such a director, officer, employee or agent, shall be indemnified and held harmless by the Company to the fullest extent authorized by the General Corporation Law of Delaware, as the same exists or may hereafter be amended (but, in the case of any such amendment with reference to events occurring prior to the effective date thereof, only to the extent that such amendment permits the Company to provide broader indemnification rights than such law permitted the Company to provide prior to such amendment), against all costs, charges, expenses, liabilities and losses (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director or officer (or to serve another entity at the request of the Company) and shall inure to the benefit of such person's heirs, personal representatives and estate; provided, however, that, except as provided in paragraph (b) hereof, the Company shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person against the Company only if such proceeding (or part thereof) was authorized prior to its initiation by a majority of the disinterested members of the Board of Directors of the Company. The rights to indemnification conferred in this Section shall include the right to be paid by the Company any expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the General Corporation Law of Delaware requires, payment shall be made to or on behalf of a person only upon delivery to the Company of an undertaking, by or on behalf of such person, to repay all amounts so advanced if it shall ultimately be determined that such person is not entitled to be indemnified under this Section or otherwise. The rights to indemnification conferred in this Section shall be deemed to be

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a contract between the Company and each person who serves in the capacities described above at any time while this Section is in effect. Any repeal or modification of this Section shall not in any way diminish any rights to indemnification of such person or the obligations of the Company arising hereunder.

(b) Right of claimant to appeal and to bring suit. If a claim under paragraph (a) of this Section is not paid in full by the Company within thirty days after a written claim has been received by the Company, the claimant may submit a written appeal to the Chairman of the Board. If the claim is not paid in full by the Company within thirty days after a written appeal has been received by the Chairman of the Board, the claimant at any time thereafter may bring suit against the Company to recover the unpaid

amount of the claim. If successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting or defending such claim. In any action brought by the claimant to enforce a right to indemnification hereunder or by the Company to recover payments by the Company for expenses incurred by a claimant in a proceeding in advance of its final disposition, the burden of proving that the claimant is not entitled to be indemnified under this Section or otherwise shall be on the Company. Neither the failure of the Company (including its Board of Directors or independent legal counsel) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because the claimant has met the applicable standard of conduct set forth in the General Corporation Law of Delaware, nor an actual determination by the Company (including its Board of Directors or independent legal counsel) that the claimant has not met such applicable standard of conduct, shall create a presumption that the claimant has not met the applicable standard of conduct or, in the case of such action brought by the claimant, be a defense to the action.

(c) Non-exclusivity of rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Company's Certificate of Incorporation, any By-Law, any agreement, a vote of Company stockholders or of disinterested Company directors or otherwise, both as to action in that person's official capacity and as to action in any other capacity by holding such office, and shall continue after the person ceases to serve the Company as a director or officer or to serve another entity at the request of the Company.

(d) Insurance. The Company may maintain insurance, at its expense, to protect itself and any director or officer of the Company or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Company would have the power to indemnify such persons against such expense, liability or loss under the General Corporation Law of Delaware.

(e) Indemnity agreements. The Company may from time to time enter into indemnity agreements with the persons who are members of its Board of Directors and with such officers or other persons as the Board may designate, such indemnity agreements to provide in substance that the Company will indemnify such persons to the fullest extent of the provisions of this Section 25.

(f) Indemnification of employees and agents of the Company. The Company may, under procedures authorized from time to time by the Board of Directors, grant rights to indemnification, and to be paid by the Company the expenses incurred in defending any proceeding in advance of its final disposition, to any employee or agent of the Company to the fullest extent of the provisions of this Section 25.

Section 145 of the General Corporation Law of the State of Delaware provides:

(a) A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason

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of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including

attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or other court shall deem proper.

(c) To the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b) of this section, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under subsections (a) and (b) of this section (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (a) and (b) of this section. Such determination shall be made (1) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders.

(e) Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this section. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the board of directors deems appropriate.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this section shall not be

deemed exclusive of any other rights to which those

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seeking indemnification or advancement of expenses may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

(g) A corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under this section.

(h) For purposes of this section, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this section with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(i) For purposes of this section, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this section.

(j) The indemnification and advancement of expenses provided by, or granted pursuant to, this section shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

The Company has entered into or will enter into individual indemnity agreements with each of its present and future directors and officers embodying the provisions of Section 25 of the By-Laws a form of which indemnity agreement is included as Exhibit 28.

Pursuant to Section 7 of the Underwriting Agreement, which is Exhibit 1 hereto, the underwriters named therein have agreed to indemnify the Company, its directors and certain of its officers against certain civil liabilities, including civil liabilities under the Securities Act of 1933 (the "Act").

The Company carries Directors and Officers Liability Insurance with a limit of \$ million to the extent authorized by the By-Laws of the Company and the laws of the State of Delaware.

## ITEM 16. EXHIBITS.

&lt;TABLE&gt;

<S>	<C>
1	Form of proposed Underwriting Agreement.
4.1	Form of proposed Exchangeable Notes.
4.2(a)	Indenture, dated as of January 1, 1992, between ARCO and The Bank of New York, Trustee, relating to the securities being registered, filed as Exhibit 4.3, to ARCO's Registration Statement on Form S-3 (No. 33-44925), filed with the Commission on January 6, 1992, and incorporated herein by reference.
4.2(b)	First Supplemental Indenture, dated as of May 1, 1994, between ARCO and The Bank of New York, as Trustee.
5	Opinion with consent of Francis X. McCormack, Esq., General Counsel of ARCO.
10	Form of Registration Rights Agreement between ARCO and Lyondell.
12	Statement of computation of ratio of earnings to fixed charges.
23.1	Consent of Francis X. McCormack, Esq., General Counsel of ARCO (included in Exhibit 5).
23.2	Consent of Coopers & Lybrand.
25	Statement of eligibility of The Bank of New York, as Trustee.
28	Form of Indemnity Agreement adopted by the Board of Directors on January 26, 1987 and executed in February 1987 by ARCO and each of its directors and officers--filed as Exhibit A to ARCO's 1987 Proxy Statement (File No. 1-1196), and incorporated herein by reference.

&lt;/TABLE&gt;

## ITEM 17. UNDERTAKINGS.

## A. Undertaking Pursuant to Rule 415.

The Company hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933 (the "Act");

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

Provided, however, that paragraphs A(1)(i) and A(1)(ii) do not apply if the Registration Statement is on Form S-3 and Form S-8, and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the Company pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Act,



each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

B. Undertaking Regarding Filings Incorporating Subsequent Exchange Act Documents by Reference.

The Company hereby undertakes that, for purposes of determining any liability under the Act, each filing of the Company's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the Registration Statement shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

C. Undertaking in Respect of Indemnification.

Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the Company pursuant to the provisions described and the documents referenced under Item 15 above, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

D. Undertaking Pursuant to Rule 430A.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration

statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on the 4th day of May, 1994.

ATLANTIC RICHFIELD COMPANY

/s/ Lodwrick M. Cook  
 By \_\_\_\_\_  
                   Lodwrick M. Cook  
                   Chairman of the Board  
                   and Chief Executive Officer

-----  
 POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: that each of the undersigned officers and/or directors of the Registrant hereby constitutes and appoints Lodwrick M. Cook, Ronald J. Arnault, Mike R. Bowlin, Allan L. Comstock, Terry G. Dallas, Francis X. McCormack, James A. Middleton, and William E. Wade, Jr., and each of them, as his or her attorneys-in-fact and agents, for him or her and in his or her place and stead to execute any and all amendments, including post-effective amendments, to this Registration Statement in the capacities set forth opposite his or her name, and file the same, with exhibits thereto, and any other documents in connection therewith, with the Securities and Exchange Commission, and hereby ratify all that said attorneys-in-fact, or any of them, may do by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed below by the following persons in the capacities and on the date indicated.

<TABLE>  
 <CAPTION>

SIGNATURE -----	TITLE -----	DATE -----
<S> /s/ Lodwrick M. Cook ----- Lodwrick M. Cook Principal executive officer	<C> Chairman of the Board, Chief Executive Officer and Director	<C>
/s/ Mike R. Bowlin ----- Mike R. Bowlin	President, Chief Operating Officer and Director	
/s/ Ronald J. Arnault ----- Ronald J. Arnault Principal financial officer	Executive Vice President, Chief Financial Officer and Director	
/s/ James A. Middleton ----- James A. Middleton	Executive Vice President and Director	May 4, 1994
/s/ William E. Wade, Jr. ----- William E. Wade, Jr.	Executive Vice President and Director	

</TABLE>

<TABLE>  
<CAPTION>

SIGNATURE -----	TITLE -----	DATE -----
<S> /s/ Frank D. Boren ----- Frank D. Boren	<C> Director	<C>
/s/ Richard H. Deihl ----- Richard H. Deihl	Director	
/s/ John Gavin ----- John Gavin	Director	
----- Hanna H. Gray	Director	
/s/ Philip M. Hawley ----- Philip M. Hawley	Director	
/s/ William F. Kieschnick ----- William F. Kieschnick	Director	
/s/ Kent Kresa ----- Kent Kresa	Director	May 4, 1994
/s/ David T. McLaughlin ----- David T. McLaughlin	Director	
/s/ John B. Slaughter ----- John B. Slaughter	Director	
/s/ Hicks B. Waldron ----- Hicks B. Waldron	Director	
/s/ Henry Wendt ----- Henry Wendt	Director	
/s/ Allan L. Comstock ----- Allan L. Comstock Principal accounting officer	Vice President and Controller	

</TABLE>

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EXHIBIT INDEX

<TABLE> <S> EXHIBIT NO.	<C>	DESCRIPTION -----	<C> SEQUENTIALLY NUMBERED PAGE
-------------------------------	-----	----------------------	--------------------------------------

- 1 Form of proposed Underwriting Agreement.
- 4.1 Form of proposed Exchangeable Notes.
- 4.2(a) Indenture, dated as of January 1, 1992, between ARCO and The Bank of New York, Trustee, relating to the securities being registered, filed as Exhibit 4.3 to ARCO's Registration Statement on Form S-3 (No. 33-44925), filed with the Commission on January 6, 1992, and incorporated herein by reference.
- 4.2(b) First Supplemental Indenture, dated as of May 1, 1994, between ARCO and The Bank of New York, as Trustee.
- 5 Opinion with consent of Francis X. McCormack, Esq., General Counsel of ARCO.
- 10 Form of Registration Rights Agreement between ARCO and Lyondell.
- 12 Statement of computation of ratio of earnings to fixed charges.
- 23.1 Consent of Francis X. McCormack, Esq., General Counsel of ARCO (included in Exhibit 5).
- 23.2 Consent of Coopers & Lybrand.
- 25 Statement of eligibility of The Bank of New York, as Trustee.
- 28 Form of Indemnity Agreement adopted by the Board of Directors on January 26, 1987 and executed in February 1987 by ARCO and each of its directors and officers--filed as Exhibit A to ARCO's 1987 Proxy Statement (File No. 1-1196), and incorporated herein by reference.

</TABLE>

ATLANTIC RICHFIELD COMPANY

35,000,000  
 % EXCHANGEABLE NOTES DUE , 199

(SUBJECT TO EXCHANGE INTO SHARES OF COMMON STOCK,  
 PAR VALUE \$1.00 PER SHARE, OF LYONDELL PETROCHEMICAL COMPANY)

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UNDERWRITING AGREEMENT

, 1994

Goldman, Sachs & Co.,  
 Merrill Lynch, Pierce, Fenner & Smith  
 Incorporated,

Salomon Brothers Inc

As representatives of the several Underwriters  
 named in Schedule I hereto,

c/o Goldman, Sachs & Co.,  
 85 Broad Street,  
 New York, New York 10004.

Ladies and Gentlemen:

Atlantic Richfield Company, a Delaware corporation ("ARCO"), proposes, subject to the terms and conditions stated herein, to issue and sell to the Underwriters named in Schedule I hereto (the "Underwriters") an aggregate of 35,000,000 Exchangeable Notes (the "Firm Notes") and, at the election of the Underwriters, up to 4,921,400 additional Exchangeable Notes (the "Optional Notes") of % Exchangeable Notes due , 199 of ARCO to be issued under an Indenture (the "Indenture") dated as of January 1, 1992, between ARCO and The Bank of New York, as Trustee (the "Trustee"), as supplemented by the First Supplemental Indenture dated as of May 1, 1994 between ARCO and the Trustee (collectively, the "Indenture") (the Firm Notes and the Optional Notes which the Underwriters elect to purchase pursuant to Section 2 hereof being collectively called the "Notes"). At maturity (including as a result of acceleration or otherwise), the principal amount of each Note will be

mandatorily exchanged by ARCO into a number of shares of Lyondell Common Stock (or, at ARCO's option, cash with an equal value) at the rate specified in the ARCO Prospectus (as defined below).

In connection with the foregoing and pursuant to the registration rights agreement dated as of the date hereof, between ARCO and Lyondell Petrochemical Company (the "Registration Rights Agreement"), Lyondell Petrochemical Company, a Delaware corporation ("Lyondell"), has filed with the Securities and Exchange Commission (the "Commission") a registration statement with respect to 35,000,000 shares of the common stock of Lyondell, par value \$1.00 per share (the "Lyondell Common Stock), plus an additional 4,921,400 of shares of Lyondell Common Stock to the extent the Underwriters exercise their over-allotment option with respect to the Notes, for sale by ARCO as a selling stockholder (to the extent ARCO shall so elect to deliver Lyondell Common Stock to holders of the Notes at maturity thereof pursuant to the terms of the Notes), which registration statement is referred to in Section 1 of this Agreement.

1. Lyondell represents and warrants to, and agrees with, each of the Underwriters and ARCO that:

(a) Lyondell meets the requirements for the use of Form S-3 under the Securities Act of 1933, as amended (the "Act"), and has filed with the Commission, a registration statement on Form S-3

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in respect of the Lyondell Common Stock deliverable by ARCO upon maturity of the Firm Notes and Optional Notes; such registration statement and any post-effective amendment thereto, each in the form heretofore delivered to you, and, excluding exhibits thereto, to you for each of the other Underwriters, have been declared effective by the Commission in such form; no other document with respect to such registration statement has heretofore been filed with the Commission; and no stop orders suspending the effectiveness of such registration statement has been issued and no proceeding for that purpose has been initiated or threatened by the Commission (any preliminary prospectus included in such registration statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the Act, being hereinafter called a "Lyondell Preliminary Prospectus"; the various parts of such registration statement, including all exhibits thereto and including the information contained in the form of final prospectus filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 5(a) hereof and deemed by virtue of Rule 430A under the Act to be part of the registration statement at the time it was declared effective, each as amended at the time such part of the registration statement became effective, being hereinafter called the "Lyondell Registration Statement"; and such final prospectus, in the form first filed pursuant to Rule 424(b) under the Act, being hereinafter called the "Lyondell Prospectus");

(b) No order preventing or suspending the use of any Lyondell Preliminary Prospectus has been issued by the Commission, and each Lyondell Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to Lyondell by an Underwriter or by ARCO through you expressly for use therein;

(c) The documents incorporated by reference in the Lyondell Prospectus, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and any further documents so filed and incorporated by reference in the Lyondell Prospectus or any further amendment or supplement thereto, when such documents become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to Lyondell by ARCO or any Underwriter through you expressly for use therein;

(d) The Lyondell Registration Statement conforms, and the Lyondell Prospectus and any further amendments or supplements to the Lyondell Registration Statement or the Lyondell Prospectus will conform, in all material respects to the requirements of the Act and the Exchange Act and the rules and regulations of the Commission thereunder and do not and will not, as of the applicable effective date as to the Lyondell Registration Statement and any amendment thereto and as of the applicable filing date as to the Lyondell Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided,

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however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to Lyondell by an Underwriter or by ARCO through you expressly for use therein;

(e) Neither Lyondell nor any of its subsidiaries has sustained since the date of the latest audited financial statements included or incorporated by reference in the Lyondell Prospectus any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or as a result of court or governmental action, order or decree, otherwise than as set forth or contemplated in the Lyondell Prospectus; and, since the respective dates as of which information is given in the Lyondell Registration Statement and the Lyondell Prospectus, there has not been any change in the capital stock or long-term debt of Lyondell or any of its subsidiaries or any material adverse change or, to the best knowledge of any executive officer of Lyondell, any development that Lyondell reasonably believes would result in a prospective material adverse change, in or affecting the business, management, financial condition or results of operations of Lyondell and its subsidiaries, otherwise than as set forth or contemplated in the Lyondell Prospectus;

(f) Lyondell and its subsidiaries have good title in fee simple to all material real property and good title to all material personal property owned by them, in each case free and clear of all liens, encumbrances and defects except as are described in the Lyondell Prospectus or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by Lyondell and its subsidiaries; and any material property and buildings held under lease by Lyondell and its subsidiaries are held by them under valid, subsisting

and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by Lyondell and its subsidiaries; provided, that "material property" shall be deemed to include properties that in the aggregate would be deemed to be material, even though no single property, when viewed individually, would be deemed to be material;

(g) Each of Lyondell and Lyondell Refining Company ("Lyondell Refining") has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the Lyondell Prospectus, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each jurisdiction in which it owns or leases properties, or conducts any business, so as to require such qualification, except where the failure to be so qualified would not have a material adverse effect on Lyondell and its subsidiaries taken as a whole; Lyondell does not have any "significant subsidiary" within the meaning of the Act other than Lyondell Refining, and Lyondell Refining's interest in LYONDELL-CITGO Refining Company Ltd. is as described in the Lyondell Prospectus;

(h) Lyondell has an authorized capitalization as set forth in the Lyondell Prospectus, and all of the issued shares of capital stock of Lyondell have been duly and validly authorized and issued and are fully paid and non-assessable; and all of the issued shares of capital stock of Lyondell Refining have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly or indirectly by Lyondell, free and clear of all liens, encumbrances, equities or claims;

(i) Other than as set forth in or contemplated by the Lyondell Prospectus, there are no legal or governmental proceedings pending to which Lyondell or any of its subsidiaries is a party or of which any property of Lyondell or any of its subsidiaries is the subject which, if determined adversely to Lyondell or any of its subsidiaries, would individually or in the aggregate have a material adverse effect on the consolidated financial position, stockholders' equity or results of operations of Lyondell and its subsidiaries; and, to the best of Lyondell's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

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(j) Neither Lyondell nor any of its subsidiaries, nor any of their joint ventures or affiliates (as defined in the rules and regulations of the Commission under the Act) does business with the government of Cuba or with any person or affiliate located in Cuba, and Lyondell and its subsidiaries are in compliance with all laws and regulations of the State of Florida relating to issuers of securities that are doing business with Cuba; and

(k) Neither the offering of the shares of Lyondell Common Stock pursuant to the Lyondell Registration Statement and the Lyondell Prospectus attached as Appendix A to the ARCO Prospectus, the compliance by Lyondell with all of the provisions of this Agreement, nor the consummation of any other of the transactions herein contemplated nor the fulfillment of the terms hereof will conflict with, result in a breach of, or constitute a default under the charter or by-laws of Lyondell or the terms of any indenture or other material agreement or instrument to which Lyondell or Lyondell Refining is a party or bound, or any order or regulation applicable to Lyondell or any of its subsidiaries of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over Lyondell or any of its subsidiaries.

2. ARCO represents and warrants to, and agrees with, each of the Underwriters



that:

(a) ARCO meets the requirements for the use of Form S-3 under the Act and has filed with the Commission a registration statement on Form S-3 in respect of the Firm Notes and Optional Notes; such registration statement and any post-effective amendment thereto, each in the form heretofore delivered to you, and, excluding exhibits thereto, to you for each of the other Underwriters, have been declared effective by the Commission in such form; no other document with respect to such registration statement has heretofore been filed with the Commission; and no stop orders suspending the effectiveness of such registration statement has been issued and no proceeding for that purpose has been initiated or threatened by the Commission (any preliminary prospectus included in such registration statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the Act, being hereinafter called a "ARCO Preliminary Prospectus"; the various parts of such registration statement, including all exhibits thereto and including the information contained in the form of final prospectus filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 5(a) hereof and deemed by virtue of Rule 430A under the Act to be part of the registration statement at the time it was declared effective, each as amended at the time such part of the registration statement became effective, being hereinafter called the "ARCO Registration Statement"; and such final prospectus, in the form first filed pursuant to Rule 424(b) under the Act, being hereinafter called the "ARCO Prospectus");

(b) No order preventing or suspending the use of any ARCO Preliminary Prospectus has been issued by the Commission, and each ARCO Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the Exchange Act and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to ARCO by an Underwriter or by Lyondell through you expressly for use therein;

(c) The documents incorporated by reference in the ARCO Prospectus, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and any further documents so filed and incorporated by

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reference in the ARCO Prospectus or any further amendment or supplement thereto, when such documents become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to ARCO by Lyondell or any Underwriter through you expressly for use therein.

(d) The ARCO Registration Statement conforms, and the ARCO Prospectus and any further amendments or supplements to the ARCO Registration Statement or

the ARCO Prospectus will conform, in all material respects to the requirements of the Act and the Exchange Act and the rules and regulations of the Commission thereunder and do not and will not, as of the applicable effective date as to the ARCO Registration Statement and any amendment thereto and as of the applicable filing date as to the ARCO Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to ARCO by an Underwriter or by Lyondell through you expressly for use therein;

(e) On the effective date of the ARCO Registration Statement and at the Time of Delivery the Indenture did or will comply in all material respects with the requirements of the Trust Indenture Act of 1939 (the "Trust Indenture Act") and the rules thereunder; provided, however, that ARCO makes no representations or warranties as to (i) that part of the ARCO Registration Statement which shall constitute the Statement of Eligibility and Qualification (Form T-1) under the Trust Indenture Act of the Trustee:

(f) Neither ARCO nor any of its subsidiaries, nor any of their joint ventures or affiliates (as defined in the rules and regulations of the Commission under the Act) does business with the government of Cuba or with any person or affiliate located in Cuba, and ARCO and its subsidiaries are in compliance with all laws and regulations of the State of Florida relating to issuers of securities that are doing business with Cuba; and

(g) ARCO has good and marketable title to 39,921,400 shares of Lyondell Common Stock and owns such shares free and clear of all liens, encumbrances, equities or claims.

3. Subject to the terms and conditions herein set forth, (a) ARCO agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from ARCO, at a purchase price per Note of \$ . . . . the number of Firm Notes set forth opposite the name of such Underwriter in Schedule I hereto and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Notes as provided below, ARCO agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from ARCO, at the purchase price per share set forth in clause (a) of this Section 2, that portion of the number of Optional Notes as to which such election shall have been exercised (to be adjusted by you so as to eliminate fractional shares) determined by multiplying such number of Optional Notes by a fraction, the numerator of which is the maximum number of Optional Notes which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of the Optional Notes which all of the Underwriters are entitled to purchase hereunder.

ARCO hereby grants to the Underwriters the right to purchase at their election up to 4,921,400 Optional Notes, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering overallotments in the sale of the Firm Notes. Any such election to purchase Optional Notes

may be exercised only by written notice from you to ARCO, given within a period of 30 calendar days after the date of this Agreement, setting forth the aggregate number of Optional Notes to be purchased and the date on which such Optional Notes are to be delivered, as determined by you but in no event earlier than the First Time of Delivery (as defined in Section 5 hereof) or, unless you and ARCO otherwise agree in writing, earlier than two or later than ten business days after the date of such notice.

4. Upon the authorization by you of the release of the Firm Notes, the several Underwriters propose to offer the Firm Notes for sale upon the terms and conditions set forth in the ARCO Prospectus.

5. Certificates for the Notes (in definitive form, if applicable) to be purchased by each Underwriter hereunder, and in such denominations and registered in such names as Goldman, Sachs & Co. may request upon at least seventy-two hours' prior notice to ARCO, shall be delivered by or on behalf of ARCO to you for the account of such Underwriter, against payment by such Underwriter or on its behalf of the purchase price therefor by certified or official bank check or checks, payable to the order of ARCO in New York Clearing House funds, all at the office of Cravath, Swaine & Moore, Worldwide Plaza, 825 Eighth Avenue, New York, New York 10019. The time and date of such delivery and payment shall be, with respect to the Firm Notes, 10:00 a.m. New York time, on . . . . . , 1994, or at such other time and date as you and ARCO may agree upon in writing, and, with respect to the Optional Notes, 7:00 a.m., New York time, on the date specified by you in the written notice given by you of the Underwriters' election to purchase such Optional Notes, or at such other time and date as you and ARCO may agree upon in writing. Such time and date for delivery of the Firm Notes is herein called the "First Time of Delivery," such time and date for delivery of the Optional Notes, if not the First Time of Delivery, is herein called the "Second Time of Delivery," and each such time and date for delivery is herein called a "Time of Delivery." Unless the Notes are represented by global securities, such certificates will be made available for checking and packaging at least twenty-four hours prior to each Time of Delivery at the office of Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004.

6. Lyondell agrees with each of the Underwriters:

(a) To prepare the Lyondell Prospectus in a form approved by you and to file such Lyondell Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement, or, if applicable, such earlier time as may be required by Rule 430A(a)(3) under the Act; to make no further amendment or any supplement to the Lyondell Registration Statement or Lyondell Prospectus prior to the last Time of Delivery which shall be disapproved by you promptly after reasonable notice thereof; to advise you, promptly after it receives notice thereof, of the time when the Lyondell Registration Statement, or any amendment thereto, has been filed or becomes effective or any supplement to the Lyondell Prospectus or any amended Lyondell Prospectus has been filed and to furnish you with copies thereof; to advise you, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Lyondell Preliminary Prospectus or prospectus, of the suspension of the qualification of the Lyondell Common Stock for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Lyondell Registration Statement or Lyondell Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Lyondell Preliminary Prospectus or prospectus or suspending any such qualification, to use promptly its best efforts to obtain its withdrawal;

(b) Promptly from time to time to take such action as you may reasonably request to qualify the Lyondell Common Stock for offering and sale under the securities laws of such jurisdictions as you may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the offering of

the Lyondell Common Stock being made in connection with the offering by ARCO of the Notes, provided that in connection therewith Lyondell shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) To furnish the Underwriters with copies of the Lyondell Prospectus in such quantities as you may from time to time reasonably request, and, if the delivery of a prospectus is required under the Act at any time in connection with the offering or sale of the Notes and if at such time any event shall have occurred as a result of which the Lyondell Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Lyondell Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary during such period to amend or supplement the Lyondell Prospectus in order to comply with the Act or the Exchange Act, to notify you and upon your request to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as you may from time to time reasonably request of an amended Lyondell Prospectus or a supplement to the Lyondell Prospectus which will correct such statement or omission or effect such compliance;

(d) To make generally available to its securityholders as soon as practicable, but in any event not later than twelve months after the effective date of the Lyondell Registration Statement (as defined in Rule 158(c)), an earnings statement of Lyondell and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations thereunder (including, at the option of Lyondell, Rule 158);

(e) During the period beginning from the date hereof and continuing to and including the date 120 days after the date of the Lyondell Prospectus, not to offer, sell, contract to sell or otherwise dispose of any shares of Lyondell Common Stock or permit the registration under the Act of any shares of Lyondell Common Stock (other than the Lyondell Common Stock offered pursuant to the ARCO Prospectus and the Lyondell Prospectus and shares issued pursuant to employee benefit plans, stock option plans or other employee compensation plans existing on the date hereof), or any security convertible into or exchangeable for such stock without your prior written consent; and provided, however, Lyondell may, without such consent, offer and sell shares of Lyondell Common Stock in transactions exempt from the registration requirements of the Act, provided that the purchasers in such transactions are prohibited from offering for sale, selling or otherwise disposing of, directly or indirectly, any of the shares of Lyondell Common Stock so acquired by them for the remainder of such 120-day period;

(f) To furnish to the Trustee in sufficient quantities for transmission to the holders of the Notes Lyondell's reports on Forms 10-K and 10-Q as soon as practicable after such reports are required to be filed with the Commission;

(g) To take such action as may be reasonably necessary to comply with the rules and regulations of the NYSE in respect of the listing and offering of the Lyondell Common Stock in connection with the offering by ARCO of the Notes; and

(h) To deliver to ARCO, copies of the opinions and certificates delivered pursuant to Section 9(c), (d) and (k), in each case also addressed to ARCO or otherwise entitling ARCO to rely on such opinions and certificates as if they were so addressed.

7. ARCO agrees with each of the Underwriters:

(a) To prepare the ARCO Prospectus in a form approved by you and to file

such ARCO Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement, or, if applicable, such earlier time as may be required by Rule 430A(a) (3) under the Act; to make no

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further amendment or any supplement to the ARCO Registration Statement or ARCO Prospectus prior to the last Time of Delivery which shall be disapproved by you promptly after reasonable notice thereof; to advise you, promptly after it receives notice thereof, of the time when the ARCO Registration Statement, or any amendment thereto, has been filed or becomes effective or any supplement to the ARCO Prospectus or any amended ARCO Prospectus has been filed and to furnish you with copies thereof; to advise you, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any ARCO Preliminary Prospectus or prospectus, of the suspension of the qualification of the Notes for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the ARCO Registration Statement or ARCO Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any ARCO Preliminary Prospectus or prospectus or suspending any such qualification, to use promptly its best efforts to obtain its withdrawal;

(b) Promptly from time to time to take such action as you may reasonably request to qualify the Notes for offering and sale under the securities laws of such jurisdictions as you may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Notes, provided that in connection therewith ARCO shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) To furnish the Underwriters with copies of the ARCO Prospectus in such quantities as you may from time to time reasonably request, and, if the delivery of a prospectus is required under the Act at any time in connection with the offering or sale of the Notes and if at such time any event shall have occurred as a result of which the ARCO Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such ARCO Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary during such period to amend or supplement the ARCO Prospectus in order to comply with the Act or the Exchange Act, to notify you and upon your request to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as you may from time to time reasonably request of an amended ARCO Prospectus or a supplement to the ARCO Prospectus which will correct such statement or omission or effect such compliance;

(d) To make generally available to its securityholders as soon as practicable, but in any event not later than twelve months after the effective date of the ARCO Registration Statement (as defined in Rule 158(c)), an earnings statement of ARCO and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations thereunder (including at the option of the Company Rule 158);

(e) During the period beginning from the date hereof and continuing to and including the date 120 days after the date of the ARCO Prospectus, not to offer, sell, contract to sell or otherwise dispose of any Lyondell Common Stock or any security convertible into or exchangeable for such stock without your prior written consent;

(f) To furnish to the holders of the Notes ARCO's reports on Forms 10-K and 10-Q as soon as practicable after such reports are required to be filed with the Commission;

(g) To use its best efforts to list, subject to notice of issuance, the Notes on the New York Stock Exchange; and

(h) To deliver to Lyondell, copies of the opinion and certificates delivered pursuant to Section 9(e) and (l), in each case also addressed to Lyondell or otherwise entitling Lyondell to rely on such opinions and certificates as if they were so addressed.

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8. ARCO covenants and agrees with the several Underwriters that ARCO will pay or cause to be paid the following: (i) the fees, disbursements and expenses of ARCO's and Lyondell's accountants and of Lyondell's counsel in connection with the registration of the Notes under the Act and all other expenses in connection with the preparation, printing and filing of each of the ARCO Registration Statement and the Lyondell Registration Statement, any ARCO and Lyondell Preliminary Prospectus and each of the ARCO and Lyondell Prospectuses and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any Agreement among Underwriters, this Agreement, the Blue Sky Memorandum, and any other documents in connection with the offering, purchase, sale and delivery of the Notes and Lyondell Common Stock; (iii) all expenses in connection with the qualification of the Notes and Lyondell Common Stock for offering and sale under state securities laws as provided in Sections 6(b) and 7(b) hereof, including the fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky survey, provided that such fees of counsel shall not exceed \$25,000; (iv) the filing fees incident to securing any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the Notes and the Lyondell Common Stock; (v) the cost of preparing certificates; (vi) the cost and charges of any transfer agent or registrar; and (vii) all other costs and expenses incident to the performance of the obligations of ARCO and Lyondell hereunder which are not otherwise specifically provided for in this Section. It is understood, however, that, except as provided in this Section, Section 10 and Section 13 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, transfer taxes on resale of any of the Notes and the Lyondell Common Stock by them, and any advertising expenses connected with any offers they may make.

9. The obligations of the Underwriters hereunder, as to the Notes to be delivered at each Time of Delivery, shall be subject, in their discretion, to the condition that all representations and warranties and other statements of Lyondell and ARCO herein are, at and as of such Time of Delivery, true and correct, the condition that Lyondell and ARCO shall have performed all of their obligations hereunder theretofore to be performed, and the following additional conditions:

(a) Each of the ARCO Prospectus and Lyondell Prospectus shall have been filed with the Commission pursuant to Rule 424(b) within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5 (a) hereof; no stop order suspending the effectiveness of the ARCO Registration Statement or the Lyondell Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to your reasonable satisfaction;



(b) Cravath, Swaine & Moore, counsel for the Underwriters, shall have furnished to you such opinion or opinions, dated such Time of Delivery, with respect to the validity of the Notes being delivered at such Time of Delivery, each of the ARCO Registration Statement and Lyondell Registration Statement, each of the ARCO Prospectus and Lyondell Prospectus, and other related matters as you may reasonably request, and such counsel shall have received such papers and information from Lyondell or ARCO, as the case may be, as they may reasonably request to enable them to pass upon such matters;

(c) Jeffrey R. Pendergraft, Vice President and General Counsel of Lyondell, shall have furnished to you his written opinion, dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) each of Lyondell and Lyondell Refining has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction in which it is chartered or organized, with full corporate power and authority to own its properties and conduct its business as described in the Lyondell Prospectus, and is duly qualified to do business as a foreign corporation and is in good standing under the laws of each jurisdiction

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which requires such qualification wherein it owns or leases material properties or conducts material business, so as to require such qualification, except where the failure to be so qualified would not have a material adverse effect on Lyondell and its subsidiaries taken as a whole; Lyondell does not have any "significant subsidiary" within the meaning of the Act other than Lyondell Refining, and Lyondell Refining's interest in LYONDELL-CITGO Refining Company Ltd. is as described in the Lyondell Prospectus;

(ii) all the outstanding shares of capital stock of Lyondell and Lyondell Refining have been duly and validly authorized and issued and are fully paid and nonassessable, and, except as otherwise set forth in the Lyondell Prospectus, all outstanding shares of capital stock of Lyondell Refining are owned by Lyondell either directly or through wholly owned subsidiaries free and clear of any perfected security interest and, to the knowledge of such counsel, after due inquiry, any other security interests, claims, liens or encumbrances;

(iii) Lyondell's authorized equity capitalization is as set forth in the Lyondell Prospectus; and the Lyondell Common Stock conforms in all material respects to the description thereof contained in the Lyondell Prospectus;

(iv) to the best knowledge of such counsel, there is no pending or threatened action, suit or proceeding before any court or governmental agency, authority or body or any arbitrator involving Lyondell or any of its subsidiaries, of a character required to be disclosed in the Lyondell Registration Statement which is not adequately disclosed in the Lyondell Prospectus, and there is no franchise, contract or other document of a character required to be described in the Lyondell Registration Statement or Lyondell Prospectus, or to be filed as an exhibit, which is not described or filed as required; and the statements included or incorporated in the Lyondell Prospectus describing any legal proceeding or material contracts or agreements (including the contracts and agreements referred to in subparagraph (ix) below) relating to Lyondell fairly summarize such matters;

(v) the Lyondell Registration Statement and the Lyondell Prospectus and any further amendments and supplements thereto made by Lyondell



prior to such Time of Delivery (other than the financial statements and related schedules therein, as to which such counsel need express no opinion) comply as to form in all material respects with the requirements of the Act and the rules and regulations thereunder; and such counsel has no reason to believe that, as of its effective date, the Lyondell Registration Statement or any further amendment thereto made by Lyondell prior to such Time of Delivery (other than the financial statements and related statements and related schedules therein, as to which such counsel need express no opinion) contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that, as of its date, the Lyondell Prospectus or any further amendment or supplement thereto made by Lyondell prior to such Time of Delivery (other than the financial statements and related schedules therein, as to which such counsel need express no opinion) contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading or that, as of such Time of Delivery, either the Lyondell Registration Statement or the Lyondell Prospectus or any further amendment or supplement thereto made by Lyondell prior to such Time of Delivery (other than the financial statements and related schedules therein, as to which such counsel need express no opinion) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading;

(vi) this Agreement has been duly authorized, executed and delivered by Lyondell;

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(vii) no consent, approval, authorization or order of any court or governmental agency or body is required for the consummation by Lyondell of the transactions contemplated herein, except such as have been obtained under the Act and such as may be required under the blue sky laws of any jurisdiction, in respect of the Lyondell Common Stock in connection with the purchase and distribution of the Notes by the Underwriters and such other approvals (specified in such opinion) as have been obtained;

(viii) neither the offering of the shares of Lyondell Common Stock pursuant to the Lyondell Registration Statement and the Lyondell Prospectus attached as Appendix A to the ARCO Prospectus, the compliance by Lyondell with all of the provisions of this Agreement, nor the consummation of any other of the transactions herein contemplated nor the fulfillment of the terms hereof will conflict with, result in a breach of, or constitute a default under the charter or by-laws of Lyondell or the terms of any indenture or other material agreement or instrument known to such counsel and to which Lyondell or Lyondell Refining is a party or bound, or any order or regulation known to such counsel to be applicable to Lyondell or any of its subsidiaries of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over Lyondell or any of its subsidiaries;

(ix) each of (1) the Amended and Restated Limited Liability Company Regulations of LYONDELL-CITGO Refining Company Ltd. between Lyondell Refining and CITGO Refining Investment Company, (2) the Performance Guarantee and Control Agreement between Lyondell and CITGO Petroleum Corporation ("CITGO") and (3) the Contribution Agreement between Lyondell and LYONDELL-CITGO Refining Company Ltd. ("LCR") have been duly authorized, executed and delivered by Lyondell or Lyondell

Refining, as the case may be, and constitutes a legal, valid and binding instrument enforceable against Lyondell and/or Lyondell Refining in accordance with its terms (i) except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting creditors' rights generally and by general equity principles (regardless of whether such enforceability is considered in a proceeding in equity or at law), and (ii) except that the enforceability of Section 13.13 of the Regulations, Section 10 of the Performance Guarantee and comparable provisions of the Contribution Agreement are subject to the limitations imposed by the United States Foreign Sovereign Immunities Act of 1976. Each of (A) the Crude Supply Agreement between Lagoven S.A. and LCR, (B) the Supplemental Supply Agreement between Petroleos de Venezuela S.A. and LCR, and (C) the Product Sales Agreement between CITGO Petroleum Corporation and LCR have been duly authorized, executed and delivered by LCR and constitutes a legal, valid and binding instrument enforceable against LCR in accordance with its terms (i) except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting creditors' rights generally and by general equity principles (regardless of whether such enforceability is considered in a proceeding in equity or at law), and (ii) except that the enforceability of such agreements are subject to the limitations imposed by the United States Foreign Sovereign Immunities Act of 1976;

(x) no holders of securities of Lyondell other than ARCO have rights to the registration of Lyondell Common Stock under the Lyondell Registration Statement; and

(xi) the documents incorporated by reference in the Lyondell Prospectus or any further amendment or supplement thereto made by Lyondell prior to the Time of Delivery (other than the financial statements and related schedules therein, as to which such counsel need express no opinion), when they became effective or were filed with the Commission, as the case may be, complied as to form in all material respects with the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder; and such counsel has no reason to believe that any of such documents, when such documents became effective or were so filed, as the case may be, contained, in the case of a registration

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statement which became effective under the Act, an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or, in the case of other documents which were filed under the Act or the Exchange Act with the Commission, an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made when such documents were so filed, not misleading.

In giving the opinion set forth in this subsection (c), such counsel may state that he expresses no opinion as to the laws of any jurisdiction outside the United States; and such counsel may rely (A) as to matters including the application of laws of any jurisdiction other than the laws of the United States, the State of Texas and the General Corporation Law of Delaware, and as to any other matter to which you consent (which consent shall not be unreasonably withheld), to the extent specified in such opinion, upon the opinion of other counsel whom he believes to be reliable (provided that such counsel shall so state in his opinion), and (B) as to matters of fact, on certificates of officers and representatives of Lyondell and of public officials; and such counsel will not be required to verify independently the accuracy or completeness of information or

documents forwarded to him or her with respect to the Lyondell Registration Statement or the Lyondell Prospectus (or any such further amendment or supplement thereto); any such opinions of other counsel referred to in clause (A) shall specifically state that such opinions may be relied upon by the Underwriters and their counsel.

(d) Mayor, Day, Caldwell & Keeton, L.L.P., special outside counsel to Lyondell, shall have furnished you with a letter, dated such Time of Delivery, in form and substance reasonably satisfactory to you, to the effect that: they have participated in certain conferences with officers and other representatives of Lyondell, representatives of the independent accountants of Lyondell and with your representatives, at which the contents of the Lyondell Registration Statement and the Lyondell Prospectus and related matters were discussed; they have not, however, conducted any independent investigation with respect to the accuracy, completeness or fairness of the statements contained in the Lyondell Registration Statement and the Lyondell Prospectus; although they are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Lyondell Registration Statement and the Lyondell Prospectus, they advise you that, on the basis of the foregoing (relying as to materiality, often to a significant extent, upon analyses, judgments and opinions of officers and other representatives of Lyondell), no facts have come to their attention which lead them to believe that, as of its effective date, the Lyondell Registration Statement or any further amendment thereto made by Lyondell prior to such Time of Delivery (other than the financial statements, related schedules and other related financial information and data therein, as to which such counsel need not comment) contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that, as of its date, the Lyondell Prospectus or any further amendment or supplement thereto made by Lyondell prior to such Time of Delivery (other than the financial statements, related schedules and other related financial information and data therein, as to which such counsel need not comment) contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances in which they were made, not misleading or that, as of such Time of Delivery, either the Lyondell Registration Statement or the Lyondell Prospectus or any further amendment, or supplement thereto made by Lyondell prior to such Time of Delivery (other than the financial statements, related schedules and other related financial information and data therein, as to which such counsel need not comment) contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances in which they were made, not misleading.

(e) Francis X. McCormack, General Counsel of ARCO, shall have furnished to you his written opinion, dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

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(i) each of ARCO and its significant subsidiaries (as defined in the Act) has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction in which it is chartered or organized, with full corporate power and authority to own its properties and conduct its business as described in the ARCO Prospectus, and is duly qualified to do business as a foreign corporation and is in good standing under the laws of each jurisdiction which requires such qualification wherein it owns or leases material properties or conducts material business;

(ii) all the outstanding shares of capital stock of each such subsidiary have been duly and validly authorized and issued and are

fully paid and nonassessable, and, except as otherwise set forth in the ARCO Prospectus, all outstanding shares of capital stock of such subsidiaries are owned by ARCO either directly or through wholly owned subsidiaries free and clear of any perfected security interest and, to the knowledge of such counsel, after due inquiry, any other security interests, claims, liens or encumbrances;

(iii) ARCO's authorized equity capitalization is as set forth in the ARCO Prospectus; the Notes conform to the description thereof contained in the ARCO Prospectus; and, if the Notes are to be listed on the New York Stock Exchange, authorization therefor has been given, subject to official notice of issuance and evidence of satisfactory distribution, or ARCO has filed, or has undertaken to file, a preliminary listing application and all required supporting documents with respect to the Notes with the New York Stock Exchange and such counsel has no reason to believe that the Notes will not be authorized for listing, subject to official notice of issuance and evidence of satisfactory distribution;

(iv) the Indenture has been duly authorized, executed and delivered, has been duly qualified under the Trust Indenture Act, and constitutes a legal, valid and binding instrument enforceable against ARCO in accordance with its terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity); and the Notes have been duly authorized and, when executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Underwriters pursuant to this Agreement, will constitute legal, valid and binding obligations of ARCO entitled to the benefits of the Indenture;

(v) to the best knowledge of such counsel, there is no pending or threatened action, suit or proceeding before any court or governmental agency, authority or body or any arbitrator involving ARCO or any of its subsidiaries, of a character required to be disclosed in the ARCO Registration Statement which is not adequately disclosed in the ARCO Prospectus, and there is no franchise, contract or other document of a character required to be described in the ARCO Registration Statement or ARCO Prospectus, or to be filed as an exhibit, which is not described or filed as required; and the statements included or incorporated in the ARCO Prospectus describing any legal proceeding or material contracts or agreements relating to ARCO fairly summarize such matters;

(vi) the ARCO Registration Statement and the ARCO Prospectus and any further amendments and supplements thereto made by ARCO prior to such Time of Delivery (other than the financial statements and related schedules therein, as to which such counsel need express no opinion) comply as to form in all material respects with the requirements of the Act and the rules and regulations thereunder; and such counsel has no reason to believe that, as of its effective date, the ARCO Registration Statement or any further amendment thereto made by ARCO prior to such Time of Delivery (other than the financial statements and related statements and related schedules therein, as to which such counsel need express no opinion) contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that, as of its

date, the ARCO Prospectus or any further amendment or supplement thereto made by ARCO prior to such Time of Delivery (other than the

financial statements and related schedules therein, as to which such counsel need express no opinion) contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading or that, as of such Time of Delivery, either the ARCO Registration Statement or the ARCO Prospectus or any further amendment or supplement thereto made by ARCO prior to such Time of Delivery (other than the financial statements and related schedules therein, as to which such counsel need express no opinion) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading;

(vii) such counsel does not know of any amendment to the ARCO Registration Statement required to be filed or of any contracts or other documents of a character required to be filed as an exhibit to the ARCO Registration Statement or required to be described in the ARCO Registration Statement or the ARCO Prospectus which are not filed or described as required;

(viii) this Agreement has been duly authorized, executed and delivered by ARCO;

(ix) no consent, approval, authorization or order of any court or governmental agency or body is required for the consummation of the transactions contemplated herein, except such as have been obtained under the Act and such as may be required under the blue sky laws of any jurisdiction in connection with the purchase and distribution of the Notes by the Underwriters and such other approvals (specified in such opinion) as have been obtained;

(x) neither the issue and sale of the Notes, nor the consummation of any other of the transactions herein contemplated nor the fulfillment of the terms hereof will conflict with, result in a breach of, or constitute a default under the Certificate of Incorporation or By-Laws of ARCO or the terms of any indenture or other agreement or instrument known to such counsel and to which ARCO or any of its subsidiaries is a party or bound, or any order or regulation known to such counsel to be applicable to ARCO or any of its subsidiaries of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over ARCO or any of its subsidiaries;

(xi) the documents incorporated by reference in the ARCO Prospectus or any further amendment or supplement thereto made by ARCO prior to the Time of Delivery (other than the financial statements and related schedules therein, as to which such counsel need express no opinion), when they became effective or were filed with the Commission, as the case may be, complied as to form in all material respects with the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder; and they have no reason to believe that any of such documents, when such documents became effective or were so filed, as the case may be, contained, in the case of a registration statement which became effective under the Act, an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or, in the case of other documents which were filed under the Act or the Exchange Act with the Commission, an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made when such documents were so filed, not misleading; and

(xii) to the best knowledge of such counsel ARCO has good and marketable title to 39,921,400 shares of Lyondell Common Stock and owns such shares free and clear of all liens, encumbrances, equities and

claims.

In giving the opinion set forth in this subsection (e), such counsel may state that he expresses no opinion as to the laws of any jurisdiction outside the United States; and such counsel may rely (A) as to matters including the application of laws of any jurisdiction other than the laws of the United States, the

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State of California and the General Corporation Law of Delaware, and as to any other matter to which you consent (which consent shall not be unreasonably withheld), to the extent specified in such opinion, upon the opinion of other counsel whom he believes to be reliable (provided that such counsel shall so state in his opinion), and (B) as to matters of fact, on certificates of officers and representatives of ARCO and of public officials; and such counsel will not be required to verify independently the accuracy or completeness of information or documents forwarded to him or her with respect to the ARCO Registration Statement or the ARCO Prospectus (or any such further amendment or supplement thereto); any such opinions of other counsel referred to in clause (A) shall specifically state that such opinions may be relied upon by the Underwriters and their counsel.

(f) At each Time of Delivery, Coopers & Lybrand shall have furnished to you on behalf of each of Lyondell and ARCO and, at the date hereof, on behalf of Lyondell, a letter or letters, dated the respective date of delivery thereof, in form and substance satisfactory to you, to the effect set forth in Annex I hereto;

(g) Since the respective dates as of which information is given in each of the ARCO Prospectus and the Lyondell Prospectus, there shall not have been any change in the capital stock, working capital or long-term debt of either ARCO and its consolidated subsidiaries or Lyondell and its consolidated subsidiaries or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of ARCO and its consolidated subsidiaries or of Lyondell and its consolidated subsidiaries otherwise than as set forth or contemplated in the ARCO Prospectus and the Lyondell Prospectus, as applicable, the effect of which is in your judgment so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Notes being delivered at such Time of Delivery on the terms and in the manner contemplated in the ARCO Prospectus;

(h) On or after the date hereof (i) no downgrading shall have occurred in the rating accorded ARCO's debt securities or Lyondell's debt securities by any nationally recognized statistical rating organization, as that term is defined by the Commission for purposes of Rule 436(g) (2) under the Act and (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of ARCO's or Lyondell's debt securities;

(i) On or after the date hereof there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange or a suspension or material limitation by the Commission or the New York Stock Exchange, in trading in ARCO's or Lyondell's Common Stock; (ii) a general moratorium on commercial banking activities in New York declared by either Federal or New York State authorities; or (iii) the outbreak or escalation of hostilities involving the United States or Venezuela or the declaration by the United States or Venezuela of a national emergency or war, if the effect of any such event specified in this clause (iii) in your judgment makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Notes on the terms and in the manner contemplated by the ARCO Prospectus;



(j) The Notes to be sold by ARCO at such Time of Delivery shall have been duly listed, subject to notice of issuance, on the New York Stock Exchange; and

(k) Lyondell shall have furnished or caused to be furnished to you at such Time of Delivery certificates of officers of Lyondell satisfactory to you as to the accuracy of the representations and warranties of Lyondell herein at and as of such Time of Delivery, as to the performance by Lyondell of all of its obligations hereunder to be performed at or prior to such Time of Delivery, stating that (i) no stop order suspending the effectiveness of the Lyondell Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with; and (ii) since the respective dates as of which information is given in the Lyondell

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Prospectus there shall not have been any change in the capital stock, working capital or long-term debt of Lyondell and its subsidiaries or any material adverse change, or, to the best knowledge of such executive officers of Lyondell, after reasonable investigation, any development that Lyondell reasonably believes would result in a prospective material adverse change, in or affecting the business, management, financial condition or results of operations of Lyondell and its subsidiaries otherwise than as set forth or contemplated in the Lyondell Prospectus and as to such other matters as you may reasonably request.

(l) ARCO shall have furnished or caused to be furnished to you at such Time of Delivery certificates of officers of ARCO satisfactory to you as to the accuracy of the representations and warranties of ARCO herein at and as of such Time of Delivery, as to the performance by ARCO of all of its obligations hereunder to be performed at or prior to such Time of Delivery, as to the matters set forth in subsections (a) and (g) of this Section and as to such other matters as you may reasonably request.

10. (a) In consideration of receiving the following benefits in respect of the offering of the Notes by ARCO: (1) the Notes provide a method for the orderly disposition of ARCO's investment in Lyondell; (2) the Lyondell Common Stock will have additional liquidity in the market; (3) ARCO has agreed to refrain from certain actions more fully described in the ARCO Prospectus; (4) in connection with the Notes transaction, Lyondell will receive

[to be filled in as applicable upon agreement re pipeline assets]; and (5) ARCO has agreed to pay Lyondell's defense costs in the event of litigation arising out of the offering of the Notes, Lyondell will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in (i) any Lyondell Preliminary Prospectus, the Lyondell Registration Statement or the Lyondell Prospectus, or any amendment or supplement thereto, or (ii) any ARCO Preliminary Prospectus, the ARCO Registration Statement or the ARCO Prospectus, or any amendment or supplement thereto, and made in reliance upon and in conformity with written information furnished to ARCO by Lyondell expressly for use therein, or arise out of or are based upon the omission or alleged omission to state in the documents referred to in clauses (i) and (ii) above a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that Lyondell shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Lyondell Preliminary Prospectus, the Lyondell



Registration Statement or the Lyondell Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to ARCO or Lyondell by any Underwriter through you expressly for use therein; and provided, further, that Lyondell shall not be liable to any Underwriter under the indemnity agreement in this subsection (a) with respect to any Lyondell Preliminary Prospectus to the extent that any such loss, claim, damage or liability of such Underwriter results from the fact that such Underwriter sold Notes to a person as to whom it shall be established that there was not sent or given, at or prior to the written confirmation of such sale, a copy of the Lyondell Prospectus (excluding documents incorporated by reference) or of the Lyondell Prospectus as then amended or supplemented (excluding documents incorporated by reference) in any case where such delivery is required by the Act if Lyondell has previously furnished copies thereof in sufficient quantity to such Underwriter and the loss, claim, damage or liability of such Underwriter results from an untrue statement or omission of a material fact contained in the Lyondell Preliminary Prospectus which was identified in writing at such time to such Underwriter and corrected in the Lyondell Prospectus (excluding documents incorporated by reference) or in the Lyondell Prospectus as then amended or supplemented (excluding documents incorporated by reference).

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(b) ARCO will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in (i) any ARCO Preliminary Prospectus, the ARCO Registration Statement or the ARCO Prospectus, or any amendment or supplement thereto, or (ii) any Lyondell Preliminary Prospectus, the Lyondell Registration Statement, or the Lyondell Prospectus, or any amendment or supplement thereto, and made in reliance upon and in conformity with written information furnished to Lyondell by ARCO expressly for use therein, or arise out of or are based upon the omission or alleged omission to state in the documents referred to in clauses (i) and (ii) above a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that ARCO shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any ARCO Preliminary Prospectus, the ARCO Registration Statement or the ARCO Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to ARCO or Lyondell by any Underwriter through you expressly for use therein; and provided, further, that ARCO shall not be liable to any Underwriter under the indemnity agreement in this subsection (b) with respect to any ARCO Preliminary Prospectus to the extent that any such loss, claim, damage or liability of such Underwriter results from the fact that such Underwriter sold Notes to a person as to whom it shall be established that there was not sent or given, at or prior to the written confirmation of such sale, a copy of the ARCO Prospectus (excluding documents incorporated by reference), as the case may be, or of the ARCO Prospectus as then amended or supplemented (excluding documents incorporated by reference), as the case may be, in any case where such delivery is required by the Act if ARCO has previously furnished copies thereof in sufficient quantity to such Underwriter and the loss, claim, damage or liability of such Underwriter results from an untrue statement or omission of a material fact contained in the ARCO Preliminary Prospectus which was identified in writing at such time to such Underwriter and corrected in the ARCO Prospectus (excluding documents incorporated by reference) or in the ARCO Prospectus as then amended or supplemented (excluding documents incorporated by reference).

(c) ARCO will have joint and several liability with Lyondell in respect of the indemnification set forth in subsection (a) above; provided, however, that ARCO shall be obligated to make payment to an indemnified party in respect thereof only if such indemnified party shall first have made demand for payment against Lyondell in respect of subsection (a) above and Lyondell shall have failed to pay all or any portion of such demand by such indemnified party within 30 days following such demand. In such case, ARCO will, only to the extent of such non-payment of such demand, be obligated to make payment to such indemnified party pursuant to the indemnification provisions of subsection (a) above. In the event ARCO makes any payment to any indemnified party in respect of the indemnification set forth in this subsection (c), such indemnified party shall assign to ARCO such of its claims against Lyondell pursuant to the indemnification provisions set forth in this subsection (c) or in subsection (a) above as have been discharged by ARCO pursuant to the provisions of this subsection (c); provided that until the indefeasible payment in full to such indemnified party of all its claims against Lyondell arising pursuant to this subsection (c) or subsection (a) above, ARCO shall have no right by way of subrogation or otherwise as a result of the payment of any sums hereunder. With respect to any claim against Lyondell assigned or transferred by way of subrogation to ARCO pursuant to the provisions of this subsection (c), ARCO shall assume exclusively the character, attributes, properties and rights of the indemnified party whose claim ARCO shall have paid pursuant to this subsection (c) and Lyondell shall be entitled to raise in any action or proceeding brought by ARCO against Lyondell in respect of any such claim assigned or transferred by way of subrogation to ARCO pursuant to the provisions of this subsection (c) only such defenses, whether at law or in equity, which Lyondell would have been

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entitled to raise against the indemnified party in an action or proceeding brought at such time by the indemnified party against Lyondell pursuant to the provisions of subsection (a) above.

(d) Each Underwriter will indemnify and hold harmless ARCO and Lyondell against any losses, claims, damages or liabilities to which ARCO or Lyondell may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any ARCO or Lyondell Preliminary Prospectus, the ARCO or Lyondell Registration Statement or the ARCO or Lyondell Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any ARCO or Lyondell Preliminary Prospectus, the ARCO or Lyondell Registration Statement or the ARCO or Lyondell Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to ARCO or Lyondell by such Underwriter through you expressly for use therein; and will reimburse ARCO and Lyondell for any legal or other expenses reasonably incurred by ARCO or Lyondell in connection with investigating or defending any such action or claim as such expenses are incurred.

(e) Promptly after receipt by an indemnified party under subsection (a), (b), (c) or (d) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party

shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (which shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable out-of-pocket costs of investigation. If the indemnifying party is either ARCO or Lyondell, and you are the indemnified party, ARCO or Lyondell, as the case may be, shall not be liable for the expenses of more than one separate counsel for you (except for expenses of local counsel, if necessary), which counsel shall be approved by you.

(f) If the indemnification provided for in this Section 10 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a), (b), (c) or (d) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party (provided, that for purposes only of this subsection (f) Lyondell shall not be deemed to be an indemnifying party and ARCO shall be deemed to be an indemnifying party in lieu of Lyondell under subsection (a) above) shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by ARCO on the one hand and the Underwriters on the other from the offering of the Notes. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (d) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of ARCO and Lyondell on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by ARCO on the one hand and the Underwriters on the other shall be deemed to be in the same

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proportion as the total net proceeds from the offering of the Notes purchased under this Agreement (before deducting expenses) received by ARCO bear to the total underwriting discounts and commissions received by the Underwriters with respect to the Notes purchased under this Agreement, in each case as set forth in the table on the cover page of the ARCO Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by ARCO and Lyondell on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. ARCO and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (f) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (f). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (f) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (f), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Notes underwritten by it and distributed to the public were

offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (f) to contribute are several in proportion to their respective underwriting obligations and not joint.

(g) The obligations of ARCO and Lyondell under this Section 10 shall be in addition to any liability which ARCO or Lyondell may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 10 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of ARCO or Lyondell and to each person, if any, who controls ARCO or Lyondell within the meaning of the Act.

11. (a) If any Underwriter shall default in its obligation to purchase the Notes which it has agreed to purchase hereunder at a Time of Delivery, you may in your discretion arrange for you or another party or other parties to purchase such Notes on the terms contained herein. If within thirty-six hours after such default by any Underwriter you do not arrange for the purchase of such Notes, then ARCO shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to you to purchase such Notes on such terms. In the event that, within the respective prescribed periods, you notify ARCO that you have so arranged for the purchase of such Notes, or ARCO notifies you that it has so arranged for the purchase of such Notes, you or ARCO shall have the right to postpone such Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the ARCO Registration Statement or the ARCO Prospectus, or in any other documents or arrangements, and ARCO agrees to file promptly any amendments to the ARCO Registration Statement or the ARCO Prospectus which in your opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Notes.

(b) If, after giving effect to any arrangements for the purchase of the Notes of a defaulting Underwriter or Underwriters by you and ARCO as provided in subsection (a) above, the aggregate number of such Notes which remains unpurchased does not exceed one-eleventh of the aggregate number of all the Notes to be purchased at such Time of Delivery, then ARCO shall have the right to require each non-defaulting Underwriter to purchase the number of Notes which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting

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Underwriter to purchase its pro rata share (based on the number of Notes which such Underwriter agreed to purchase hereunder) of the Notes of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Notes of a defaulting Underwriter or Underwriters by you and ARCO as provided in subsection (a) above, the aggregate number of such Notes which remains unpurchased exceeds one-eleventh of the aggregate number of all the Notes to be purchased at such Time of Delivery, or if ARCO shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Notes of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to the Second Time of Delivery, the obligations of

the Underwriters to purchase and of ARCO to sell the Optional Notes) shall thereupon terminate, without liability on the part of any nondefaulting Underwriter or ARCO, except for the expenses to be borne by ARCO and the Underwriters as provided in Section 8 hereof and the indemnity and contribution agreements in Section 10 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

12. The respective indemnities, agreements, representations, warranties and other statements of ARCO, Lyondell and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or ARCO or Lyondell, or any officer or director or controlling person of ARCO or Lyondell, and shall survive delivery of and payment for the Notes.

13. If this Agreement shall be terminated pursuant to Section 11 hereof, (a) ARCO shall not then be under any liability to any Underwriter except as provided in Section 8 and Section 10 hereof and (b) Lyondell shall not then be under any liability to any Underwriter except as provided in Section 10 hereof, but, if for any other reason, any Notes are not delivered by or on behalf of ARCO as provided herein, ARCO will reimburse the Underwriters through you for all out-of-pocket expenses approved in writing by you, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Notes not so delivered, but ARCO shall then be under no further liability to any Underwriter in respect of the Notes not so delivered except as provided in Section 8 and Section 10 hereof.

14. In all dealings hereunder, you shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by you jointly or by Goldman, Sachs & Co. on behalf of you as the representatives.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to you as the representatives in care of Goldman, Sachs & Co., at 85 Broad Street, New York, N.Y. 10004, Attention: Registration Department; and if to ARCO shall be delivered or sent by mail, telex or facsimile transmission to the address of ARCO set forth in the Registration Statement, Attention: Secretary; provided, however, that any notice to an Underwriter pursuant to Section 10(d) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire, or telex constituting such Questionnaire, which address will be supplied to ARCO by you upon request. Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof.

15. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, ARCO, Lyondell and, to the extent provided in Sections 10 and 12 hereof, the officers and directors of ARCO or Lyondell and each person who controls ARCO or Lyondell or any Underwriter, and their

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respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Notes from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

16. Time shall be of the essence of this Agreement. As used herein, the term "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

17. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

18. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding, please sign and return to us three counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement between each of the Underwriters, ARCO and Lyondell. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of Agreement among Underwriters, the form of which shall be submitted to ARCO for examination upon request, but without warranty on your part as to the authority of the signers thereof.

Very truly yours,

Atlantic Richfield Company

By:

-----  
Name:  
Title:

Lyondell Petrochemical Company

By:

-----  
Name:  
Title:

Accepted as of the date hereof:

Goldman, Sachs & Co.  
Merrill Lynch, Pierce, Fenner & Smith Incorporated  
Salomon Brothers Inc

By:

-----  
(Goldman, Sachs & Co.)

On behalf of each of the Underwriters

SCHEDULE I

<TABLE>  
<CAPTION>

UNDERWRITER	TOTAL NUMBER OF FIRM NOTES TO BE PURCHASED	NUMBER OF OPTIONAL NOTES TO BE PURCHASED IF MAXIMUM OPTION EXERCISED
-----	-----	-----
<S>	<C>	<C>
Goldman, Sachs & Co. ....		
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....		

Salomon Brothers Inc.....	-----	-----
Total.....	35,000,000	4,921,400
	=====	=====

</TABLE>

ANNEX I

Pursuant to Section 9(e) of the Underwriting Agreement, the accountants shall furnish letters to the Underwriters to the effect that:

(i) They are independent certified public accountants with respect to the Company\* and its Subsidiaries within the meaning of the Act and the applicable published rules and regulations thereunder;

(ii) In their opinion, the financial statements and any supplementary financial information and schedules audited by them and included in the Prospectus or the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations thereunder; and, if applicable, they have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the unaudited consolidated interim financial statements, selected financial data, pro forma financial information and/or condensed financial statements derived from audited financial statements of the Company for the periods specified in such letter, as indicated in their reports thereon, copies of which have been furnished to the representatives of the Underwriters (the "Representatives");

(iii) The unaudited selected financial information with respect to the consolidated results of operations and financial position of the Company for the five most recent fiscal years included in the Prospectus agrees with the corresponding amounts (after restatements where applicable) in the audited consolidated financial statements which were included in the Prospectus;

(iv) On the basis of limited procedures, not constituting an audit in accordance with generally accepted auditing standards, consisting of a reading of the unaudited financial statements and other information referred to below, a reading of the latest available interim financial statements of the Company and its subsidiaries, inspection of the minute books of the Company and its Subsidiaries since the date of the latest audited financial statements included in the Prospectus, inquiries of officials of the Company and its Subsidiaries responsible for financial and accounting matters and such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that:

(A) the unaudited interim consolidated statements of income and cash flows and consolidated balance sheets included in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations thereunder, or any material modifications should be made to such financial statements for them to be in conformity with generally accepted accounting principles;

(B) any other unaudited income statement data and balance sheet items included in the Prospectus do not agree with the corresponding items in the unaudited interim consolidated financial statements from which such data and items were derived, and any such unaudited data and items were not determined on a basis substantially consistent with the basis for the corresponding amounts in the audited consolidated financial



statements included in the Prospectus;

(C) the unaudited financial statements which were not included in the Prospectus but from which were derived any unaudited condensed financial statements referred to in Clause (A) and any unaudited income statement data and balance sheet items included in the Prospectus and referred to in Clause (B) were not determined on a basis substantially consistent with the basis for the audited consolidated financial statements included in the Prospectus;

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\* The "Company" shall mean ARCO or Lyondell, as applicable.

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(D) any unaudited pro forma condensed financial statements included in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Act and the published rules and regulations thereunder or the pro forma adjustments have not been properly applied to the historical amounts in the compilation of those statements;

(E) as of a specified date not more than five days prior to the date of such letter, there have been any changes in the common stock or any increase in the consolidated long-term debt of the Company and its subsidiaries or changes in other items specified by the Representatives, in each case as compared with amounts shown in the latest balance sheet included in the Prospectus, except in each case for changes which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(F) for the period from the date of the latest financial statements included in the Prospectus to the specified date referred to in Clause (E) there were any decreases in consolidated sales and other operating revenues (including excise taxes) or in the total or per share amounts of income before cumulative effect of changes in accounting principle or of net income or changes in other items specified by the Representatives, in each case as compared with the comparable period of the preceding year and with any other period of corresponding length specified by the Representatives, except in each case for decreases or increases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(v) In addition to the audit referred to in their report(s) included in the Prospectus and the limited procedures, inspection of minute books, inquiries and other procedures referred to in paragraphs (iii) and (iv) above, they have carried out certain specified procedures, not constituting an audit in accordance with generally accepted auditing standards, with respect to certain amounts, percentages and financial information specified by the Representatives, which are derived from the general accounting records of the Company and its subsidiaries, which appear in the Registration Statement and the Prospectus and in Exhibit 12 to the Registration Statement, including the information included or incorporated in Items 1, 2, 6 and 7 of the Company's Annual Report on Form 10-K, incorporated in the Registration Statement and the Prospectus, and the information included in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" included or incorporated in the Company's Quarterly Reports on Form 10-Q, incorporated in the Registration Statement and the Prospectus, agrees with the accounting records of the Company and its subsidiaries, excluding any questions of legal interpretation or, in certain cases, with schedules prepared by the Company.

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Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation, to the Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as requested by an authorized representative of The Depository Trust Company (and any payment is made to Cede & Co. or such other entity as is requested by an authorized representative of The Depository Trust Company), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

ATLANTIC RICHFIELD COMPANY

CUSIP

[ ]

% EXCHANGEABLE NOTES DUE , 199 (THE "NOTES")  
(SUBJECT TO EXCHANGE AT MATURITY INTO SHARES OF COMMON STOCK, PAR VALUE  
\$1.00 PER SHARE, OF LYONDELL PETROCHEMICAL COMPANY)

NO. 1 \$ 150,000,000

ATLANTIC RICHFIELD COMPANY, a corporation duly organized and existing under the laws of the State of Delaware (herein called "ARCO"), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of \$150,000,000 (or \$ per Exchangeable Note) at the office or agency of ARCO in the Borough of Manhattan, The City of New York, on , 199 in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts (subject to the mandatory exchange provisions at Maturity discussed below), and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) thereon quarterly on , , and in each year (individually referred to as an "Interest Payment Date" and collectively as the "Interest Payment Dates"), commencing , 1994, and at Maturity, at the rate per annum specified in the title of this Note from , 1994, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in said Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such interest, which shall be , , or , as the case may be, next preceding such Interest Payment Date, provided that interest payable at Maturity shall be payable to the person to whom the principal hereof is payable. In any case where such Interest Payment Date shall not be a Business Day, then (notwithstanding any other provision of said Indenture or the Notes) payment of such interest need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on such date, and, if such payment is so made, no interest shall accrue for the period from and after such date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered Holder on such Regular Record Date, and may either be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee for the Notes, notice whereof shall be given to Holders of Notes not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

At Maturity, the foregoing principal amount of this Note will be mandatorily

exchanged into a number of shares of Common Stock, par value \$1.00 per share ("Lyondell Common Stock"), of Lyondell Petrochemical Company ("Lyondell") at the Exchange Rate (as defined below) and, as a result, the Holder of this Note will not necessarily receive an amount equal to the principal amount hereof. The "Exchange Rate" is equal to, subject to adjustment as a result of certain dilution events relating to the Lyondell Common Stock as provided for in the Indenture, (a) if the Maturity Price (as defined below) per share of Lyondell Common Stock is greater than or equal to \$ \_\_\_\_\_ per share of Lyondell Common Stock (the "Threshold Appreciation Price"), \_\_\_\_\_ shares of Lyondell Common Stock per Note, (b) if the Maturity Price is less than the Threshold Appreciation Price but is greater than \$ \_\_\_\_\_ per share of Lyondell Common Stock (the "Initial Price"), a fractional share of Lyondell Common Stock per Note so that the value thereof (determined at the Maturity Price) is equal to the Initial Price and (c) if the Maturity Price is less than or equal to the Initial Price, one share of Lyondell Common Stock per Note. No fractional shares of Lyondell Common Stock will be issued at Maturity as provided in the Indenture. Notwithstanding the foregoing, ARCO may, at its option in lieu of delivering shares of Lyondell Common Stock, deliver cash in an amount equal to the value of such number of shares of Lyondell Common Stock at the Maturity Price.

The "Maturity Price" of the Lyondell Common Stock is defined as the average Closing Price per share of Lyondell Common Stock on the 20 Trading Days immediately prior to, but not including, Maturity. The "Closing Price" of any security on any date of determination means the closing sale price (or, if no closing price is reported, the last reported sale price) of such security on the New York Stock Exchange (the "NYSE") on such date or, if such security is not listed for trading on the NYSE on any such date, as reported in the composite transactions for the principal United States securities exchange on which such security is so listed, or if such security is not so listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System, or, if such security is not so reported, the last quoted bid price for such security in the over-the-counter market as reported by the National Quotation Bureau or similar organization, or, if such bid price is not available, the market value of such security on such date as determined by a nationally recognized independent investment banking firm retained for this purpose by ARCO. A "Trading Day" is defined as a day on which the security the Closing Price of which is being determined (A) is not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business and (B) has traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of such security. "Business Day" means any day, other than a Saturday or Sunday, on which banking institutions in The City of New York are open for business.

Interest on this Note will be payable, and delivery of Lyondell Common Stock (or, at ARCO's option, cash in an amount equal to the value of such Lyondell Common Stock) in exchange for the principal amount of this Note at Maturity will be made upon surrender of this Note, at the office or agency of ARCO maintained for that purpose in The City of New York, New York, and payment of interest on (and, if ARCO elects not to deliver Lyondell Common Stock upon exchange at Maturity, the cash equivalent thereof payable upon exchange for the principal amount of) this Note will be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of ARCO payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear on the Note Register at the close of business on the Regular Record Date.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee under the Indenture.

This Note is one of a duly authorized issue of debentures, notes, bonds or

other evidences of indebtedness of ARCO (herein called the "Securities"), of the series hereinafter specified, all issued or to be issued under and pursuant to the Indenture, to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitation of rights, obligations, duties and immunities thereunder of the Trustee, ARCO and the Holders of the Securities.

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The Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest (if any) at different rates, may be subject to different redemption provisions (if any), may be subject to different sinking, purchase or analogous funds (if any), may be subject to different covenants and Events of Default and may otherwise vary as provided in the Indenture. This Note is one of a duly authorized issue of notes of the series above (hereinafter called the "Notes") of ARCO, which series is limited to [39,921,400] Exchangeable Notes; all such Notes issued and to be issued under an indenture dated as of January 1, 1992 between ARCO and The Bank of New York, as Trustee, (as supplemented by a First Supplemental Indenture, dated as of May 1, 1994) (herein collectively the "Indenture"), to which Indenture and all other indentures supplemental thereto reference is hereby made for a statement of the rights and limitation of rights thereunder of the Holders of the Notes and of the rights, obligation, duties and immunities of the Trustee for each series of Notes and of ARCO, and the terms upon which the Notes are and are to be authenticated and delivered. This Note is one of a series of the Notes designated % Exchangeable Notes due , 199 .

The Notes may not be redeemed prior to Maturity.

If an Event of Default with respect to the Notes, as defined in the Indenture, shall occur and be continuing, the principal of all the Notes may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions permitting ARCO and the Trustee, with the consent of the Holders of not less than 50% in aggregate principal amount at Stated Maturity of the Securities at the time outstanding of each series affected by such supplemental indenture or indentures, evidenced as provided in the Indenture, to execute supplemental indentures adding any of the provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture as such provisions apply to such Securities or modifying in any manner the rights of the Holders of the Securities of each such series; provided, however, that no such supplemental indenture shall without the consent of the Holder of each outstanding Security affected thereby (i) extend the fixed maturity of any Security or reduce the rate or extend the time of payment of interest thereon or reduce the principal thereof or the time during which premium is payable thereon or make the principal thereof or any premium or interest thereon payable in any coin or currency other than that provided in the Securities, or (ii) reduce the percentage in principal amount at Stated Maturity of the outstanding Securities, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver of compliance with certain provisions of the Indenture or of certain defaults under and their consequences provided for in the Indenture, or (iii) change the terms under which the Exchangeable Notes are exchangeable as set forth in Section 16 of the Indenture without the consent of the Holders of each Exchangeable Note so affected. Any such consent or waiver by the Holder of this Note (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders and owners of this Note and any Note which may be issued in exchange or substitution herefor, irrespective of whether or not any notation thereof is made upon this Note or such other Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of ARCO, which is absolute and unconditional, to pay the principal of and interest on this Note at the place, at the respective times, at the rate and in the manner herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, this Note is transferable on the Note Register of ARCO, upon surrender of this Note for registration of transfer at the office or agency of ARCO to be maintained for that purpose in The City of New York, or at any other office or agency of ARCO maintained for that purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to ARCO and the Note Registrar duly executed by the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

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No service charge shall be made for any such transfer or exchange, but ARCO may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the registration of such transfer or exchange, other than certain exchanges not involving any transfer.

Certain terms used in this Note which are defined in the Indenture have the meanings set forth therein.

This Note shall be governed by, and construed in accordance with, the laws of the State of New York.

Prior to due presentment for registration of transfer of this Note, ARCO, the Trustee any paying agent and any Note registrar may deem and treat the registered Holder hereof as the absolute owner of this Note (whether or not this Note shall be overdue and notwithstanding any notation of ownership or other writing hereon by anyone other than ARCO, any Note registrar or the Trustee), for the purpose of receiving payment hereof or on account hereof, and for all other purposes (subject to the provisions of the first paragraph hereof), and neither ARCO nor the Trustee nor any paying agent nor any Note registrar shall be affected by any notice to the contrary.

No recourse for the payment of the principal of or premium, if any, or interest on this Note, or for any claim based hereon or otherwise in respect hereof, and no recourse under or upon any obligation, covenant or agreement of ARCO in the Indenture or any indenture supplemental thereto or in any Note, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of ARCO or of any successor corporation, either directly or through ARCO or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as a condition of and as part of the consideration for the issue hereof, expressly waived and released.

Terms used herein which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

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IN WITNESS WHEREOF, Atlantic Richfield Company has caused this instrument to be signed, manually or by facsimile, by its Chairman of the Board, its President or one of its Vice Presidents and by its Treasurer or one of its Assistant Treasurers, and its corporate seal to be printed, engraved or otherwise reproduced hereon, by facsimile or otherwise.

By \_\_\_\_\_  
Vice President and Treasurer

By \_\_\_\_\_  
Chairman of the Board

This is one of the securities referred to in the within-mentioned Indenture.

THE BANK OF NEW YORK , as Trustee

Dated: \_\_\_\_\_, 1994

By \_\_\_\_\_  
Authorized Signatory

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ATLANTIC RICHFIELD COMPANY

AND

THE BANK OF NEW YORK,

TRUSTEE

-----  
FIRST SUPPLEMENTAL INDENTURE

DATED AS OF MAY 1, 1994

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% EXCHANGEABLE NOTES DUE \_\_\_\_\_, 199

SUPPLEMENTAL TO INDENTURE DATED AS OF JANUARY 1, 1992

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FIRST SUPPLEMENTAL INDENTURE dated as of May 1, 1994 (this "Supplemental Indenture"), made and entered into by and between ATLANTIC RICHFIELD COMPANY, a corporation organized and existing under the laws of the State of Delaware having its principal office at 515 South Flower Street Los Angeles, California 90071 (the "Company"), and THE BANK OF NEW YORK, a New York banking corporation having its Corporate Trust Office at 101 Barclay St., New York, New York 10286 as trustee (the "Trustee").

WHEREAS the Company entered into an Indenture dated as of January 1, 1992 with the Trustee, for the purposes of issuing notes, debentures or other evidences of indebtedness to be issued in one or more series (the "Securities"), in such principal amount or amounts as may from time to time be authorized by or pursuant to the authority granted in one or more resolutions of the Board of Directors of the Company; and

WHEREAS the Company proposes to issue a series of Securities denominated its " % Exchangeable Notes due , 199 " representing up to 39,921,400 of its Exchangeable Notes (such Securities being referred to herein as the "Exchangeable Notes"), the principal amount at Maturity of which is mandatorily exchangeable into shares of common stock, par value \$1.00 per share ("Lyondell Common Stock"), of Lyondell Petrochemical Company ("Lyondell"), or, at the option of the Company, cash, in either case at the Exchange Rate as described herein; and

WHEREAS Section 11.01(d) and (e) of the Indenture provide that without the consent of the Holders of Securities, the Company, when authorized by or pursuant to the authority granted in a resolution of the Board of Directors, may enter into one or more indentures supplemental to the Indenture to establish the form or terms of Securities of any series as permitted by Section 2.01 thereof, to cure any ambiguity, to correct or supplement any provision in the Indenture which may be defective or inconsistent with any other provision of the Indenture or to make any other provisions with respect to matters or questions arising under the Indenture which shall not adversely affect the interests of the Holders in any material respect; and

WHEREAS the entry into this Supplemental Indenture by the parties hereto is in all respects authorized by the provisions of the Indenture; and

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WHEREAS all things necessary to make this Supplemental Indenture a valid agreement of the Company in accordance with its terms have been done:

NOW, THEREFORE:

In consideration of the premises and the mutual covenants herein contained and of the purchase and acceptance of the Securities by the Holders thereof and of the sum of One Dollar to the Company duly paid by the Trustee at or before the execution and delivery of these presents, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Company, for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in said trust, as follows:

Section 1. The Indenture is hereby amended, solely with respect to a series of Securities that consists of Exchangeable Notes, as follows:

(a) By amending Section 1.01 to add new definitions thereto, in the appropriate alphabetical sequence, as follows:

"Closing Price": See (S) 16.01.

"Extraordinary Cash Dividend": See (S) 16.03.

"Lyondell": See (S) 16.01.

"Lyondell Common Stock": See (S) 16.01.

"Lyondell Successor": See (S) 16.03.

"Initial Price": See (S) 16.01.

"Maturity Price": See (S) 16.01.

"NYSE": See (S) 16.01.

"Reorganization Event": See (S) 16.03.

"Threshold Appreciation Price": See (S) 16.01.



"Trading Day": See (S) 16.01.

"Transaction Value": See (S) 16.03.

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(b) By amending Section 11.02 of the Indenture by adding to the end of the first sentence thereof the following: "or (iii) change the terms under which the Exchangeable Notes are exchangeable as set forth in Article Sixteen of this Indenture without the consent of the Holder of each Exchangeable Note so affected."

(c) By adding the following Article Sixteen:

"ARTICLE SIXTEEN

Exchange into Lyondell Common Stock

Section 16.01. Exchange at Maturity. At Maturity, the principal amount payable with respect to each Exchangeable Note shall be automatically and mandatorily exchanged into a number of shares of common stock, par value \$1.00 ("Lyondell Common Stock"), of Lyondell Petrochemical Company ("Lyondell") at the Exchange Rate (as defined below). As a result, Holders of the Exchangeable Notes may not receive a payment representing the principal amount of such Exchangeable Notes. The "Exchange Rate" is equal to, subject to adjustment as a result of certain dilution events relating to the Lyondell Common Stock as provided for in Section 16.03, (a) if the Maturity Price (as defined below) is greater than or equal to \$            per share of Lyondell Common Stock (the "Threshold Appreciation Price"),            shares of Lyondell Common Stock per Exchangeable Note, (b) if the Maturity Price is less than the Threshold Appreciation Price but is greater than \$            per share of Lyondell Common Stock (the "Initial Price"), a fractional share of Lyondell Common Stock per Exchangeable Note so that the value thereof (determined at the Maturity Price) is equal to the Initial Price (such fractional share being calculated to the nearest 1/10,000th of a share or, if there is not a nearest 1/10,000th of a share, to the next highest 1/10,000th of a share) and (c) if the Maturity Price is less than or equal to the Initial Price, one share of Lyondell Common Stock per Exchangeable Note. No fractional shares of Lyondell Common Stock will be issued at Maturity as provided in Section 16.02. Notwithstanding the foregoing, the Company may, at its option in lieu of delivering shares of Lyondell Common Stock, deliver cash in an amount (calculated to the nearest 1/100th of a dollar per Exchangeable Note or, if there is not a nearest 1/100th of a dollar, then to the next higher 1/100th of a dollar) equal to the value of such number of shares of Lyondell Common Stock at the Maturity Price. In determining the amount

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of cash deliverable in exchange for the Exchangeable Note in lieu of shares of Lyondell Common Stock pursuant to the prior sentence hereof, if more than one Exchangeable Note shall be surrendered for exchange at one time by the same Holder, the amount of cash which shall be delivered upon exchange shall be computed on the basis of the aggregate number of Exchangeable Notes so surrendered at Maturity.

The "Maturity Price" is defined as the average Closing Price per share of Lyondell Common Stock on the 20 Trading Days immediately prior to Maturity. The "Closing Price" of any security on any date of determination means the closing sale price (or, if no closing price is reported, the last reported sale price) of such security on the New York Stock Exchange (the "NYSE") on

such date or, if such security is not listed for trading on the NYSE on any such date, as reported in the composite transactions for the principal United States securities exchange on which such security is so listed, or if such security is not so listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System, or, if such security is not so reported, the last quoted bid price for such security in the over-the-counter market as reported by the National Quotation Bureau or similar organization, or, if such bid price is not available, the market value of such security on such date as determined by a nationally recognized independent investment banking firm retained for this purpose by the Company. A "Trading Day" is defined as a Business Day on which the security the Closing Price of which is being determined (A) is not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business and (B) has traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of such security. "Business Day" means any day that is not a Saturday, a Sunday or a day on which the NYSE, banking institutions or trust companies in The City of New York are authorized or obligated by law or executive order to close.

Section 16.02. No Fractional Shares. No fractional shares or scrip representing fractional shares of Lyondell Common Stock shall be issued or delivered upon the exchange at Maturity of any Exchangeable Note. If more than one Exchangeable Note shall be surrendered for exchange at one time by the same Holder, the number of full shares of Lyondell Com-

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mon Stock which shall be delivered upon exchange, in whole or in part, as the case may be, shall be computed on the basis of the aggregate number of Exchangeable Notes so surrendered at Maturity. Instead of any fractional share of Lyondell Common Stock which would otherwise be deliverable upon exchange of any Exchangeable Note at Maturity, the Company, through any applicable Paying Agent, shall make a cash payment in respect of such fractional interest in an amount equal to the value of such fractional shares at the Maturity Price. The Company shall, upon exchange of any Exchangeable Note, provide cash to any applicable Paying Agent in an amount equal to the cash payable with respect to any fractional shares of Lyondell Common Stock deliverable upon exchange of such Exchangeable Note, and the Company shall retain such fractional shares of Lyondell Common Stock.

Section 16.03. Adjustment of Exchange Rate. (a) Adjustment for Distributions, Reclassifications, etc. The Exchange Rate shall be subject to adjustment from time to time as follows:

(i) If Lyondell shall:

(A) pay a dividend or make a distribution with respect to the Lyondell Common Stock in shares of such stock;

(B) subdivide or split the outstanding shares of Lyondell Common Stock into a greater number of shares;

(C) combine the outstanding shares of Lyondell Common Stock into a smaller number of shares; or

(D) issue by reclassification of shares of Lyondell Common Stock any shares of common stock of Lyondell;

then, in any such event, the Exchange Rate in effect immediately prior to such event shall each be adjusted so that the holder of any Exchangeable Note shall thereafter be entitled to receive, upon mandatory exchange of the principal amount of such Exchangeable Note at Maturity, as set forth in Section 16.01,

the number of shares of Lyondell Common Stock which such holder would have owned or been entitled to receive immediately following any event described above had such Exchangeable Note been exchanged immediately prior to such event or any record date with respect thereto. Each such adjustment shall become effective at the opening of business on the business day next following the record date for determi-

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nation of holders of Lyondell Common Stock entitled to receive such dividend or distribution in the case of a dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, split, combination or reclassification. Each such adjustment shall be made successively.

(ii) If Lyondell shall, after the date hereof, issue rights or warrants to all holders of Lyondell Common Stock entitling them to subscribe for or purchase shares of Lyondell Common Stock (other than rights to purchase Lyondell Common Stock pursuant to a plan for the reinvestment of dividends or interest) at a price per share less than the current market price of Lyondell Common Stock (determined for purposes of this clause (ii) as the average Closing Price per share of Lyondell Common Stock on the 20 Trading Days immediately prior to the date such rights or warrants are exercised), then in each case the Exchange Rate shall be adjusted by multiplying the Exchange Rate in effect immediately prior to the date of issuance of such rights or warrants, by a fraction, of which the numerator shall be the number of shares of Lyondell Common Stock outstanding on the date of issuance of such rights or warrants, immediately prior to such issuance, plus the number of additional shares of Lyondell Common Stock offered for subscription or purchase pursuant to such rights or warrants, and of which the denominator shall be the number of shares of Lyondell Common Stock outstanding on the date of issuance of such rights or warrants, immediately prior to such issuance, plus the number of additional shares of Lyondell Common Stock which the aggregate offering price of the total number of shares of Lyondell Common Stock so offered for subscription or purchase pursuant to such rights or warrants would purchase at such current market price (calculated as the average Closing Price per share of Lyondell Common Stock on the 20 Trading Days immediately prior to the date such rights or warrants are exercised), which shall be determined by multiplying such total number of shares by the exercise price of such rights or warrants and dividing the product so obtained by such current market price. Such adjustment shall become effective at the opening of business on the business day next following the record date for the determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Lyondell Common Stock are not delivered after the expiration of such rights or warrants, the Exchange

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Rate shall be readjusted to the Exchange Rate which would then be in effect had such adjustments for the issuance of such rights or warrants been made upon the basis of delivery of only the number of shares of Lyondell Common Stock actually delivered. Each such adjustment shall be made successively.

(iii) If Lyondell shall pay a dividend or make a distribution to all holders of Lyondell Common Stock of evidences of its indebtedness or other assets (excluding any dividends or distributions referred to in subparagraph (i) above or any ordinary periodic cash dividends that do not constitute Extraordinary Cash Dividends (as defined in clause (vi) below)) or shall issue to all holders of Lyondell Common Stock rights or warrants to subscribe for or purchase any of its securities (other than those referred to in subparagraph (ii) above), then in each such case, the Exchange Rate

shall be adjusted by multiplying the Exchange Rate in effect on the record date mentioned below, by a fraction of which the numerator shall be the current market price per share of the Lyondell Common Stock on the record date for the determination of stockholders entitled to receive such dividend or distribution (such current market price being determined for purposes of this clause (iii) as the average Closing Price per share of Lyondell Common Stock on the 20 Trading Days immediately prior to such record date), and of which the denominator shall be such current market price per share of Lyondell Common Stock less the fair market value (as determined by the Board of Directors of the Company, whose determination shall be conclusive, and described in a resolution adopted with respect thereto) as of such record date of the portion of the assets or evidences of indebtedness so distributed or of such subscription rights or warrants applicable to one share of Lyondell Common Stock. Each such adjustment shall become effective on the opening of business on the business day next following the record date for the determination of stockholders entitled to receive such dividend or distribution. Each such adjustment shall be made successively.

(iv) Any shares of Lyondell Common Stock issuable in payment of a dividend shall be deemed to have been issued immediately prior to the close of business on the record date for such dividend for

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purposes of calculating the number of outstanding shares of Lyondell Common Stock under subparagraph (ii) above.

(v) All adjustments to the Exchange Rate shall be calculated to the nearest 1/10,000th of a share of Lyondell Common Stock (or if there is not a nearest 1/10,000th of a share to the next lower 1/10,000th of a share). No adjustment in the Exchange Rate shall be required unless such adjustment would require an increase or decrease of at least one percent therein; provided, however, that any adjustments which by reason of this subparagraph are not required to be made shall be carried forward and taken into account in any subsequent adjustment. If an adjustment is made to the Exchange Rate pursuant to subparagraph (i), (ii) or (iii) of this Section 16.03(a), an adjustment shall also be made to the Maturity Price solely to determine which of paragraphs (a), (b) or (c) of the definition of Exchange Rate in Section 16.01 will apply at Maturity. The required adjustment shall be determined by multiplying the Maturity Price by the number determined under subparagraph (i), (ii) or (iii) by which the then existing Exchange Rate was multiplied to adjust such rate. This subparagraph (v) shall be so used to adjust the definition of Maturity Price only as such term is used for the first time in each of subparagraphs (a), (b) and (c) of the definition of Exchange Rate.

(vi) For purposes of the foregoing, the term "Extraordinary Cash Dividend" shall mean, with respect to any consecutive 365-day period, any cash dividend with respect to Lyondell Common Stock the amount of which, together with the aggregate amount of all other such cash dividends on the Lyondell Common Stock occurring in such 365-day period, exceeds on a per share basis 10% of the average of the Closing Prices per share of the Lyondell Common Stock over such 365-day period, and for purposes of applying the formula set forth in clause (iii) above, the fair market value of such dividends being calculated pursuant to such clause (iii) shall be equal to (x) the aggregate amount of such cash dividend together with the amounts of such other cash dividends occurring in such period minus (y) the aggregate amount of such other cash dividends occurring in such period for which a prior adjustment in the Exchange Rate was previously made under this Section 16.03(a). In making the determinations required by the foregoing sentence, the amount of cash dividends paid on a per

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share basis shall be appropriately adjusted to reflect the occurrence during such period of any event described in Section 16.03(a).

(b) Adjustment for Consolidation, Merger or Other Reorganization Event. In the event of (i) any consolidation or merger of Lyondell, or any surviving entity or subsequent surviving entity of Lyondell (a "Lyondell Successor"), with or into another entity (other than a merger or consolidation in which Lyondell is the continuing corporation and in which the Lyondell Common Stock outstanding immediately prior to the merger or consolidation is not exchanged for cash, securities or other property of Lyondell or another corporation), (ii) any sale, transfer, lease or conveyance to another corporation of the property of Lyondell or any Lyondell Successor as an entirety or substantially as an entirety, (iii) any statutory exchange of securities of Lyondell or any Lyondell Successor with another corporation (other than in connection with a merger or acquisition) or (iv) any liquidation, dissolution or winding up of Lyondell or any Lyondell Successor (any such event, a "Reorganization Event"), the Exchange Rate used to determine the amount payable upon exchange at Maturity for each Exchangeable Note will be adjusted to provide that each holder of Exchangeable Note will receive at Maturity cash in an amount equal to (a) if the Transaction Value (as defined below) is greater than or equal to the Threshold Appreciation Price, 0.000 multiplied by the Transaction Value, (b) if the Transaction Value is less than the Threshold Appreciation Price but greater than the Initial Price, the Initial Price and (c) if the Transaction Value is less than or equal to the Initial Price, the Transaction Value. "Transaction Value" means (x) for any cash received in any such Reorganization Event, the amount of cash received per share of Lyondell Common Stock, (y) for any property other than cash or securities received in any such Reorganization Event, an amount equal to the market value at Maturity of such property received per share of Lyondell Common Stock as determined by a nationally recognized independent investment banking firm retained for this purpose by the Company and (z) for any securities received in any such Reorganization Event, an amount equal to the average Closing Price per share of such securities on the 20 Trading Days immediately prior to Maturity, multiplied by the number of such securities received for each share of Lyondell Common Stock. Notwithstanding the foregoing, in lieu of delivering cash as provided above, the Company may at its option deliver an equivalent value of securities or other property received in such Reorganization Event, determined in accordance with

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clause (y) or (z) above, as applicable. The kind and amount of securities into which the Exchangeable Note shall be exchangeable after consummation of such transaction shall be subject to adjustment as described in paragraph (a) above following the date of consummation of such transaction.

Section 16.04. Notice of Adjustments and Certain Other Events. (a) Whenever the Exchange Rate is adjusted as herein provided, the Company shall:

(i) forthwith compute the adjusted Exchange Rate in accordance with Section 16.03 and prepare a certificate signed by an officer of the Company setting forth the adjusted Exchange Rate, the method of calculation thereof in reasonable detail, and the facts requiring such adjustment and upon which such adjustment is based, which certificate shall be conclusive, final and binding evidence of the correctness of the adjustment, and file such certificate forthwith with the Trustee for the Exchangeable Note; and

(ii) within 10 Business Days following the occurrence of an event that permits or requires an adjustment to the Exchange Rate pursuant to Section 16.03 (or if the Company is not aware of such occurrence, as soon as practicable after becoming so aware), provide written notice to the Trustee and to the Holders of the Outstanding Exchangeable Note of the occurrence of such event and a statement in reasonable detail setting forth the

method by which the adjustment to the Exchange Rate was determined and setting forth the revised Exchange Rate per Exchangeable Note, which notice, and the statements contained therein, the Trustee shall have no obligation whatsoever to verify or investigate.

(b) In case at any time while any of the Exchangeable Note are outstanding the Company receives notice that:

(i) Lyondell shall declare a dividend (or any other distribution) on or in respect of the Lyondell Common Stock to which Section 16.03(a)(i) or (ii) shall apply (other than any cash dividends and distributions, if any, paid from time to time by Lyondell that do not constitute Extraordinary Cash Dividends);

(ii) Lyondell shall authorize the issuance to all holders of Lyondell Common Stock of rights or warrants to subscribe for or purchase shares of Lyondell Common Stock or of any other subscription rights or warrants;

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(iii) there shall occur any conversion or reclassification of Lyondell Common Stock (other than a subdivision or combination of outstanding shares of such Lyondell Common Stock) or any consolidation, merger or reorganization to which Lyondell is a party and for which approval of any stockholders of Lyondell is required, or the sale or transfer of all or substantially all of the assets of Lyondell; or

(iv) there shall occur the voluntary or involuntary dissolution, liquidation or winding up of Lyondell;

then the Company shall promptly cause to be delivered to the Trustee and any applicable Paying Agent and filed at the office or agency maintained for the purpose of exchange of Exchangeable Note at Maturity in the Borough of Manhattan, in The City of New York by the Trustee (or any applicable Paying Agent), and shall promptly cause to be mailed to the Holders of Exchangeable Note at their last addresses as they shall appear upon the registration books of the Securities Registrar, at least 10 days before the date hereinafter specified (or the earlier of the dates hereinafter specified, in the event that more than one is specified), a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or grant of rights or warrants, or, if a record is not to be taken, the date as of which the holders of Lyondell Common Stock of record to be entitled to such dividend, distribution or grant of rights or warrants are to be determined, or (y) the date, if known by the Company, on which such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up is expected to become effective.

(c) On or prior to seven Business Days preceding the Stated Maturity of the Exchangeable Note, the Company will provide notice to the Holders of record of the Exchangeable Note and to the Trustee and will publish a notice in a daily newspaper of national circulation stating whether the Company has irrevocably elected to deliver Lyondell Common Stock or cash (or any other property or securities that may be delivered pursuant to Section 16.03(b)) upon the mandatory exchange of the principal amount of the Exchangeable Note in accordance with Section 16.01.

Section 16.05. Taxes. (a) The Company will pay any and all documentary, stamp, transfer or similar taxes that may be payable in respect of the transfer and delivery of Lyondell Common Stock pursuant hereto; provided, however, that the Company shall not be required to pay any such tax which may be payable in respect of any transfer involved in the

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delivery of Lyondell Common Stock in a name other than that in which the Exchangeable Note so exchanged were registered, and no such transfer or delivery shall be made unless and until the Person requesting such transfer has paid to the Company the amount of any such tax, or has established, to the satisfaction of the Company, that such tax has been paid.

(b) The parties hereto hereby agree, and each Holder of an Exchangeable Note by its purchase of an Exchangeable Note hereby agrees:

(i) to treat, for U.S. federal income tax purposes, each Exchangeable Note as a unit (the "unit characterization") consisting of (A) a debt obligation with a fixed principal amount and issue price equal to the principal amount of the Exchangeable Note, bearing interest at the stated interest rate, and with the principal amount unconditionally payable at Maturity, and (B) a purchase contract (the "Purchase Contract") pursuant to which the Holder agrees to use the principal payment due on the Exchangeable Note to purchase, at Maturity, the Lyondell Common Stock to which the Holder is entitled to receive at that time (subject to the Company's right to deliver cash in lieu of such Lyondell Common Stock), which treatment will require, among other things, the Holder to include in income as interest, in accordance with its method of accounting, payments made with respect to the Exchangeable Note that are denominated as interest;

(ii) in the case of an initial purchase, to allocate the entire purchase price of an Exchangeable Note to the Exchangeable Note and to allocate no part thereof to the Purchase Contract; and

(iii) to file all U.S. federal, state and local income and franchise tax returns consistent with the unit characterization (unless required otherwise by an applicable taxing authority).

Section 16.06. Shares Free and Clear. The Company hereby warrants that upon exchange of an Exchangeable Note at Maturity pursuant to this Indenture, the Holder of an Exchangeable Note shall receive all rights held by the Company in the Lyondell Common Stock for which such Exchangeable Note is at such time exchangeable pursuant to this Indenture, free and clear of any and all liens, claims, charges and encumbrances other than any liens, claims, charges and encumbrances which may have been placed on any Lyondell Common Stock by the prior owner

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thereof, prior to the time such Lyondell Common Stock was acquired by the Company. Except as provided in Section 16.05(a), the Company will pay all taxes and charges with respect to the delivery of Lyondell Common Stock delivered in exchange for Exchangeable Note hereunder.

Section 16.07. Cancellation of Security. Upon receipt by the Trustee of Exchangeable Note delivered to it for exchange under this Article Sixteen, the Trustee shall cancel and dispose of the same as provided in Section 2.08.

Section 16.08. Limitations on Trading During Certain Days. The Company hereby agrees that it will not, and it will cause each of its Majority-Owned Subsidiaries (as defined below) not to, buy or sell shares of Lyondell Common Stock for their own account during the 20 Trading Days prior to Stated Maturity of the Exchangeable Note. For purposes hereof, "Majority-Owned Subsidiary" with respect to the Company means a subsidiary more than 50% of whose outstanding securities representing the right, other than as affected by events of default, to vote for the election of directors, is owned by the Company and/or one or more of the Company's other Majority-Owned Subsidiaries."

(d) By amending the table of contents of the Indenture to reflect the additions described in subsections (a) and (c) of this Section 1.



Section 2. The form of Exchangeable Note attached hereto as Exhibit A is hereby incorporated herein by reference and is hereby adopted, pursuant to Section 11.01(d) of the Indenture, as a form of Securities of a series that consists of Exchangeable Notes.

Section 3. The Indenture, as supplemented and amended by this Supplemental Indenture and all other indentures supplemental thereto, is in all respects ratified and confirmed, and the Indenture, this Supplemental Indenture and all indentures supplemental thereto shall be read, taken and construed as one and the same instrument.

Section 4. If any provision hereof limits, qualifies or conflicts with another provision hereof which is required to be included in this Supplemental Indenture by any of the provisions of the Trust Indenture Act, such required provision shall control.

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Section 5. All covenants and agreements in this Supplemental Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 6. In case any provision in this Supplemental Indenture or in the Securities of any series shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions (or of the other series of Securities) shall not in any way be affected or impaired thereby.

Section 7. Nothing in this Supplemental Indenture, expressed or implied, shall give to any Person, other than the parties hereto and their successors hereunder, and the Holders of each series of Securities any benefit or any legal or equitable right, remedy or claim under this Supplemental Indenture.

Section 8. This Supplemental Indenture and each Security of any series shall be deemed to be a contract made under the laws of the State of New York and this Supplemental Indenture and each such Security for all purposes shall be governed by and construed in accordance with the laws of the State of New York.

Section 9. All terms used in this Supplemental Indenture not otherwise defined herein that are defined in the Indenture shall have the meanings set forth therein.

Section 10. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 11. The recitals contained herein and in the Securities, except the certificate of authentication of the Trustee thereon, shall be taken as statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of the Indenture, this Supplemental Indenture or of the Securities and shall not be accountable for the use or application by the Company of the Securities or the proceeds thereof.

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IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.



to me known, who, being by me duly sworn, did depose and say that such person resides in New York, New York; that such person is \_\_\_\_\_ of THE BANK OF NEW YORK, one of the corporations described in and which executed the above instrument; that such person knows the corporate seal of said corporation; that one of the seals affixed to the said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that such person signed his or her name thereto by like authority.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

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Notary Public

[seal]

Commission expires

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ARCO [LOGO]

515 South Flower Street  
Los Angeles, California 90071  
Telephone 213 486-1774

F. X. McCormack  
Senior Vice President  
and General Counsel

May 4, 1994

Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

RE: REGISTRATION STATEMENT ON FORM S-3

Ladies and Gentlemen:

I am familiar with all corporate and other proceedings taken by Atlantic Richfield Company, a Delaware corporation ("Company"), in connection with the authorization of up to 39,921,400 of its \_\_\_\_\_ % Exchangeable Notes due 199 (the "Exchangeable Notes"). For purposes of registering the Exchangeable Notes, the aggregate principal amount is deemed to be \$958 million, as set forth on the cover page of the Registration Statement.

I am of the opinion that Exchangeable Notes have been duly authorized and, when the securities have been executed and authenticated in the manner set forth in the Indenture and issued and delivered in the manner set forth in the Indenture against payment therefor, the Notes will have been validly executed, authenticated, issued, and delivered, will constitute the legal, valid, and binding obligations of the Company, will (subject to applicable bankruptcy, insolvency, and other laws affecting the enforceability of creditors' rights generally and to general principles of equity) be enforceable as to the Company in accordance with their terms, and will be entitled to the benefits provided by the Indenture.

I hereby consent to the references to me under the heading "Legal Opinion" in the Prospectus to be filed as a part of the Registration Statement and to the filing of this opinion or copies thereof as an Exhibit to the Registration Statement.

Very truly yours,

Francis X. McCormack

EXHIBIT 5

REGISTRATION RIGHTS AGREEMENT

BETWEEN

ATLANTIC RICHFIELD COMPANY

AND

LYONDELL PETROCHEMICAL COMPANY

DATED AS OF , 1994

Registration Rights Agreement (this "Agreement"), dated as of , 1994, between Atlantic Richfield Company, a Delaware corporation ("ARCO"), and Lyondell Petrochemical Company, a Delaware corporation ("Lyondell").

Whereas, ARCO is the owner of 39,921,400 shares, or 49.9%, of Lyondell's issued and outstanding common stock ("Common Stock") at the date hereof and ARCO has determined to offer to the public up to 39,921,400 of its % Exchangeable Notes (the "Notes") due , 199 , which Notes may be repaid by delivery of cash or shares of Common Stock, as set forth in ARCO's Registration Statement on Form S-3 relating to the Notes.

Whereas, Lyondell acknowledges that it will receive the following benefits in respect of the offering of the Notes by ARCO: (1) the Notes provide a method for the orderly disposition of ARCO's investment in Lyondell; (2) the Common Stock will have additional liquidity in the market; (3) ARCO has agreed to refrain from certain actions more fully described in Section 2(b) hereof; (4) in connection with the Notes transaction, Lyondell will receive [to be filled in as applicable upon agreement re pipeline assets]; and (5) ARCO has agreed to pay Lyondell's defense costs in the event of litigation arising out of the offering of the Notes or the sale of Common Stock pursuant to this Agreement, as more fully set forth in Sections 2 and 12.

Whereas, the parties hereto desire to enter into this Agreement which sets forth the terms of certain registration rights applicable to the Registrable Securities (as defined below).

Now, Therefore, upon the premises and the mutual promises herein contained, and for good and valuable consideration, the receipt and adequacy of which is acknowledged, the parties agree as follows:

1. Certain Definitions. As used in this Agreement the following initially capitalized terms shall have the following meanings:

(a) "Holder" means ARCO and any "transferee" (as such term is defined in Section 11 hereof).

(b) "Registrable Securities" means the 39,921,400 shares of Common Stock currently owned by ARCO, any stock or other securities into which or for which such shares of Common Stock may hereafter be changed, converted or exchanged, and any other securities issued to the Holder (or such shares into which or for which such shares are so changed, converted or exchanged) upon any reclassification, share combination, share subdivision, share dividend, merger, consolidation or similar transactions or events, provided that any such securities shall not be Registrable Securities with respect to a proposed offer or sale thereof (i) to the extent that the volume of such securities proposed to be sold, in the good faith opinion of counsel to ARCO, may be distributed pursuant to Rule 144 or (ii) in the case of any registration pursuant to Section 3 or 4 of this Agreement of such securities held by a Holder other than ARCO, unless such Holder shall furnish Lyondell an opinion of counsel, which opinion shall be reasonably satisfactory to Lyondell, to the effect that all of such securities are not permitted to be distributed by such Holder pursuant to Rule 144.

(c) "Registration Expenses" means all reasonable and customary expenses in connection with any registration of securities pursuant to this Agreement including, without limitation, the following: (i) the fees, disbursements and expenses of Lyondell's counsel(s) (United States and foreign) and accountants (United States and foreign) in connection with the registration of the Registrable Securities to be disposed of under the Act; (ii) all expenses in connection with the preparation, printing and filing of any registration statement, preliminary prospectus or final prospectus, any other offering document and amendments and supplements thereto and the mailing and delivering of copies thereof to any underwriters (United States and foreign) and dealers (United States and foreign); (iii) the cost of printing or producing any agreement(s) among underwriters, underwriting agreement(s), and blue sky or legal investment memoranda, any selling agreements and any other

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documents (in each case, United States and foreign) in connection with the offering, sale or delivery of the Registrable Securities to be disposed of; (iv) all expenses in connection with the qualification of the Registrable Securities to be disposed of for offering and sale under state securities laws, including the fees and disbursements of counsel for the underwriters or the Holders of Registrable Securities in connection with such qualification and in connection with any blue sky and legal investment surveys; (v) the filing fees incident to securing any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the Registrable Securities to be disposed of; (vi) transfer agents', depositories' and registrars' fees and the fees of any other agent (in each case, United States and foreign) appointed in connection with such offering; (vii) all security engraving and security printing expenses; (viii) all fees and expenses payable in connection with the listing of the Registrable Securities on each securities exchange or inter-dealer quotation system (in each case, United States and foreign) on which a class of common equity securities of Lyondell is then listed; and (ix) all out-of-pocket costs incurred by Lyondell in connection with any such registration including without limitation reasonable travel expenses.

(d) "Rule 144" and "Rule 144A," respectively, mean Rule 144 and Rule 144A promulgated under the Act, or any successor rules to similar effect.

(e) "SEC" means the United States Securities and Exchange Commission.

(f) "Act" means the Securities Act of 1933, as amended, or any successor statute.

(g) "Exchange Act" means the Securities Exchange Act of 1934, as amended,

or any successor statute.

2. Registration in connection with public offering by ARCO of the Notes.

(a) Lyondell hereby agrees with ARCO to enter into the Underwriting Agreement dated the date hereof (the "Underwriting Agreement") relating to the registration of the shares of Lyondell Common Stock deliverable, at ARCO's option, upon maturity of the Notes, on Form S-3 (the "Lyondell Registration Statement") and ARCO's registration of the Notes on a separate Form S-3 (the "ARCO Registration Statement") with Goldman Sachs & Co., Merrill Lynch & Co. and Salomon Brothers Inc (collectively, the "Underwriters"), pursuant to which the Notes and the Common Stock deliverable upon maturity of the Notes are being offered and sold to the public.

(b) ARCO hereby agrees with Lyondell that at any time prior to one year following the maturity date of the Notes, ARCO will not, except upon exchange of the Notes as contemplated by the ARCO Registration Statement, dispose of, or enter into an agreement contemplating the disposal of, all or any portion of its Lyondell Common Stock without the prior approval of Lyondell's Board of Directors in a private sale to a single entity or a group of affiliated entities; provided, however, that nothing herein shall prevent ARCO from selling all or any portion of its Lyondell Common Stock (A) in a public offering intended to result in widespread distribution; (B) in a Rule 144 transaction in accordance with the volume limitations set forth therein; (C) in a Rule 144A transaction intended to result in widespread distribution to institutional buyers; or (D) pursuant to a tender offer or exchange offer by Lyondell or a third party, a merger or other business combination including Lyondell which is not solicited by ARCO and in which ARCO is treated on substantially comparable terms with other holders of Lyondell Common Stock. ARCO also agrees that, until the maturity of the Notes, ARCO will not, without the prior approval of Lyondell's Board of Directors, (A) take action by written consent or cause to be called a special meeting of Lyondell's stockholders; (B) initiate or solicit proposals by a single entity or a group of affiliated entities to acquire all or substantially all of ARCO's Lyondell Common Stock or otherwise to acquire Lyondell; (C) solicit proxies or written consents in respect of replacing, or adding members of, the Board of Directors; or (D) initiate or propose, or solicit proxies in respect of, one or more stockholder proposals within the meaning of Rule 14a-8 of the Exchange Act. It is understood and agreed that the foregoing agreements shall not (i) limit ARCO's ability to participate in any self tender offer or exchange offer or open market purchase program which may be conducted by Lyondell, (ii) preclude ARCO from voting its shares of Lyondell Common Stock as it deems proper, or (iii) preclude ARCO from disclosing (including in

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response to private inquiries) either its intentions concerning matters to be brought before Lyondell's stockholders or to make such disclosure as ARCO determines appropriate in compliance with its obligations under the federal securities laws.

3. Demand Registration. In addition to preparing the Lyondell Registration Statement pursuant to the provisions of Section 2 hereof, Lyondell hereby agrees to at any time prior to May 1, 2004:

(a) Upon written notice from a Holder of Registrable Securities in the manner set forth in Section 13(g) hereof requesting that Lyondell effect the registration under the Act of any or all of the Registrable Securities held by such Holder, which notice shall specify the intended method or methods of disposition of such Registrable Securities, Lyondell will use its best efforts to effect (at the earliest possible date) the registration under the Act of such Registrable Securities for disposition in accordance

with the intended method or methods of disposition stated in such request; provided, however, that in Lyondell's sole discretion it may refuse to register an offering on a delayed or continuous basis pursuant to Rule 415 (or any successor rule to similar effect) promulgated under the Act (a "Rule 415 Offering")), provided, further, that:

(i) if, prior to receipt of a registration request pursuant to this Section 3(a), (A) Lyondell has publicly announced a proposed financing, acquisition or other transaction and (B) Lyondell's Board of Directors makes a good faith determination that to proceed with the requested registration would materially and adversely affect such proposed transaction, then Lyondell shall have the right to postpone such requested registration for the period of time its Board of Directors determines in good faith, but in no event longer than one year from the date of the request, is required to implement such proposed transaction;

(ii) if, while a registration request pursuant to this Section 3(a) is pending, the Board of Directors of Lyondell determines in good faith (A) that Lyondell then is unable to comply with the applicable SEC requirements for reasons beyond Lyondell's control or (B) that Lyondell is precluded from proceeding with the requested registration pursuant to existing "hold back" agreements, Lyondell shall not be required to effect a registration pursuant to this Section 3(a) until the earlier of (1) the date that Lyondell is able to comply with SEC requirements or the hold back agreement expires, or (2) 120 days after receipt of the registration request;

(iii) if, upon receipt of a registration request pursuant to this Section 3(a), (A) Lyondell is actively considering a bona fide financing, acquisition or other transaction material to Lyondell with the full knowledge and concurrence of its Board of Directors, and (B) the Board of Directors of Lyondell determines in good faith that the filing of a registration statement would require the disclosure of material information which Lyondell has a bona fide business purpose for preserving as confidential and, as a result, Lyondell is unable to comply with SEC requirements without making such disclosure, then Lyondell shall not be required to effect a registration pursuant to this Section 3(a) prior to (X) if Lyondell has not made a public disclosure regarding such proposed transaction within 120 days of receipt of the request, the expiration of such 120-day period, or (Y) if Lyondell makes a public disclosure regarding such proposed transaction within 120 days of receipt of the request, then the expiration of such period of time, as may be determined in good faith by Lyondell's Board of Directors, that is required to implement such proposed transaction, which shall in no event exceed one year from the date of receipt of the request; and

(iv) ARCO, together with its transferees, shall have the right to exercise registration rights pursuant to this Section 3 an aggregate of three (3) times; provided, however, that such registration rights may not be implemented more than once during each 12-month period.

(b) Notwithstanding any other provision of this Agreement to the contrary, a registration requested by a Holder of Registrable Securities pursuant to this Section 3 shall not be deemed to have been effected (and, therefore, not requested for purposes of subsection 3(a)), (i) unless it has become effective, (ii) if after it has become effective such registration is interfered with by any

stop order, injunction or other order or requirement of the SEC or other governmental agency or court for any reason other than a misrepresentation



or an omission by such Holder and, as a result thereof, the Registrable Securities requested to be registered cannot be completely distributed in accordance with the plan of distribution set forth in the related registration statement or (iii) if the conditions to closing specified in the purchase agreement or underwriting agreement entered into in connection with such registration are not satisfied or waived other than by reason of some act or omission by such Holder of Registrable Securities.

4. Piggyback Registration. If prior to May 1, 2004, Lyondell at any time proposes to register any of its Common Stock or any other of its Common Stock or securities convertible into Common Stock (collectively, "Other Securities") under the Act (other than a registration on Form S-4 or S-8 or any successor forms of similar effect), whether or not for sale for its own account, in a manner which would permit registration of Registrable Securities for sale for cash to the public under the Act, it will each such time give prompt written notice to each Holder of Registrable Securities of its intention to do so and of the rights of such Holder under this Section 4, at least 30 days prior to the anticipated filing date of the registration statement relating to such registration. Such notice shall offer each such Holder the opportunity to include in such registration statement such number of Registrable Securities as such Holder may request. Upon the written request of any such Holder made within 10 days after the receipt of Lyondell's notice (which request shall specify the number of Registrable Securities intended to be disposed of and the intended method of disposition thereof), Lyondell will use its best efforts to effect, in connection with the registration of the Other Securities, the registration under the Act of all Registrable Securities which Lyondell has been so requested to register, to the extent required to permit the disposition (in accordance with such intended methods thereof) of the Registrable Securities so requested to be registered, provided that:

(a) if, at any time after giving such written notice of its intention to register any Other Securities and prior to the effective date of the registration statement filed in connection with such registration, Lyondell shall determine for any reason not to register the Other Securities, Lyondell may, at its election, give written notice of such determination to such Holders and thereupon Lyondell shall be relieved of its obligation to register such Registrable Securities in connection with the registration of such Other Securities, without prejudice, however, to the rights of the Holders of Registrable Securities immediately to request that such registration be effected as a registration under Section 3 hereof (in the event that Lyondell shall so determine not to so register the Other Securities, each of Lyondell and each Holder shall be responsible for the respective Registration Expenses incurred by it in connection with such registration);

(b) if the registration referred to in the first sentence of this Section 4 is to be an underwritten primary registration on behalf of Lyondell, and a nationally recognized investment banking firm selected by Lyondell advises Lyondell in writing that, in such firm's opinion, such offering would be materially and adversely affected by the inclusion therein of the Registrable Securities requested to be included therein, Lyondell shall use its best efforts to include in such registration: (i) first, all securities Lyondell proposes to sell for its own account ("Lyondell Securities"), (ii) second, up to (A) the full number of Registrable Securities held by ARCO and requested to be included in such registration by ARCO ("ARCO Securities"); and (B) the full number of securities of Lyondell (other than Registrable Securities) held by persons (other than current or former Lyondell officers, directors or employees) to whom Lyondell has granted registration rights ("Other Holders") in excess of the number or dollar amount of securities Lyondell proposes to sell which, in the good faith opinion of such underwriter(s), can be so sold without so materially and adversely affecting such offering, allocated, if necessary, pro rata by taking into consideration (x) the ARCO Securities and (y) the full number of securities held by Other Holders and requested to be included in such registration by the Other Holders, and (iii) third, up to the full number

of Registrable Securities (other than ARCO Securities) in excess of the number or dollar amount of Lyondell Securities, ARCO Securities and securities of Other Holders which, in the good faith opinion of such underwriter(s) can be so sold without materially and adversely affecting such offering (and, if less than the full number of such Registrable Securities,

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allocated pro rata among the Holders of such Registrable Securities (other than ARCO Securities) on the basis of the number of securities requested to be included therein by each such Holder);

(c) if the registration referred to in the first sentence of this Section 4 is to be an underwritten secondary registration on behalf of Other Holders, and the managing underwriter(s) advise Lyondell in writing that in their good faith opinion such offering would be materially and adversely affected by the inclusion therein of the Registrable Securities requested to be included therein, Lyondell shall use its best efforts to include in such registration: (i) first, up to the full number of securities held by Other Holders and requested to be included in such registration by the Other Holders, (ii) second, up to the full number of ARCO Securities requested to be included in such registration by ARCO in excess of the number or dollar amount of securities of Other Holders which, in the good faith opinion of such underwriter(s), can be so sold without materially and adversely affecting such offering and (iii) third, up to the full number of Registrable Securities (other than ARCO Securities) in excess of the number or dollar amount of the securities of Other Holders and ARCO Securities which, in the good faith opinion of such underwriter(s) can be so sold without materially and adversely affecting such offering (and, if less than the full number of such Registrable Securities, allocated pro rata among the Holders of such Registrable Securities (other than ARCO Securities) on the basis of the number of such securities requested to be included therein by each such Holder);

(d) Lyondell shall not be required to effect any registration of Registrable Securities under this Section 4 incidental to the registration of any of its securities in connection with mergers, acquisitions, exchange offers, subscription offers, dividend reinvestment plans or stock option or other executive or employee benefit or compensation plans; and

(e) no registration of Registrable Securities effected under this Section 4 shall relieve Lyondell of its obligation to effect a registration of Registrable Securities pursuant to Section 3 hereof; provided, however, that if Registrable Securities are not included in a registration as a result of the application of the provisions of Sections 4(b) or 4(c) hereof, the Holders of such Registrable Securities may not request that such registration be effected as a registration under Section 3 hereof until after the registration from which such Registrable Securities were excluded has been completed or abandoned.

5. Expenses. ARCO (and any Holder other than ARCO, in the case of a registration pursuant to Section 3 hereof) hereby agrees to pay all of the Registration Expenses in respect of a registration effected pursuant to Sections 2 and 3 hereof, including, without limiting the generality of the foregoing, ARCO agrees that in connection with the registration effected pursuant to Section 2 hereof, ARCO shall reimburse Lyondell for all out-of-pocket costs incurred by Lyondell in connection with the negotiation and review of this Registration Rights Agreement, as well as the review of the proposed registration and related transactions by Lyondell's Audit Committee, together with the costs incurred in retaining outside legal counsel for the Audit Committee. In the case of a registration pursuant to the provisions of Section 4 hereof, each of ARCO, any Holder other than ARCO, any Other Holders and Lyondell agrees to pay its pro rata portion of Registration Expenses with

respect to a particular offering, such pro rata portion to be equal to the total amount of such Registration Expenses multiplied by a fraction, the numerator of which is the number of shares sold in such offering by such party and the denominator of which is the total number of shares sold in such offering.

6. Registration and Qualification. If and whenever Lyondell is required to use its best efforts to effect the registration of any Registrable Securities under the Act as provided in Sections 3 or 4 hereof, Lyondell will as promptly as is practicable:

(a) prepare, file and use its best efforts to cause to become effective a registration statement under the Act relating to the Registrable Securities to be offered;

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Act with respect to the

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disposition of all Registrable Securities until (i) in the case of a Rule 415 Offering, such time as Lyondell in its sole discretion has agreed pursuant to Section 3(a) hereof or (ii) in the case of an offering other than a Rule 415 Offering, the earlier of (A) such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition set forth in such registration statement and (B) the expiration of nine months after such registration statement becomes effective; provided, that such nine month period shall be extended for such number of days that equals the number of days elapsing from (x) the date the written notice contemplated by Section 6(g) hereof is given by Lyondell to (y) the date on which Lyondell delivers to the Holders of Registrable Securities the supplement or amendment contemplated by Section 6(g) hereof;

(c) furnish to the Holders of Registrable Securities and to any underwriter of such Registrable Securities such number of conformed copies of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits), such number of copies of the prospectus included in such registration statement (including each preliminary prospectus and any summary prospectus), in conformity with the requirements of the Act, such documents incorporated by reference in such registration statement or prospectus, and such other documents, as the Holders of Registrable Securities or such underwriter may reasonably request, together with a copy of any and all transmittal letters or other correspondence to, or received from, the SEC or any other governmental agency or self-regulatory body or other body having jurisdiction (including any domestic or foreign securities exchange) relating to such offering;

(d) use its best efforts to register or qualify all Registrable Securities covered by such registration statement under the securities or blue sky laws of such jurisdictions (domestic or foreign) as the Holders of such Registrable Securities or any underwriter of such Registrable Securities shall request, and use its best efforts to obtain all appropriate registrations, permits and consents required in connection therewith, and to do any and all other acts and things which may be necessary or advisable to enable the Holders of Registrable Securities or any such underwriter to consummate the disposition in such jurisdictions of its Registrable Securities covered by such registration statement; provided, however, that Lyondell shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it is not so qualified, or to subject itself to taxation in any such jurisdiction, or to consent to general service of

process in any such jurisdiction; provided, further, that, in the case of and such registration or qualification in any non-United States jurisdiction, (i) notwithstanding Section 5, the Holder of the Registrable Securities to be so registered or qualified shall pay all costs and expenses incurred by Lyondell in connection with such registration or qualification in such jurisdiction, (ii) Lyondell shall have no obligation to use its best efforts to so requester or qualify Registrable Securities if in the good faith opinion of counsel for Lyondell such registration or qualification shall impose on Lyondell an on-going material compliance obligation and (iii) Lyondell shall not be obligated to keep any such registration or qualification in effect except for so long as is necessary or appropriate in order to dispose of Registrable Securities in such jurisdiction in accordance with the plan of distribution set forth in the related registration statement;

(e) use its best efforts to list all Registrable Securities covered by such registration statement on any securities exchange or inter-dealer quotation system (in each case, domestic or foreign) as the Holders of such Registrable Securities or any underwriter of such Registrable Securities shall request, and use its best efforts to obtain all appropriate registrations, permits and consents required in connection therewith, and to do any and all other acts and things which may be necessary or advisable to effect such listing; provided, however, that, except with respect to any listing on any such securities exchange or inter-dealer quotation system on which shares of Lyondell's Common Stock are then listed, (i) notwithstanding Section 5, the Holder of the Registrable Securities to be so listed shall pay all costs and expenses incurred by Lyondell in connection with such listing, (ii) Lyondell shall have no obligation to use its best efforts to so list Registrable Securities if in the good faith opinion of counsel for Lyondell such listing shall impose

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on Lyondell an ongoing material compliance obligation and (iii) Lyondell shall not be obligated to keep such listing in effect except for so long as is necessary or appropriate in order to dispose of Registrable Securities in accordance with the plan of distribution set forth in the related registration statement;

(f) (i) furnish to each Holder of Registrable Securities included in such registration (each, a "Selling Holder") an Opinion of counsel for Lyondell addressed to each Selling Holder and dated the date of the closing under the underwriting agreement (if any) (or if such offering is not underwritten, dated the effective date of the registration statement), and (ii) use its best efforts to furnish to each Selling Holder a "cold comfort" letter addressed to each Selling Holder and signed by the independent public accountants who have audited Lyondell's financial statements included in such registration statement, in each such case covering substantially the same matters with respect to such registration statement (and the prospectus included therein) as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to underwriters in underwritten public offerings of securities and such other matters as the Selling Holders may reasonably request and, in the case of such accountants' letter, with respect to events subsequent to the date of such financial statements;

(g) immediately notify the Selling Holders in writing (i) at any time when a prospectus relating to a registration pursuant to Section 3 or 4 hereof is required to be delivered under the Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (ii) of any request by the

SEC or any other regulatory body or other body having jurisdiction for any amendment of or supplement to any registration statement or other document relating to such offering, and, in either such case, at the request of the Selling Holders, prepare and furnish to the Selling Holders a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading;

(h) use its best efforts to list all such Registrable Securities covered by such registration on each securities exchange and inter-dealer quotation system on which a class of common equity securities of Lyondell is then listed, and to pay its pro rata share, if any, of the fees and expenses in connection therewith as set forth in Section 5 hereof;

(i) furnish unlegended certificates representing ownership of the Registrable Securities being sold in such denominations as shall be requested by the Selling Holders or the underwriters; and

(j) provide the indemnification to the Holder of Registrable Securities set forth in Section 9.

7. Conversion of Other Securities, etc. If ARCO offers any options, rights, warrants or other securities issued by it or any other person that are offered with, convertible into or exercisable or exchangeable for any Registrable Securities, the Registrable Securities underlying such options, rights, warrants or other securities shall be eligible for registration pursuant to Sections 3 and 4 of this Agreement.

8. Underwriting; Due Diligence.

(a) If requested by the underwriters for any underwritten offering of Registrable Securities pursuant to a registration requested under this Agreement pursuant to Section 3 or 4, Lyondell, subject to the provisions of Section 3 or 4, as applicable, will enter into an underwriting agreement with such underwriters for such offering, such agreement to contain such representations and warranties by Lyondell and such other terms and provisions as are customarily contained in underwriting agreements

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with respect to secondary distributions, including, without limitation, indemnities and contribution substantially to the effect and to the extent provided in Section 9 hereof and the provision of opinions of counsel and accountants' letters to the effect and to the extent provided in Section 6(f) hereof. The Selling Holders on whose behalf the Registrable Securities are to be distributed by such underwriters shall be parties to any such underwriting agreement and the representations and warranties by, and the other agreements on the part of, Lyondell to and for the benefit of such underwriters, shall also be made to and for the benefit of such Selling Holders. Such underwriting agreement shall also contain such representations and warranties by the Selling Holders on whose behalf the Registrable Securities are to be distributed as are customarily contained in underwriting agreements with respect to secondary distributions.

(b) In the event that any registration pursuant to Section 4 shall involve, in whole or in part, an underwritten offering, Lyondell may require the Registrable Securities requested to be registered pursuant to Section 4 to be included in such underwriting on the same terms and conditions as shall be applicable to the other securities being sold through underwriters under such registration. If requested by the underwriters for such underwritten offering, the Selling Holders on whose behalf the Registrable Securities are to be

distributed by such underwriters will enter into an underwriting agreement with such underwriters, such agreement to contain such representations and warranties by the Selling Holders and such other terms and provisions as are customarily contained in underwriting agreements with respect to secondary distributions, including, without limitation, indemnities and contribution substantially to the effect and to the extent provided in Section 9 hereof. Such underwriting agreement shall also contain such representations and warranties by Lyondell and such other person or entity for whose account securities are being sold in such offering as are customarily contained in underwriting agreements with respect to secondary distributions.

(c) In connection with the preparation and filing of each registration statement registering Registrable Securities under the Act, Lyondell will give the Holders of such Registrable Securities and the underwriters, if any, and their respective counsel and accountants, such reasonable and customary access to its books and records and such opportunities to discuss the business of Lyondell with its officers and the independent public accountants who have certified Lyondell's financial statements as shall be necessary, in the opinion of such Holder and such underwriters or their respective counsel, to conduct a reasonable investigation within the meaning of the Act.

9. Indemnification. Lyondell and ARCO acknowledge that, in the event of an underwritten public offering of Lyondell Common Stock pursuant to Section 3 or 4, ARCO and Lyondell will enter into an underwriting agreement with the underwriters. In connection therewith, Lyondell and ARCO hereby agree, as between themselves, that in the event of any underwritten public offering of Lyondell Common Stock pursuant to Section 3 or 4 hereof, they will enter into indemnification and contribution agreements substantially in the form set forth in this Section 9:

(a) Lyondell will indemnify and hold harmless each underwriter if any (herein, the "Underwriters") against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any registration statement including the prospectus contained therein, prepared by Lyondell in respect of the Registrable Securities (the "Lyondell Documents") or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse such Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim; provided, however, that Lyondell shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Lyondell Documents or any amendment or supplement thereto in reliance upon and in conformity

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with written information furnished to Lyondell by ARCO or any Holder of Registrable Securities expressly for use therein; and provided, further, that Lyondell shall not be liable to such Underwriter under the indemnity agreement in this subsection (a) with respect to any Lyondell Documents to the extent that any such loss, claim, damage or liability of such Underwriter results from the fact that such Underwriter sold Common Stock to a person to whom there was not sent or given, at or prior to the written confirmation of such sale, a copy of the Lyondell final prospectus, if Lyondell has previously furnished copies thereof to such Underwriter.

(b) In the event that ARCO owns more than 20 percent of the issued and outstanding Lyondell Common Stock, and ARCO or any Holder has requested registration of some or all of its Lyondell Common Stock pursuant to Section 3



hereof, ARCO agrees with Lyondell that in the event the Underwriters request Lyondell to agree to a contribution provision, ARCO will not expect nor can ARCO or any Holder require Lyondell to agree to any such contribution provision.

(c) In the event that ARCO owns less than 20 percent of the issued and outstanding Lyondell Common Stock, and has requested registration of some or all of its Lyondell Common Stock pursuant to Sections 3 or 4 hereof, Lyondell will indemnify and hold harmless ARCO or any Holder against any losses, claims, damages or liabilities, joint or several, to which ARCO or any Holder may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Lyondell Documents or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse ARCO or any Holder for any legal or other expenses reasonably incurred by ARCO or any Holder in connection with investigating or defending any such action or claim; provided, however, that Lyondell shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Lyondell Documents or any amendment or supplement thereto in reliance upon and in conformity with written information furnished to Lyondell by ARCO or any Holder expressly for use therein; and provided, further, that Lyondell shall not be liable to ARCO or any Holder under the indemnity agreement in this subsection (c) with respect to any Lyondell Documents to the extent that any such loss, claim, damage or liability of ARCO or any Holder results from the fact that ARCO or any Holder sold Common Stock to a person to whom there was not sent or given, at or prior to the written confirmation of such sale, a copy of the Lyondell final prospectus, if Lyondell has previously furnished copies thereof to such Underwriter.

(d) Such Holder will indemnify and hold harmless Lyondell and each Underwriter against any losses, claims, damages or liabilities, joint or several, to which Lyondell and each Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of such Holder's Registrable Securities) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact made in any Lyondell Document in reliance upon and in conformity with written information furnished to Lyondell by such Holder expressly for use therein; and will reimburse each Underwriter and Lyondell for any legal or other expenses reasonably incurred by each Underwriter and Lyondell in connection with investigating or defending any such action or claim.

(e) Each Underwriter will indemnify and hold harmless such Holder and Lyondell against any losses, claims, damages or liabilities to which such Holder and Lyondell may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Lyondell Documents, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the

statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Lyondell Documents in reliance upon and in conformity with written information furnished to such Holder or Lyondell by such Underwriter expressly for use therein; and will reimburse each such Holder and Lyondell for any legal or other expenses reasonably incurred by such Holder



and Lyondell in connection with investigating or defending any such action or claim.

(f) Promptly after receipt by an indemnified party under subsection (a), (c), (d) or (e) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable out-of-pocket costs of investigation relating thereto. If the indemnifying party is either such Holder or Lyondell, and the Underwriters are the indemnified party, such Holder or Lyondell, as the case may be, shall not be liable for the expenses of more than one separate counsel for the Underwriters (except for expenses of local counsel, if necessary), which counsel shall be approved by the Underwriters.

(g) In the case of a registration pursuant to Section 4 hereof, if the indemnification provided for in this Section is unavailable to or insufficient to hold harmless an indemnified party under subsection (a), (c), (d) or (e) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by such Holder, Other Holders, and Lyondell, as applicable, on the one hand, and the Underwriters on the other from the offering of the Common Stock. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (f) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of such Holder, Other Holders or Lyondell, as applicable, on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by such Holder, Other Holders or Lyondell, as applicable, on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering of the Common Stock purchased under this Agreement (before deducting expenses) received by such Holder, Other Holders or by Lyondell, as applicable, bear to the total underwriting discounts and commissions received by the Underwriters with respect to the Common Stock purchased under this Agreement, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such Holder, Other Holders, Lyondell or the Underwriters and the party's relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. Such Holder, Other Holders, Lyondell and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection

(g) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (g). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (g) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim.

Notwithstanding the provisions of this subsection (g), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Common Stock underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (g) to contribute are several in proportion to their respective underwriting obligations and not joint.

(h) The obligations of Lyondell under this Section 9 shall be in addition to any liability which Lyondell may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act.

10. Rule 144. Lyondell shall take such measures and file such information, documents and reports as shall be required by the SEC as a condition to the availability of Rule 144 (or any successor provision).

#### 11. Transfer of Registration Rights.

(a) ARCO may transfer all or any portion of its rights under this Agreement to any transferee (each, a "transferee") of an amount of Registrable Securities owned by ARCO exceeding 1 percent of the outstanding class of such Securities at the time of transfer. Any transfer of registration rights pursuant to this Section shall be effective upon receipt by Lyondell of written notice from ARCO stating the name and address of any transferee and identifying the amount of Registrable Securities with respect to which the rights under this Agreement are being transferred and the nature of the rights so transferred. In connection with any such transfer, the term "ARCO" as used in this Agreement (other than in this Section 11, Section 4(b)(i)(2) and Section 1(b)) shall, where appropriate to assign the rights and obligations of ARCO hereunder to such direct transferee, be deemed to refer to the transferee holder of such Registrable Securities. ARCO and such transferees may exercise the registration rights hereunder in such proportion as they shall agree among themselves; provided, that in no event shall Lyondell be required to effect more than an aggregate of three (3) registrations pursuant to Section 3 of this Agreement and each such registration shall be at the request of one or more Holders.

(b) After any such transfer, ARCO shall retain its rights under this Agreement with respect to all other Registrable Securities owned by ARCO.

(c) Upon the request of ARCO, Lyondell shall execute a Registration Rights Agreement with such transferee or a proposed transferee substantially similar to this Agreement, and any demand registrations granted to such transferee shall reduce the then remaining number of demand registrations to which ARCO is entitled under Section 3(a) hereof.

12. Payment of Certain Defense Costs. Subject to the provisions of this Section 12, ARCO hereby agrees, in the event of an actual or threatened legal proceeding arising in connection with a registration effected pursuant to Section 2 or 3 hereof, to pay all Defense Costs (as defined herein) as they are incurred by or on behalf of (i) Lyondell and each officer and director of Lyondell and each person, if any, who controls Lyondell (other than ARCO)

within the meaning of the Act, and (ii) the underwriters, if any, in connection with any such registration, and each person, if any, who controls any such

underwriter within the meaning of the Act; provided, however, that the persons described in clauses (i) and (ii) shall hereinafter be referred to collectively as the "Designated Defendants;" and, provided, further, that in the event (A) that the applicable underwriting agreement (including the Underwriting Agreement) provides that Lyondell shall reimburse the Underwriter(s) for any Defense Costs incurred by such Underwriter(s) and (B) that such Underwriters request Lyondell to make any such payments, ARCO, in accordance with the provisions of this Section 12, either shall pay such Defense Costs to such Underwriter(s) or contemporaneously shall reimburse Lyondell for any such payments Lyondell makes to such Underwriter(s), in either case, within such time periods as may be necessary to prevent Lyondell from defaulting with respect to any obligation to reimburse the Underwriter(s) for such expenses under the applicable provision of the underwriting agreement. "Defense Costs" shall mean the following costs and expenses incurred by the Designated Defendants: (A) all reasonable and customary fees and expenses of counsel for each of the Designated Defendants; (B) all reasonable and customary fees and expenses of local counsel for the Designated Defendants; (C) all other reasonable and customary out-of-pocket costs incurred by the Designated Defendants as a result of an actual or threatened legal proceeding arising in connection with this Registration Rights Agreement or a registration effected pursuant to Section 2 or 3 hereof including without limitation expenses incurred for retaining the services of experts and consultants and in responding to discovery requests. Lyondell hereby agrees, in the event of a legal proceeding arising in connection with a registration effected pursuant to Section 2 or 3 hereof, that, as between Lyondell and ARCO, ARCO shall have the lead in managing the defense of the proceeding. Lyondell further agrees that it will reimburse ARCO for its "applicable share" of Defense Costs in the event that a court of competent jurisdiction makes a final determination, after the exhaustion of all appeals, that Lyondell acted with an intent to defraud or with a reckless disregard for the truth and in doing so made material misrepresentations or omissions of material fact in the Lyondell Documents, as applicable; provided, however, that for this purpose Lyondell's applicable share of Defense Costs shall in no event exceed those Defense Costs that Lyondell would have incurred in the absence of ARCO's undertaking to pay Defense Costs as provided in this Section 12; and provided, further, that this Section 12 shall be of no force and effect in the event ARCO owns less than 20 percent of the issued and outstanding Lyondell Common Stock immediately preceding registration pursuant to Section 3 hereof.

### 13. Miscellaneous.

(a) Injunctions. Irreparable damage would occur in the event that any of the provisions of this Agreement was not performed in accordance with its specific terms or was otherwise breached. Therefore, the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof in any court having jurisdiction, such remedy being in addition to any other remedy to which they may be entitled at law or in equity.

(b) Severability. If any term or provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the parties hereto shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term or provision; provided, however, that if such effort is not successful, this Agreement shall be deemed to be void and of no further force or effect.

(c) Further Assurances. Subject to the specific terms of this Agreement, each of the parties hereto shall make, execute, acknowledge and deliver such other

instruments and documents, and take all such other actions, as may be reasonably required in order to effectuate the purposes of this Agreement and to consummate the transactions contemplated hereby.

(d) Waivers, Etc. No failure or delay on the part of either party hereto in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power,

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preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement nor consent to any departure therefrom shall in any event be effective unless the same shall be in writing, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

(e) Entire Agreement and Amendment. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof. The section headings contained in this Agreement are solely for the purpose of reference, and shall not in any way affect the meaning or interpretation of this Agreement. This Agreement may not be amended either in whole or in part except in writing executed by ARCO and Lyondell which refers to this Agreement; any such amendment shall bind transferees pursuant to Section 11 and Designated Defendants pursuant to Section 12.

(f) Counterparts. For the convenience of the parties, this Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original but all of which together shall be one and the same instrument.

(g) Notices. All notices, consents, requests, instructions, approvals and other communications provided for herein shall be validly given, made or served, if in writing and delivered personally, by facsimile or sent by registered mail, postage prepaid as follows:

(i) if to ARCO, to

Atlantic Richfield Company  
515 South Flower Street  
Los Angeles, California 90071  
Attention: Treasurer  
Facsimile No. (213) 486-3006

(ii) if to Lyondell, to

Lyondell Petrochemical Company  
One Houston Center  
1221 Mc Kinney Street  
Suite 1600  
Houston, Texas 77010  
Attention: Treasurer  
Facsimile No. (713) 652-4538

(iii) if to a Holder of Registrable Securities, to the name and address as the same appear in the security transfer books of Lyondell or such other address as any party (or other Holders of Registrable Securities) may, from time to time, designate in a written notice in a like manner. Notice given by facsimile shall be deemed delivered on the business day after it is received by the recipient. Notice given by mail as set out above shall be deemed delivered five calendar days after the date the same is mailed.

(h) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN SUCH STATE WITHOUT GIVING EFFECT TO THE

(i) Assignment. Except as provided herein, the parties may not assign their rights under this Agreement. Lyondell may not delegate its obligations under this Agreement.

(j) No Third Party Beneficiaries. The parties hereto agree that (i) no other person other than a transferee pursuant to Section 11 or the Designated Defendants pursuant to Section 12 shall have any

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rights or remedies under or by reason of this Agreement, whether as a third party beneficiary or otherwise, and (ii) the parties hereto shall retain full rights and power to amend or modify this Agreement pursuant to an agreement entered into by the parties in writing, except that no such amendment or modification shall act to impair the rights of a transferee then existing pursuant to Section 11 without the consent in writing of such transferee.

(k) Termination. ARCO and Lyondell hereby agree that, if the Notes offering is not consummated pursuant to the terms of the Underwriting Agreement, this Agreement shall terminate immediately.

(l) Underwriting Agreement. In connection with the Underwriting Agreement, ARCO and Lyondell hereby agree as follows:

(i) All references in the Underwriting Agreement to statements or omissions made in reliance upon or in conformity with information furnished in writing to ARCO by Lyondell either directly or through an "Underwriter" (which term is defined, for purposes of this paragraph (1), as in the Underwriting Agreement), shall be deemed to refer only to the information in the "ARCO Registration Statement" or "ARCO Prospectus" (which terms are defined, for purposes of this paragraph (1), as in the Underwriting Agreement) included under the heading designated "LYONDELL PETROCHEMICAL COMPANY" (excluding the first paragraph thereof); and

(ii) All references in the Underwriting Agreement to statements or omissions made in reliance upon or in conformity with information furnished in writing to Lyondell by ARCO either directly or through an Underwriter, shall be deemed to refer only to the information in the "Lyondell Registration Statement" or "Lyondell Prospectus" (which terms are defined, for purposes of this paragraph (1), as in the Underwriting Agreement) included under the heading designated "RELATIONSHIP WITH ARCO--General" and "--Registration Rights Agreement with ARCO."

In Witness Whereof, ARCO and Lyondell have caused this Agreement to be duly executed as of the date first above written.

Atlantic Richfield Company

By \_\_\_\_\_  
Terry G. Dallas  
Vice President and Treasurer

Lyondell Petrochemical Company

By \_\_\_\_\_  
Russell S. Young  
Senior Vice President, Chief  
Financial Officer and Treasurer

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## ATLANTIC RICHFIELD COMPANY

STATEMENT SETTING FORTH DETAIL OF COMPUTATION OF RATIO OF EARNINGS TO FIXED  
CHARGES--UNAUDITED  
(MILLIONS OF DOLLARS)<TABLE>  
<CAPTION>

	THREE MONTHS	YEAR ENDED DECEMBER 31				
	ENDED MARCH 31, 1994	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Income before income taxes, minority interest and cumulative effect of changes in accounting principles (1).....	\$255	\$ 634	\$1,907	\$1,160	\$2,820	\$3,161
Less: Undistributed income of less than 50% owned subsidiaries (net of losses) (2).....	(4)	--	(12)	(49)	(84)	(111)
Fixed charges:						
Interest expense charged to income, interest of appropriate unconsolidated subsidiaries, and portion of rentals representative of interest (3).....	201	784	825	952	900	849
Capitalized interest.....	7	56	115	79	79	95
Total fixed charges.....	208	840	940	1,031	979	944
Earnings (1) + (2) + (3) ..	\$452	\$1,418	\$2,720	\$2,063	\$3,636	\$3,899
Ratio of earnings to fixed charges.....	2.17	1.69	2.89	2.00	3.71	4.13

&lt;/TABLE&gt;

EXHIBIT 23.2

## CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in this registration statement on Form S-3 of our report dated February 11, 1994, on our audits of the consolidated financial statements and financial statement schedules of Atlantic Richfield Company as of December 31, 1993 and 1992 and for each of the three years in the period ended December 31, 1993, which report is included in Atlantic Richfield Company's Annual Report on Form 10-K for the year ended December 31, 1993. We also consent to the reference to our Firm under the caption "Experts."

Coopers &amp; Lybrand

Los Angeles, California  
May 4, 1994

FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(B) (2)

THE BANK OF NEW YORK  
(EXACT NAME OF TRUSTEE AS SPECIFIED IN ITS CHARTER)

NEW YORK  
(STATE OF INCORPORATION  
IF NOT A U.S. NATIONAL BANK)

13-5160382  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

48 WALL STREET, NEW YORK, N.Y.  
(ADDRESS OF PRINCIPAL EXECUTIVE  
OFFICES)

10286  
(ZIP CODE)

ATLANTIC RICHFIELD COMPANY  
(EXACT NAME OF OBLIGOR AS SPECIFIED IN ITS CHARTER)

DELAWARE  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

23-0371610  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

515 SOUTH FLOWER STREET  
LOS ANGELES, CALIFORNIA  
(ADDRESS OF PRINCIPAL EXECUTIVE  
OFFICES)

90071  
(ZIP CODE)

% EXCHANGEABLE NOTES DUE 1997  
(TITLE OF THE INDENTURE SECURITIES)

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it  
is subject.

NAME

ADDRESS



Superintendent of Banks of the State of New York 2 Rector Street, New York, N.Y. 10006,  
and Albany, N.Y. 12203

Federal Reserve Bank of New York 33 Liberty Plaza, New York, N.Y. 10045

Federal Deposit Insurance Corporation Washington, D.C. 20429

New York Clearing House Association New York, New York

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None. (See Note on page 3.)

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and Rule 24 of the Commission's Rules of Practice.

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)
4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)
6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.

Page 2 of 5

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a

corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 29th day of April, 1994.

THE BANK OF NEW YORK

By: Mary Jane Morrissey

-----  
 Name: Mary Jane Morrissey  
 Title: Assistant Vice President

Page 3 of 5

EXHIBIT 7

CONSOLIDATED REPORT OF CONDITION OF  
 THE BANK OF NEW YORK  
 OF 48 WALL STREET, NEW YORK, N.Y. 10286  
 AND FOREIGN AND DOMESTIC SUBSIDIARIES

a member of the Federal Reserve System at the close of business December 31, 1993, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

<TABLE>  
 <CAPTION>

	DOLLAR AMOUNTS IN THOUSANDS -----
<S>	<C>
ASSETS	
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 4,393,393
Interest-bearing balances.....	652,315
Securities.....	3,809,834
Federal funds sold in domestic offices of the bank.....	331,075
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....23,708,678	
LESS: Allowance for loan and lease losses.....773,597	
LESS: Allocated transfer risk reserve.....28,427	
Loans and leases, net of unearned income, allowance, and reserve.....	22,906,654
Assets held in trading accounts.....	851,615
Premises and fixed assets (including capitalized leases)....	657,247
Other real estate owned.....	60,806
Investments in unconsolidated subsidiaries and associated companies.....	170,378
Customers liability to this bank on acceptances outstanding..	885,751
Intangible assets.....	42,689
Other assets.....	1,326,362
	-----
Total assets.....	\$36,088,119 =====
LIABILITIES	
Deposits:	
In domestic offices.....	\$19,486,153
Noninterest-bearing.....7,388,636	
Interest-bearing.....12,097,517	
In foreign offices Edge and Agreement subsidiaries and IBFs.....	8,230,444
Noninterest-bearing.....53,571	
Interest-bearing.....8,176,873	
Federal funds purchased and securities sold under agreements	

to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:	
Federal funds purchased.....	1,207,881
Securities sold under agreements to repurchase.....	350,492
Demand notes issued to the U.S. Treasury.....	300,000
Other borrowed money.....	530,559
Bank's liability on acceptances executed and outstanding.....	897,899
Subordinated notes and debentures.....	1,064,780
Other liabilities.....	1,139,025
	-----
Total liabilities.....	33,207,233
	-----
EQUITY CAPITAL	
Perpetual preferred stock and related surplus.....	75,000
Common stock.....	942,284
Surplus.....	525,666
Undivided profits and capital reserves.....	1,342,860
Cumulative foreign currency translation adjustments.....	(4,924)
	-----
Total equity capital.....	2,880,886
	-----
Total liabilities, limited-life preferred stock, and equity capital.....	\$36,088,119
	=====

</TABLE>

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot  
 Alan R. Griffith  
 Samuel F. Chevalier

Directors