FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1994-03-17** | Period of Report: **1993-12-31**
SEC Accession No. 0000899243-94-000047

FILER

LYONDELL PETROCHEMICAL CO

CIK:**842635**| IRS No.: **954160558** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **001-10145** | Film No.: **94516602**
SIC: **2911** Petroleum refining

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1993

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended December 31, 1993

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

Commission file number 1-10145

LYONDELL PETROCHEMICAL COMPANY
(Exact name of registrant as specified in its charter)

Delaware	95-4160558
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1221 McKinney Street, Suite 1600, Houston, Texas (Address of principal executive offices)	77010 (Zip Code)

Registrant's telephone number, including area code: (713) 652-7200

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

Title of each class	Name of each exchange on which registered
Common Stock ($1.00 par value)	New York Stock Exchange

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

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations-S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

X

There were 80,000,000 shares of the registrant's common stock outstanding on December 31, 1993. The aggregate market value of the voting stock held by non-affiliates of the registrant on March 1, 1994 based on the closing price on the New York Stock Exchange composite tape on that date, was $909,464,465.

DOCUMENTS INCORPORATED BY REFERENCE

None

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PART I

Items 1 and 2. Business and Properties

THE COMPANY'S BUSINESS

Lyondell Petrochemical Company and LYONDELL-CITGO Refining Company Ltd. (LCR) operate in two business segments: petrochemicals and refining. The Company manufactures a wide variety of petrochemicals, including olefins (ethylene, propylene, butadiene, butylenes and certain specialty products), polyolefins (polypropylene and low density polyethylene), methanol, methyl tertiary butyl ether (MTBE), and aromatics and, through LCR, a Texas limited liability company, refined petroleum products, including gasoline, heating oil, jet fuel, fuel oil, aromatics and lubricants (lube oils). 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 industrial products. LCR sells its principal refined products primarily to CITGO Petroleum Corporation (CITGO) and to a lesser extent, to other marketers of petroleum products.

As the context may require, all references hereafter to the "Company" or "Lyondell" include Lyondell Petrochemical Company and its wholly-owned subsidiaries.

Development of Business

The Company was incorporated under the laws of the State of Delaware in 1985. Atlantic Richfield Company (ARCO) originally created a separate division (Lyondell Division) by the combination of the operations of the Channelview, Texas petrochemical complex (Channelview Complex), and the full conversion Houston, Texas refinery (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 the Company. In addition, certain pipeline assets that were not formerly a part of the Lyondell Division were transferred to Lyondell. In exchange for the transfer of such assets and liabilities, Lyondell issued ARCO additional shares of its common stock. On January 25, 1989, ARCO completed an initial public offering of 43,000,000 shares of Lyondell's common stock.

In February, 1990, the Company acquired a polypropylene plant and a low density polyethylene plant located in Pasadena, Texas (Polymers Facility).

In July, 1993, pursuant to agreements between the Company and CITGO (and its affiliates), the Company contributed its refining business (including the lube oil blending and packaging plant in Birmingport, Alabama) and refining working capital to LCR and retained an initial 95% participation interest in LCR. At December 31, 1993, the Company had an approximate 90% interest in LCR. The results of LCR currently are consolidated into Lyondell's financial statements. For further discussion of this transaction, see "REFINING SEGMENT - Overview".

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 also has entered into a long-term crude supply contract (Crude Supply Contract) with Lagoven, S.A. (LAGOVEN), an affiliate of CITGO. In addition, under the terms of a long-term product sales agreement (Products Agreement), CITGO purchases from LCR a majority of the refined products produced at the Refinery. Both LAGOVEN and CITGO are direct or indirect wholly-owned subsidiaries of Petroleos de Venezuela, S.A. (PDVSA), the national oil company of Venezuela. See "REFINING SEGMENT".

At March 1, 1994, ARCO owned 39,921,400 shares of Lyondell common stock, which represent 49.9 percent of the issued and outstanding common stock of the Company. ARCO officers and directors currently hold five of the eleven directorships on the Company's Board of Directors. Although officers and directors of ARCO do not constitute a majority of the Board of Directors, for certain federal and state securities laws purposes, ARCO could be deemed to be a "control" person or an "affiliate" of Lyondell.

For additional information relating to certain continuing relationships and potential conflicts of interest among Lyondell, LCR, ARCO and ARCO Chemical Company (ARCO Chemical), an 83.3 percent owned subsidiary of ARCO, including their respective subsidiaries, see Item 13 -- "Certain Relationships and Related Transactions" included herein.

See Note 19 - Segment Information of Notes to Consolidated Financial Statements.

SUMMARY DESCRIPTION OF BUSINESS SEGMENTS

PETROCHEMICAL SEGMENT

Overview

Channelview Complex -- Lyondell's Channelview Complex, located in Channelview, Texas, 20 miles east of Houston, includes two large olefins plants, a methanol plant, a butadiene recovery unit, a product flexibility unit (which has the capability to convert ethylene and other light hydrocarbon streams into propylene), an aromatics (benzene and toluene) recovery unit, two MTBE units, an isoprene recovery unit and other petrochemical processing units. The Channelview Complex is connected by multiple pipelines to the Refinery, which is approximately 16 miles away. The Channelview Complex also is connected by a comprehensive pipeline system to the Company's Mont Belvieu, Texas storage facility, to leased storage terminals and to Gulf Coast customers. Ethylene and propylene are shipped or exchanged via this pipeline system. See "Properties".

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, resin oils and piperylenes, along with gasoline blendstocks and heavy liquid fuels. The Company also produces methanol and MTBE. The Company's petrochemical products are used by its customers to manufacture intermediate chemicals, which are used in a variety of consumer and industrial products.

Ethylene is used to manufacture polyethylene, which is used in products such as

trash bags, housewares and milk containers. Ethylene also is used to produce ethylene oxide (used to produce ethylene glycol which is used to produce antifreeze and polyester fibers), ethylene dichloride (used to produce polyvinyl chloride for pipe and other vinyl products), ethylbenzene (used to produce styrene, which in turn is used to produce polystyrene for packaging and containers) and alpha olefins (used in the manufacture of detergents, as well as other intermediate chemicals).

Propylene is used to manufacture polypropylene, which is used in products such as carpets, food packaging, upholstery, automobile parts and plastic bottles. Propylene is also used to manufacture acrylonitrile (used in clothing and high impact plastics), propylene oxide (used in polyurethane foams for furniture and insulation) and oxo products (used in industrial solvents, as well as other intermediate chemicals).

Butadiene is used to manufacture styrene butadiene rubber and polybutadiene rubber, both of which are used in the manufacture of tires and other rubber products. Butadiene is also used in the production of nylon and acrylonitrile-butadiene-styrene plastics.

Methanol is used to produce MTBE and a variety of chemical intermediates, including formaldehyde, acetic acid and methyl methacrylate. These intermediates are used to produce bonding adhesives for plywood, polyester fibers and plastics. Other end uses include solvents and antifreeze applications.

MTBE is an octane enhancer and clean fuel additive in reformulated gasoline. All MTBE produced at the Channelview Complex and not blended at the Refinery is sold to a single customer. See "Properties" and Item 13 - "Certain Relationships and Related Transactions".

The following table shows the current annual rated capacity for certain of the Company's principal petrochemical products:

<TABLE>
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	Rated Capacity(a) at December 31, 1993
	(Millions)
<S>	<C>
Petrochemical Product	
Ethylene (pounds)	3,600
Propylene (pounds)	2,100 (b)
Butadiene (pounds)	615
Methanol (gallons)	233 (c)
MTBE (gallons)	167
Aromatics (gallons)	130

</TABLE>
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(a) The term "rated capacity," as used in this table and throughout this report, is calculated by estimating the number of days in a typical year that a production unit of a plant is expected to operate, after allowing for downtime for regular maintenance, and multiplying that number by an amount equal to the unit's optimal daily output based on the design feedstock mix. Because the rated capacity of a production unit is an estimated amount, the actual production volumes may be more or less than rated capacity.

(b) Does not include refinery grade material or production from the product flexibility unit, which has a current rated capacity of 1 billion pounds per year of propylene. In 1993, the Company completed an expansion project that more than doubled propylene capacity of the product flexibility unit.

(c) Capacity as shown includes equivalent methanol that could be produced from reformed gas, an intermediate in the production of methanol.

Bayport Polymers Facility -- The Polymers Facility 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 to the Company's Mont Belvieu, Texas storage facility for feedstock supply. The following table shows the current annual rated capacity for each of the Company's principal polyolefins products.

<TABLE>
<CAPTION>

	Rated Capacity at December 31, 1993

	(Millions)
<S>	<C>
Polyolefins Product	
Polypropylene (pounds).....	300
Low density polyethylene (pounds).....	140

</TABLE>

Feedstocks

The Company's olefins plants can process 100 percent heavy petroleum liquids (naphtha, condensates and gas oils) or up to 90 percent natural gas liquids (ethane, propane, butane and natural gasoline; collectively, "NGL") feedstocks. The Company's olefins plants use approximately 125,000 to 160,000 barrels per day of NGLs and/or heavy liquids feedstocks. The Company obtains a portion of its olefins feedstock requirements from LCR (NGLs, naphtha and gas oil) and additional olefins feedstock in the form of petroleum condensates pursuant to a contract with a producing country. The remainder of its heavy liquids requirements are obtained 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 pipeline connections to the Company's facilities.

The Company's methanol plant generally processes natural gas feedstocks but also has the ability to process NGL feedstocks (other than natural gasoline). The Company purchases natural gas from a variety of domestic sources for use as fuel at its facilities and as feedstock for the methanol plant.

The Channelview Complex is currently the sole supplier of propylene and ethylene feedstocks to the Polymers Facility, which uses them to make polypropylene and low density polyethylene.

Marketing and Sales

Lyondell sells a majority of its olefins products to customers with whom it has long-standing relationships. Sales generally are made pursuant to written agreements, which typically provide for monthly negotiation of price based upon current market prices for products sold under contract. The parties are contractually committed to use their best efforts to agree monthly on price terms. Nonetheless, if the parties fail to agree on a monthly price, in some cases deliveries may be suspended for the month. The term of these contracts is typically three to five years with automatic one year term extension provisions which cause the contract to remain in effect after the initial term unless expressly terminated by one of the parties. Some of these contracts are subject to early termination if deliveries have been suspended for several months. The contracts typically require the customer to purchase a specified minimum quantity while establishing a quantity range whereby the customer has the right to purchase additional quantities up to a specified maximum.

The Company sells substantially all of its methanol output and most of its aromatics output under contracts that have initial terms ranging from two to three years and that typically contain automatic one year term extension provisions which cause the contracts to remain in effect after the initial term expires unless expressly terminated by one of the parties. These contracts generally provide for monthly or quarterly price adjustments based upon current market prices. Aromatics produced at the Refinery are marketed by Lyondell for LCR under contracts with similar terms to its own with the exception of benzene which is sold directly to Lyondell at market-related prices.

Competition and Industry Conditions

The basis for competition in all of Lyondell's petrochemical products is price, product quality and product deliverability. Lyondell competes with other large domestic producers of olefins, including, but not limited to, Amoco Chemical Company, Chevron Chemical Company, Exxon Chemical Company, Occidental Chemical Corporation, Phillips Petroleum Company, Shell Chemical Company and Texaco Chemical Company.

The combined rated capacity of the Company's olefins units 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.

During the period from January 1, 1991 to December 31, 1993, domestic industry ethylene capacity increased by approximately 4.9 billion pounds. This increase significantly outpaced demand and resulted in declining product margins. Domestic industry ethylene rated capacity at January 1, 1994 was approximately 46.6 billion pounds per year. New plants coming on-line and debottlenecking of

existing plants are expected to add an additional 2.5 billion pounds of capacity in 1994 and an additional 1.5 billion pounds of capacity in 1995, which additional capacity is expected to be relatively in balance with domestic demand growth. There are no additional capacity expansions currently announced for the U. S. after 1995. Although the demand for ethylene is expected to continue growing during the 1990's, there is no assurance that recent and anticipated ethylene capacity increases, or other factors, will not adversely affect the industry's supply and demand balance.

The Company's principal competitors in polypropylene production include Amoco Chemical Company, Aristech Chemical Corporation, Texas Eastman Division of Eastman Chemical, FINA Oil & Chemical Company, and Himont Incorporated. The Company's principal competitors in low density polyethylene production include

Chevron Corporation, Dow Chemical Company, Mobil Chemical Company, Quantum Chemical Corporation and Westlake Polymers Corporation.

The provisions of the Clean Air Act Amendments of 1990 will require the manufacture and sale of alternative fuels, including reformulated gasoline. Management believes the Company is well positioned currently to respond to increased demand for reformulated gasoline due to its ability to manufacture MTBE (and its primary ingredients) and its ability to extract aromatics. Lyondell has entered into a joint development and licensing arrangement to accelerate commercialization of two isomerization processes that produce feedstocks for MTBE and tertiary amyl methyl ether (TAME) which are blending components for reformulated gasoline. Proposed regulations by the EPA could mandate that 30 percent of the gasoline sold in the reformulated gasoline program be derived from renewable sources such as ethanol by 1995. These regulations may have a negative impact on the market for MTBE and methanol.

Historically, petrochemical industry profitability has been heavily influenced by price competition, which may intensify due to, among other things, new domestic and foreign industry capacity. In general, weak economic conditions either in the United States or in world markets also tend to reduce demand and put pressure on margins. Petrochemical profitability also is expected to be affected by reduced derivative exports as a result of weak worldwide economic conditions and more balanced regional production throughout the world. Because of the uncertainties inherent in these businesses, it is not possible to predict accurately how changes in feedstock costs, market conditions or other factors will affect petrochemical industry margins in the future.

Properties

The Company owns all of the plant and equipment that comprise its two olefins plants at its Channelview Complex and owns the approximately 2,875 acre parcel on which the complex is situated. The Company also owns the methanol plant and other petrochemical processing units which are located at the Channelview Complex. These include the product flexibility unit, two MTBE units, the benzene and toluene recovery unit, the butadiene recovery unit, the isoprene recovery unit and an isopropyl alcohol unit. One of the MTBE units and the isopropyl alcohol unit are used exclusively to process products for ARCO Chemical. The Company also operates a styrene maleic anhydride unit (SMA) and a polybutadiene unit which are owned by a third party and are located on property leased from the Company within the Channelview Complex. A third party owns and operates a facility on land leased from the Company that is used to upgrade hydrogen from the Company's methanol plant. The Company owns the real property, plant and equipment which comprise the Polymers Facility, located on approximately 187 acres in Pasadena, Texas. 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 a storage facility, a brine pond facility and a tract of vacant land at Mont Belvieu, Texas, located approximately 15 miles east of the Channelview Complex. Storage capacity for up to 10 million barrels of NGL feedstocks, ethylene and propylene 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. This property, which is owned jointly with several other companies that operate storage or processing facilities at Mont Belvieu, is maintained as a greenbelt for these facilities. The Company has a long-term lease on product pipelines from Mont Belvieu to most olefins customers.

Lyondell leases its executive offices and corporate headquarters in downtown Houston. In addition, the Company leases storage facilities for the handling of its products from various third parties, primarily in the Gulf Coast area.

Capital Program

The petrochemical segment's fixed asset capital expenditures totaled $15 million in 1993. The petrochemical segment's capital budget for 1994 is $30 million, of

which approximately $3 million is for environmentally-

related capital projects. See "ENVIRONMENTAL MATTERS" for a discussion of these environmentally-related capital projects.

As part of its ongoing operations, the Company periodically conducts maintenance turnarounds on its facilities. When conducting a maintenance turnaround on a principal facility, capital expenditures and maintenance expenses as well as lost operating income are typically incurred. Unscheduled 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 scheduled turnaround on the olefins units. 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.

Effective January 1, 1993, the Company changed its method of accounting for turnarounds. Under the new method, repair and maintenance expenses associated with turnarounds exceeding $5 million are capitalized when incurred and amortized on a straight-line basis until the next planned turnaround, generally four to six years. In prior years, all repair and maintenance expenses associated with turnarounds were expensed as incurred. The Company believes that the new method of accounting is preferable in that it provides for a better matching of repair and maintenance expenses associated with turnarounds with future product revenues. See Note 4 of "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS".

In the last several years, there have been several mergers, acquisitions and spin-offs in the chemical industry. The Company believes that the end result of this activity will be an industry with fewer, but more competitive, participants. The Company further believes that the current industry economic environment creates potential opportunities for expansion or diversification by the Company. The Company continually evaluates opportunities that are intended to enhance cash flow and total return to stockholders. This ongoing evaluation process involves both potential expansion and debottlenecking projects for the Company's existing facilities, as well as potential acquisition, joint venture and other opportunities involving third parties. The Company expects that its efficient, low-cost operation of petrochemical assets could be a leveraging factor in enhancing the value to the Company of any external opportunities.

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. Both the Company's ability to undertake and fund the particular strategies described above, 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.

Employee Relations

At year end, Lyondell employed 1,083 full-time employees. The Company also uses the services of approximately 443 employees of independent contractors in the routine conduct of its business.

REFINING SEGMENT

Overview

LCR's Refinery, located adjacent to the Houston Ship Channel, 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. It is connected by multiple pipelines to the Channelview Complex and provides feedstocks to and receives by-products from that facility.

Products manufactured at the Refinery include gasoline, heating oil, jet fuel, aromatics (benzene, toluene, paraxylene and orthoxylene), lubricants (industrial lubricants, motor oils, white oils, process oils and base oils) carbon black oil, sulfur and petroleum coke. The aromatics recovery unit at the Refinery produces benzene, toluene, paraxylene and orthoxylene. Aromatics are used to manufacture a variety of intermediate chemicals,

including ethylbenzene, cumene, urethane foam components and polyester intermediates for films, fibers and resins. End uses of these products include packaging and containers, furniture, apparel and flooring.

Although the Refinery is currently processing primarily heavy Venezuelan crude oil, the Refinery does have the capability (known as "full conversion") to process West Texas Sour (WTS) - type crude oil feedstocks into a product output mix that consists of a significant percentage of high value products, such as gasoline, heating oil, jet fuel, aromatics and lube oils and olefins feedstocks (which are used by the Channelview Complex). It currently has a capacity rating of 265,000 barrels per day of crude oil and related feedstocks which is based on running WTS or equivalent crude oil in a full conversion mode. The actual operating capability varies with the type of crude oil it processes. See "Feedstocks".

On July 1, 1993, the Company contributed its refining assets (including the lube oil blending and packaging plant in Birmingport, 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. As a result of this additional contribution, CITGO had an approximate 10 percent interest in LCR at December 31, 1993. In addition to the funding related to the upgrade project described below, 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 in LCR to 50 percent.

The Company believes that the principal benefit from its participation in LCR will be stabilized earnings and cash flow from the refining business. The expected stabilization of earnings and cash flows resulting from the agreement with CITGO will not be fully realized until the projected completion of the Refinery upgrade project described below. During 1993, the Refinery increased the volumes of heavy Venezuelan crude oil processed and it is anticipated that the Refinery will continue to achieve increased benefits from processing heavy Venezuelan crude oil as it achieves improved operating efficiency. The Refinery also has obtained a long-term crude oil supply. See "Feedstocks" and "Marketing and Sales" for further discussion of the Crude Supply Contract and Product Agreement.

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.

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. CITGO will provide a major portion of the funds for the upgrade project, as well as funds for certain 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 will be approximately $800 million. The upgrade project is subject to regulatory approvals and resolution of certain other matters. The upgrade project is intended to increase the heavy crude oil processing capability of the Refinery from 130,000 barrels per day of 22 degree API gravity crude oil to 200,000 barrels per day of 17 degree API gravity Venezuelan BCF-17 crude oil. 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 and 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.

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 approximately $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. 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. Following completion of the upgrade project, CITGO's participation interest is expected to be approximately 35 percent. Following the upgrade project, CITGO has a one-time option to make an additional equity contribution sufficient to increase its participation interest in LCR to 50 percent.

Following the upgrade, the earnings potential of the Refinery is expected to be improved, because of the higher margins expected to be associated with the resulting heavier crude oil mix, increased coking capability and other yield improvements.

Management of LYONDELL-CITGO Refining

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 (together with Lyondell Refining Company, 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 (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 participation percentage, while the Company has unrestricted access to its share of operating cash flow from LCR. The initial term of the Regulations is 25 years, although they may be terminated under certain circumstances, including insolvency of LCR or either Owner, uncured material breaches by either Owner and failure to obtain permits for the upgrade project. Under the terms of a reciprocal "Performance Guarantee and Control Agreement" (Performance Guarantee), Lyondell and CITGO each unconditionally guarantee the obligations and performance of their respective subsidiary-Owner under the terms of the Regulations.

There are risks associated with enforcing the provisions of contracts with an affiliate of a foreign government such as LAGOVEN, including the risks associated with enforcing judgments of United States courts against entities whose assets may be located outside of the United States and whose management are not residents of the United States. However, the Company believes that this transaction holds substantial economic and other incentives for all parties to perform their obligations, including the obligations of LAGOVEN pursuant to the Crude Supply Contract. Lyondell believes that PDVSA has a strategic interest in expanding its crude oil refining operations in the United States in order to increase the markets for its heavy, sour crude oil. Depending on then current market conditions, breach or termination of the Crude Supply Contract could adversely affect the Company; provided, however, that the impact of any such event is likely to be less significant for Lyondell after the completion of the upgrade project. In addition, the financial commitments of CITGO should provide an economic incentive for all PDVSA affiliates to perform their obligations under the various agreements. 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. However, LCR bears the risk that such alternative arrangements will not fully provide LCR with the benefits of the Crude Supply Contract.

The Regulations provide that LCR is managed by an Owners Committee, which has three representatives (Representatives) from each Owner. Certain actions require unanimous consent of the Representatives, including, without limitation, amendment of the Regulations, borrowing money in excess of LCR's existing credit facility, delegation of authority to committees, certain purchase commitments and capital expenditures in excess of designated amounts and budgetary approval. All actions not requiring unanimous consent can be determined by

Lyondell as 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 are consolidated into Lyondell's financial statements.

Feedstocks

The following table sets forth the Refinery's runs of blended crude oils (which include crude oil and other petroleum liquids, unfinished oils and other hydrocarbons) and unfinished stock.

<TABLE>
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	Year Ended December 31		
	1993	1992	1991
	(Thousand barrels per day)		

Refinery Runs			
Blended crude oils	234	236	255
Unfinished stock	50	50	50
Total	284	286	305

</TABLE>

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. The Refinery can process up to approximately 220,000 barrels per day (83 percent of rated capacity) of light sour crude oils, or approximately 130,000 barrels per day of heavy sour crude oils (22(degrees) API gravity) plus 80,000 barrels per day of light sour crude oil. 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(degrees) API gravity).

The Crude Supply Contract requires LAGOVEN to supply and LCR to purchase minimum 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 refining costs, including crude transportation costs, adjustable for inflation; (ii) certain actual costs, including import duties and taxes; and (iii) a deemed margin, which varies according to the grade of crude oil or other feedstock delivered and which is adjustable for inflation. Because deemed operating costs and the slate of refined products deemed to be produced for 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. The contract is designed to reduce the inherent earnings and cash flow volatility of the refining operations of LCR.

The Refinery began processing Venezuelan crude oil in the third quarter of 1992. Since that time, the Company and LCR have identified and overcome obstacles inherent in processing high rates of heavy Venezuelan crude oil, including making modifications to the coker and one of the crude distillation units. The improved unit reliability and increased unit processing capability has increased the Refinery's capability of running high volumes of heavy Venezuelan crude oil and raised the capacity to 130,000 barrels per day. The remainder of the Refinery's capacity is used to process lighter crude oils and feedstocks.

LCR utilizes its Select Refinery Feedstock program to recycle used lubricating oil purchased from third parties by processing it into gasoline and other refined products. During 1993 approximately 3 million gallons of used oil were processed by the Refinery. When the program is fully implemented, the Refinery will have the capability to process significantly more used oil.

Marketing and Sales

Lyondell was formerly a merchant marketer of gasoline, heating oil and jet fuel. LCR currently sells a majority of these light refined products to CITGO under the Products Agreement and sells the remainder into the merchant market. Lube oils are manufactured and sold by LCR directly to industrial consumers and to distributors throughout the United States and international markets. LCR's branded lubricants include both paraffinic and naphthenic oils, rubber process oils, base oils used to blend into finished lubricant products, food-grade white oils and an extensive variety of engine oils and industrial lubricants. Lyondell is the sole marketing agent for LCR's aromatics (see "PETROCHEMICAL SEGMENT - Marketing and Sales") with the exception of benzene which is sold directly to Lyondell at market-related prices.

Competition and Industry Conditions

The Company formerly competed with many other refiners for sales of gasoline, heating oil, and jet fuel in the domestic and international merchant market. With the formation of LCR, the majority of these products are sold to CITGO under the Products Agreement. LCR continues to sell lube oils directly to major industrial consumers and through several hundred distributors in domestic and international markets.

Many of the domestic refiners are owned by or affiliated with major integrated oil companies. Based on published industry data, as of January 1, 1993, there were 177 crude oil refineries in operation in the United States and total domestic refinery capacity was approximately 15.1 million barrels per day. During 1993, Lyondell and LCR processed an average of 234,000 barrels per day of crude oil and other petroleum liquids, or less than two percent of domestic capacity.

Profitability of the refining industry is affected by, among other things,

market conditions, volatility in world oil markets, capital expenditures required to meet increasing environmental standards, repair and maintenance costs and downtime of manufacturing units. However, management believes that the combination of the Crude Supply Contract and the Products Agreement will stabilize future earnings and cash flows and reduce the market driven aspects of such volatility.

Prior to the completion of the upgrade, the keys to operational success for LCR will be to maximize the amount of heavy Venezuelan crude oil processed in the coking mode, to optimize the efficient utilization of the remaining cracking capacity, and to maintain an overall focus on low cost operations.

In 1992, the U.S. Coast Guard proposed rules to implement the Oil Pollution Act of 1990. Although Lyondell or LCR neither owns nor operates vessels covered by the proposed regulations, Lyondell and LCR are major users of charter services to deliver petroleum feedstocks to their facilities. The financial responsibility requirements imposed by the proposed rules will limit the choice of potential carriers and are expected to increase costs for transporting feedstock and refined products.

Properties

LCR owns the real property, plant and equipment which comprise the Refinery, located on an approximately 700-acre site in Houston, Texas. Units include the fluid catalytic cracking unit, the coker, three reformers, four crude distillation units, two sulfur recovery plants, several hydrodesulfurization units, as well as lube oil manufacturing and packaging facilities and an aromatics recovery unit. LCR also owns the real property, plant and equipment which comprise a lube oil blending and packaging plant in Birmingport, Alabama.

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. LCR owns a pipeline used to transport refined products (gasoline, kerosene, and heating oil) from the Refinery to the GATX Terminal to interconnect with common carrier pipelines.

Capital Program

The refining segment's capital expenditures for additions to fixed assets (excluding spending on the upgrade project) totaled $45 million in 1993. The refining segment's capital budget (excluding the upgrade project) for 1994 is approximately $60 million. Of the total 1994 capital budget, approximately $48 million is expected to be spent on environmentally-related capital projects. The funds contributed by CITGO (see "Overview") are required to be used for capital spending by LCR and other expenditures as determined by the Owners, and will substantially reduce the total capital spending that the Company otherwise would be required to make in connection with Refinery operations over approximately the next three to four years. See "ENVIRONMENTAL MATTERS" for further discussion of these capital projects.

As part of its ongoing operations, LCR periodically conducts maintenance turnarounds on its facilities. When conducting a maintenance turnaround on a principal facility, capital expenditures as well as maintenance expenses and lost operating income are typically incurred. 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 LCR's control. Unscheduled shutdowns were necessary on two principal units at the Refinery during the year. Turnarounds on two principal units at the Refinery are currently scheduled for late 1994, although it is possible that they may be delayed.

Effective January 1, 1993, the Company changed its method of accounting for turnarounds. Under the new method, repair and maintenance expenses associated with turnarounds exceeding $5 million are capitalized when incurred and amortized on a straight-line basis until the next planned turnaround, generally four to six years. In prior years, all repair and maintenance expenses associated with turnarounds were expensed as incurred. The Company believes that the new method of accounting is preferable in that it provides for a better matching of repair and maintenance expenses associated with turnarounds with future product revenues. See Note 4 of "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS".

The Company remains obligated to fund certain Refinery environmental projects initiated prior to the creation of LCR as well as its share of a base level of Refinery capital improvements; the total of these obligations is estimated to be $50-75 million through the completion of the upgrade project. The level and timing of these anticipated capital commitments and expenditures will be affected by changes in applicable governmental regulations, including environmental and tax laws.

Employee Relations

At year end, LCR employed 1,200 full time employees. LCR also uses the services of approximately 200 employees of independent contractors in the routine conduct of its business. Certain hourly workers at the Refinery are covered by collective bargaining agreements between LCR and the Oil, Chemical and Atomic Workers Union (approximately 700 employees).

RESEARCH AND TECHNOLOGY; PATENTS AND TRADEMARKS

The Company, including LCR, uses numerous patents in its operations, many of which are licensed from third parties, including ARCO. See Item 13 -- "Certain Relationships and Related Transactions". 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 new processes it developed.

Lyondell Licensing, Inc., a wholly-owned subsidiary of the Company, has entered into a joint development and licensing relationship with CDTECH, a leading supplier of ethers technologies used in reformulated fuels production, to commercialize two isomerization processes that produce blending agents for cleaner burning gasolines. This alliance is aimed at improving these technologies through a joint development effort. If successful, the alliance is expected to accelerate worldwide commercialization of Lyondell's butene isomerization process and Lyondell's or CDTECH's pentene isomerization process.

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.

FINANCE MATTERS

The Company generally intends to use its cash position and cash flows to enhance total return to stockholders. In addition, the Company's strategy is to maintain a suitable rating on its debt securities. Any proposed action affecting the Company's cash position or cash flow is evaluated in competition with other available investments and other alternatives. This allows the Company to take advantage of opportunities intended to maximize total return to stockholders. See "PETROCHEMICAL SEGMENT - Capital Program" and "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS".

Long-Term Debt and Financing Arrangements

As of December 31, 1993, the Company had $725 million of long-term debt consisting of $300 million of notes due 1996 and 1999, $200 million of notes due 1997 and 2002 and $225 million of medium-term notes due from 1994 to 2005.

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 combined with specified declines in public ratings on the Notes due 1996 and 1999 (Put Rights). Events which may trigger the Put Rights include, among other things, 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 "special" dividends. See Item 5 - Market for Registrant's Common Equity and Related Stockholder Matters. The foregoing summary of the Put Rights is not intended to be complete and it is subject to, and qualified in its entirety by reference to, the terms of the Indenture for the Notes due 1996 and 1999 which has been filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1989 and incorporated herein by reference.

LYONDELL-CITGO 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 with 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 issued on its behalf. 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.

Company Unsecured Revolving Credit Facility- During December, 1993, the Company finalized a five year, $400 million unsecured revolving credit facility (Facility) which replaced its existing $300 million credit facility which was due to expire in July, 1994. At December 31, 1993, no amounts were outstanding under the Facility. At the present time the Company views the Facility as a back-up source of liquidity. The Company does not believe that the covenants or the other terms of the Facility described below are reasonably likely to materially affect or restrict the future operation of the Company's business or its ability to pay dividends on its common stock.

Under the terms of the Facility, the interest rate for borrowings is based on Euro-Dollar or CD rates, at the Company's option, and also is dependent upon the Facility utilization rate and the Company's debt ratings. The Facility contains 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 that the Company's net income after January 1, 1994 generally does not exceed, over time, dividends declared or paid after that date.

The Facility's debt incurrence covenant restricts the incurrence by the Company of additional debt, including debt under the 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 Facility. However, the debt incurrence covenant does not become applicable until the debt incurred by the Company after December 31, 1993 exceeds $75 million.

In addition to other customary events of default, the Facility provides that an event of default will occur (i) if the Company fails to pay when due (whether by scheduled maturity, acceleration or otherwise) an aggregate amount of indebtedness or interest thereon (other than with respect to loans under the Facility) in excess of $15 million, or (ii) if the Company is determined (upon exhaustion of all appeals and expiration of all cure periods) to be in default of a material obligation under the LCR Regulations. The forgoing summary of the Facility is not intended to be complete and it is subject to, and qualified in its entirety by reference to, the terms of the Facility which has been filed as an exhibit to this Annual Report on Form 10-K and incorporated herein by this reference.

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".

ENVIRONMENTAL MATTERS

The Company's production facilities are generally 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 the Resource Conservation and Recovery Act (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. In general, however, with respect to the capital expenditures and risks described above, 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 can only be achieved by 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 LCR's) 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. 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 generated at these facilities. 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 (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 regulatory agencies described in the preceding paragraph, 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 Item 3 -- "Claims Relating To Waste Disposal Sites".

Item 3. Legal Proceedings

General

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 Item 3. See Item 13 -- "Certain Relationships and Related Transactions". Prior to November 20, 1990, ARCO's insurance carriers had assumed the defense of most of the lawsuits described in this Item 3. Since that date, ARCO's insurance carriers have refused to advance defense costs in those lawsuits relating to certain of the waste disposal sites. See "Claims Relating To Waste Disposal Sites - ARCO Insurance Litigation".

In addition to the proceedings specifically described in this Item 3, 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 Item 3, 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".

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. The following sections of this Item 3 describe these types of pending proceedings. Lyondell (either directly or through ARCO as its indemnitee) is the real party at interest in these proceedings.

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, including LCR, petrochemical and petroleum processing businesses 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. Issues common to these cases include: (1) whether the plaintiff can identify a specific product to which he was allegedly exposed; (2) whether the Company supplied the identified product to which plaintiff claims he was exposed; (3) whether the plaintiff has a medical condition which, based upon competent scientific and medical evidence, is causally related to the identified product; (4) whether, and under what conditions, the plaintiff was exposed to the

identified product; and (5) if the plaintiff was exposed, whether the Company has any legal defenses to the plaintiff's claims and whether there are other parties or defendants to whom the Company can turn for contribution or indemnification. 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 or LCR have, from time to time, been disposed of at third-party landfills. Two of these facilities, known as the "French Ltd." and the "Brio" Sites, both of which are located near Houston, Texas, have been classified as "Superfund" sites under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA). The Environmental Protection Agency (EPA) has named many potentially responsible parties (PRPs) at each site from whom wastes were allegedly received. 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. It is possible, however, that the Company may be involved in future CERCLA and comparable state law investigations and clean-ups. The current presidential administration recently proposed a plan to significantly revise the Superfund law which is scheduled for reauthorization this year. Because the proposal is so recent and because it is expected to generate 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 would be on the Company.

French Ltd. Site Remediation -- At the French Ltd. site, ARCO and the other PRPs have entered into a settlement agreement relating to the allocation of clean-up costs. The EPA approved the clean-up plan and a Consent Decree was entered in the Federal District Court for the Southern District of Texas in the first quarter of 1990. An amendment to the Consent Decree relating to natural

resource damage has been negotiated and submitted to the court for approval. The total costs associated with the Consent Decree are currently estimated to be approximately $90 million. The Company believes that its share of clean-up costs (as allocated pursuant to the Cross-Indemnity Agreement) will be no more than five percent of total costs recovered without giving effect to any insurance coverage which may be available to offset these costs.

French Ltd. Site Litigation -- Approximately 2,500 plaintiffs have made claims related to wastes in the French Ltd. Superfund site. In each of these cases, ARCO is one of many defendants. These suits generally allege that unspecified chemical waste sent to the site by the defendants caused a decrease in property value, a decrease in plaintiffs' ability to enjoy their property, and unspecified adverse effects on plaintiffs' health. Although some of the lawsuits request relief in the form of unspecified monetary damages, the aggregate amount of actual damages sought in those cases where damages are specified exceeds $5 billion. The aggregate amount of punitive damages sought in those cases where damages are specified exceeds $20 billion. In December, 1992, after mediation, ARCO, along with several other defendants, entered into a preliminary agreement to settle claims of approximately 2,200 plaintiffs. The remaining claims are in pretrial discovery. The Company's obligation to reimburse ARCO for defense costs and settlements related to French Ltd. has not been determined.

Brio Site Remediation -- At the Brio site, a definitive agreement allocating these remedial costs among ARCO and other PRPs has been reached. The EPA approved the plan and a Consent Decree between the Department of Justice and a group of PRPs (including ARCO on behalf of its former divisions and subsidiaries) was entered in Federal District Court for the Southern District of Texas, in April, 1991 and remediation work is ongoing. In 1991, various parties filed an appeal to the entering of the Consent Decree after the denial of their motions to intervene in the proceedings. This appeal was denied in December, 1991. The total clean-up cost is currently estimated to be approximately $60 million. The Company believes that its share of the clean-up costs (as allocated pursuant to the Cross-Indemnity Agreement) will be no more than one percent of total costs without giving effect to any insurance coverage which may be available to offset these costs.

Brio Site Litigation -- There currently are eight separate pending legal proceedings filed against ARCO or its affiliates and numerous others in connection with the Brio Superfund site. In these proceedings, there are approximately 600 plaintiffs, many of whom are suing in their capacity as next friend of minor children. In each of these cases, ARCO is one of many defendants. Plaintiffs allege personal injury as a result of exposure to various substances that were disposed of or stored at the Brio site. These suits generally allege that defendants were negligent in sending chemical substances to the site and also contain allegations of nuisance and strict liability. The suits involve: a school district alleging damages as a result of the closing of Weber Elementary; employees of the various entities who operated the refining and reprocessing facilities at Brio; and other plaintiffs. All of the lawsuits request relief in the form of unspecified compensatory and exemplary damages. These suits are in pretrial discovery.

ARCO (or its affiliate) is the named defendant in the above proceedings. Under the provisions of the Cross-Indemnity Agreement, Lyondell is not obligated to indemnify ARCO for costs arising out of this litigation for which ARCO is insured. Although ARCO is currently litigating the nature and extent of its coverage with its insurance carriers (see "ARCO Insurance Litigation"), 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.

Other Waste Disposal Site Litigation -- The Company and ARCO are named defendants in three of four presently pending lawsuits filed on behalf of 73 plaintiffs in the state district court in Galveston County, Texas involving the alleged release of toxic and hazardous substances from the Hall's Bayou Ranch. LCR sends and, prior to July 1, 1993, Lyondell and its predecessor sent surface water runoff and process waste water from the Refinery to Gulf Coast Waste Disposal Authority (GCWDA) and a portion of the solids output from GCWDA is sent for storage to the Hall's Bayou Ranch site. Plaintiffs claim personal injury, diminution of property value and loss of use and enjoyment of the property. They are seeking $7 billion in actual damages and $28 billion in punitive damages. In March 1993, the Company and ARCO entered a preliminary settlement agreement to resolve these proceedings with all plaintiffs. The proposed settlement is not expected to have a material adverse effect on the Company's financial position.

ARCO Insurance Litigation -- 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 -- Mont Belvieu Litigation") as well as the litigation involving the French Ltd. and the Brio Superfund 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 is currently 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.

Claims Related To Company Operations

Mont Belvieu Litigation -- Several organizations and groups of citizens who own property in the vicinity of Mont Belvieu, Texas, have instituted suits for monetary damages and injunctive relief against ARCO and others who own underground storage and transportation facilities in the city of Mont Belvieu.

In September, 1980, Warren Petroleum Company (Warren) experienced a leak in one of its underground hydrocarbon storage wells in Mont Belvieu. On March 18, 1983, suit was brought by 34 plaintiffs, naming

Warren, ARCO and other companies with operations in Mont Belvieu as defendants. These plaintiffs claimed property damage, and, in some instances, personal injuries allegedly resulting from storage operations in Mont Belvieu. Later, 83 additional plaintiffs joined the suit. Because of the number of plaintiffs, the court divided this lawsuit into three separate lawsuits. In February, 1986, ARCO was granted a directed verdict as to all of the claims of the plaintiffs in the first of the three lawsuits to be tried which had the effect of dismissing all the pending claims without the ability to refile. Thereafter, the plaintiffs in the two remaining cases dropped their claims against ARCO. ARCO remains in these two cases as a result of cross claims for contribution filed by other defendants. These suits have not been set for trial.

In 1986, a number of companies that operated facilities in Mont Belvieu, including ARCO, instituted a program to make offers to purchase certain properties in Mont Belvieu. The purpose of the purchase program was to give persons within a certain area the opportunity to move, if they so desired. A number of residents and litigants participated in the program.

The implementation of the purchase program described above led to the filing of a new set of lawsuits. There are two separate legal proceedings which have resulted from eight lawsuits filed against ARCO, the Company, and a number of other companies that operate facilities in Mont Belvieu. These claims are made by persons outside of the area designated by the purchase program and are pending in state and federal court. The lawsuits name ARCO and the Company as well as every other company that participated in the purchase program as defendants. In six of the cases, which involve a total of 94 plaintiffs, the city of Mont Belvieu also is named as a defendant. These plaintiffs claim that industry operations, together with incidents that occurred at certain facilities, and the publicity surrounding those incidents, destroyed the value of their property. The plaintiffs also assert that they were discriminated against by the purchase program and that their civil rights were violated since they did not receive an offer to buy their property. The plaintiffs further claim that the purchase violated antitrust provisions of state law, and that the defendants were negligent in their operations and trespassed onto plaintiffs' properties.

In December, 1991, the trial court in the lawsuit pending in state district court entered a take nothing summary judgment in favor of ARCO, the Company and other companies who were named as defendants in that lawsuit. The plaintiff sought injunctive relief, recovery of more than $9 million in actual damages and more than $28 million in punitive damages in this case. The plaintiff appealed the adverse ruling. In July, 1992, the state court of appeals in Houston reversed and remanded the case for retrial in a different county based on its interpretation of proper venue. In September, 1993, a summary judgment in the state district court in the new county was granted in favor of all defendants in this matter. An appeal is pending.

All other Mont Belvieu cases were consolidated in the Federal District Court in the Southern District of Texas. In addition to unspecified damages, the aggregate amount of actual damages sought from all defendants in all of these Mont Belvieu cases exceeds $241 million. The aggregate amount of punitive damages sought exceeds $675 million. These lawsuits went to trial on December 1, 1992. On January 11, 1993, after the plaintiffs concluded their offer of evidence, the trial court granted the defendants' motion for directed verdict which dismissed plaintiffs' claims without the ability to refile. An appeal is pending.

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.

Channelview Nuisance Litigation -- In 1992 and 1993, the Company, together with two other corporate defendants, was named as a defendant in two separate lawsuits that were filed in two state district courts in Harris County, Texas. In the first suit, the 15 plaintiffs allege that one or all of the named defendants' facilities emit loud noises, bright lights and noxious fumes in proximity to the plaintiffs' homes. The 15 plaintiffs in the second lawsuit make these same allegations. Some of these latter plaintiffs also allege a diminished quality of the water in their water wells. The two lawsuits have been consolidated. The plaintiffs are claiming, among other things, diminution in property value, interference with the use and enjoyment of their property and personal injuries. The consolidated lawsuits seek unspecified actual damages in excess of $5 million and punitive damages in excess of $20 million.

Arceneaux Litigation -- In November, 1993, multiple lawsuits were filed in state district court on behalf of approximately 70,000 plaintiffs residing or doing business in the vicinity of the lower San Jacinto River against hundreds of named businesses, including the Company, owning or operating facilities situated in the vicinity of the Houston Ship Channel alleging, among other things, pollution to the San Jacinto River watershed below the Ship Channel and requesting damages in the aggregate in excess of $1.5 trillion. In January, 1994, one of the suits against a single defendant was non-suited and the three remaining suits were dismissed on the defendants' motion without the ability to refile.

Other Matters

In April, 1993 the City of Houston, Texas (joining the Texas Air Control Board as a necessary party) filed suit in the state district court of Harris County, Texas against the Company, alleging violations of the Texas Clean Air Act and the Texas Administrative Code and seeking maximum civil penalties and appropriate injunctive relief. In July, 1993 the City of Houston filed an amended and restated petition which added as causes of action certain allegations made by the Texas Air Control Board, now the TNRCC, following its April, 1993 state inspection plan (SIP) inspection. The Company filed a general denial to all allegations of the lawsuit in July, 1993 and is engaged in settlement negotiations with the City and the State. In the fourth quarter of 1992, the Refinery underwent an EPA multi-media inspection and an Occupational Safety and Health Administration (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.

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).

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of 1993.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are the executive officers of Registrant as of March 1, 1994.

Name, Age and Present Position with Lyondell	Business Experience During Past Five Years and Period Served as Officer(s)
John R. Beard, 41..... Vice President, Quality, Supply and Planning	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 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.
Bob G. Gower, 56..... Chief Executive Officer, President and Director	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 in 1959.
Richard W. Park, 54..... Vice President, Human Resources	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.

Name, Age and Present Position with Lyondell	Business Experience During Past Five Years and Period Served as Officer(s)
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 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.

Joseph M. Putz, 53..... Vice President and Controller	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.
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.

Name, Age and Present Position with Lyondell	Business Experience During Past Five Years and Period Served as Officer(s)
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.

(a) 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.

DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company currently consists of 250,000,000 shares of common stock, par value $1 per share. The following summary description of the capital stock of the Company is qualified in its entirety by reference to the Certificate of Incorporation and By-Laws of the Company, copies of which are filed as exhibits to the Company's Registration Statement on Form S-1 (No. 33-25407) and incorporated herein by reference.

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 (Stockholders) 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 this Annual Report on Form 10-K. The holders of a majority of the shares of Common Stock represented at a meeting can elect all of the directors. See Item 12 -- "Security Ownership of Certain Beneficial Owners and Management" which is included herein.

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.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The common stock is listed on the New York Stock Exchange. ARCO has advised the Company that, as of March 1, 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 on the New York Stock Exchange (New York Stock Exchange Composite Tape) for each quarter from January 1, 1992 through December 31, 1993, 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

</TABLE>

On March 1, 1994 the closing price of the common stock was $22-3/4 and there were 2,976 record holders of the common stock.

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

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 (Delaware Law) there is a sufficient amount of surplus (the amount by which its assets exceed its liabilities and capital) at that time or sufficient net profits. 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, 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 and forecast, 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.

As detailed on page 12 herein, certain of the Company's debt instruments contain provisions that generally provide that the holders of such debt may, under certain limited circumstances, require the Company to repurchase the debt (Put Rights). In addition to the occurrences described on page 12 herein, the Put Rights may be triggered by the making of certain unearned distributions to stockholders, other than regular dividends, that are followed by a specified decline in public ratings on such debt. Regular dividends are 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.

The determinations described in the paragraphs above were made prior to the declaration of $0.225 per share dividend to be made on March 15, 1994.

The Company's $400 million Facility also could limit the Company's ability to pay dividends under certain circumstances. See "Items 1 and 2 -- Finance Matters".

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.

The operation of certain of the Company's employee benefit plans may result in the issuance of common stock upon the exercise of options granted to employees of the Company, including its officers. Although the terms of these plans provide that additional shares may be issued to satisfy the Company's obligations under the options, the Company from time to time may cause common stock to be repurchased in the market in order to satisfy these obligations.

Item 6. Selected Financial Data

The following table sets forth selected financial information for the Company:

<TABLE>
<CAPTION>

	For the year ended December 31				
Millions of dollars, except per share amounts	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Sales and other operating revenues.....	$3,850	$4,809	$5,735	$6,499	$5,361
Income before cumulative effect of accounting changes.....	4	26	222	356	374
Net income (1).....	26	16	222	356	374
Earnings per share before cumulative effect of accounting changes.....	.06	.32	2.78	4.45	4.67
Earnings per share.....	.33	.20	2.78	4.45	4.67
Distributions to ARCO (2).....	--	--	--	--	500
Dividends per share.....	1.35	1.80	1.75	4.10	1.20
Total assets.....	1,231	1,215	1,479	1,372	1,267
Capitalized lease obligations, less current portion....	--	--	156	187	214

Long-term debt, less current portion.....	717	725	554	471	500

</TABLE>

(1) The 1993 increase in net income from the cumulative effect of the accounting change for turnarounds was $22 million, or $0.27 per share. See Note 4 to Notes to Consolidated Financial Statements. The 1992 reduction in net income from the cumulative effect of the accounting change for postretirement benefits other than pensions was $18 million, or $.22 per share. See Notes 4 and 16 of Notes to Consolidated Financial Statements. The 1992 increase in net income from the cumulative effect of the accounting change for income taxes was $8 million, or $.10 per share. See Notes 4 and 17 of Notes to Consolidated Financial Statements.

(2) Distributions to ARCO were made prior to the initial public offering of the Company's common stock on January 25, 1989.

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

General

As discussed in Note 3 of Notes to Consolidated Financial Statements, on July 1, 1993, the Company and CITGO Petroleum Corporation (CITGO) announced the commencement of operations of LYONDELL-CITGO Refining Company Ltd. (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 (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 will provide a major portion of the funds for the upgrade project as well as the funding of certain capital projects.

On July 1, 1993, LCR entered into a long-term crude oil supply contract (Crude Supply Contract) with LAGOVEN, S.A., an affiliate of CITGO. In addition, under terms of a long-term product sales agreement (Products Agreement), CITGO will purchase a substantial portion 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.

The Company believes that the principal benefit from its participation in LCR will be stabilized earnings and cash flow from the refining business. During 1993, the Refinery increased the volumes of heavy Venezuelan crude oil processed and it is anticipated that the Refinery will continue to achieve increased benefits from processing heavy Venezuelan crude oil as it achieves improved operating efficiency.

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. See Note 19 - Segment Information, of Notes to Consolidated Financial Statements.

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 Petrochemical 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.

The following table sets forth sales volumes for the Company's major products, excluding intersegment sales volumes, 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 the year ended December 31		
	1993	1992	1991
<S>	<C>	<C>	<C>
Selected petrochemical products (millions):			
Ethylene, propylene and polymers (pounds).....	5,366	5,785	6,000
Other olefins (pounds).....	1,150	1,158	1,112
Methanol (gallons).....	225	212	224
Aromatics (gallons).....	125	112	108

Refinery products (thousand barrels per day):			
Gasoline	120	125	131
Heating oil (no. 2 distillate)	62	60	74
Jet fuel	30	38	33
Aromatics	10	11	11
Other refinery products	41	43	39
Total refinery products volumes	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 the year ended December 31		
Millions of dollars	1993	1992	1991
<S>	<C>	<C>	<C>
Petrochemical products:			
Ethylene, propylene and polymers	$ 808	$ 939	$1,135
Other olefins	169	177	171
Methanol	89	77	100
Aromatics	120	121	130
Other petrochemical products and other revenues	140	95	130
Total petrochemical products sales	1,326	1,409	1,666
Refinery products:			
Gasoline	950	1,123	1,289
Heating oil (no. 2 distillate)	481	510	667
Jet fuel	245	342	316
Aromatics	167	193	195
Other refinery products and other revenues	280	339	294
Total refinery products sales	2,123	2,507	2,761
Crude oil resales (*)	401	893	1,308
Total	$3,850	$4,809	$5,735

</TABLE>

(*) 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

Net income for 1993 was $26 million or $.33 per share compared with $16 million or $.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.

Refining Segment

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 Contract. 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 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 Contract.

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 heavy, low cost Venezuelan crude oil purchased under the Crude Supply Contract.

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.

Petrochemical Segment

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.

Unallocated and Headquarters

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 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

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 $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, 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.

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 payments to 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 $.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 cumulative 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 the 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 established 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 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 which is included in the December 31, 1993 environmental reserve.

Current Business Outlook

The year 1993 was difficult for the petrochemical and refining industries which are sensitive to economic cycles. Downward pressure on petrochemical sales prices continued during 1993 due to significant increases in manufacturing capacity, which has occurred since early 1991, coupled with weak worldwide demand growth. 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 impacts due to the repair and maintenance costs incurred as well as loss of production, ultimately resulting in lower profitability. Turnarounds on certain of the Company's major production units are scheduled for 1994; however, the timing of such turnarounds can be accelerated or delayed because of numerous factors, many of which are beyond the Company's control.

In view of the above factors, the Company, during 1993, took actions to improve near-term earnings and cash flows and to position the Company for better results as the business environment improves. Those actions included the completion of the refining venture with CITGO, a significant reduction in capital expenditures from the budgeted amount, implementation of a cost reduction program which the Company expects will reduce overhead costs by approximately $30 to $50 million on an annual basis and the reduction of regular quarterly dividends from $.45 per share to $.225 per share beginning with the dividend paid in the third quarter of 1993. The Company's Board of Directors' decision to reduce the dividend reflects the Company's belief that payment of quarterly dividends at the previous level was no longer appropriate in light of current business conditions. The actions taken to conserve cash, including the dividend reduction, were consistent with the Company's objective of maximizing total return to stockholders. The Company believes that its ability to maintain suitable debt ratings, to fund a capital program appropriate to its asset base and to position the Company to benefit from an upturn in the business cycle are critical factors in maintaining and increasing future stockholder value. Progress was made during 1993 in achieving the cost reduction targets, which are reflected primarily within the operating incomes of the Refining and Petrochemical segments. Continued efforts are planned during 1994 to fully achieve these savings.

Although future industry conditions cannot be known with certainty, the Company believes that the business climate necessary for improved profitability within its petrochemical segment has begun to stabilize. U.S. ethylene demand grew approximately three percent during 1993 and was particularly strong in the fourth quarter. The rapid increase in world capacity in recent years, which caused a contraction of U.S. exports, has slowed. Domestically, new capacity over the next two years is expected to be relatively in balance with demand growth and there are no additional capacity expansions currently announced for the U. S. after 1995.

The Company significantly improved the performance and outlook for its refining business in 1993 with the completion of the refining venture with CITGO. This agreement has stabilized refining margins and improved

cash flows. The refining segment began to see the economic benefits from the venture in 1993 and results should further improve through increased utilization of heavy Venezuelan crude oil and recent efficiency improvements.

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.

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.

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements and Financial Statement Schedules

<TABLE>

<CAPTION>

</TABLE>

Financial statement schedules other than those listed above have been omitted because they are either not applicable or the required information is shown in the financial statements or related notes.

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, and the related financial statement schedules. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules 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. In addition, in our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

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

LYONDELL PETROCHEMICAL COMPANY

CONSOLIDATED STATEMENT OF INCOME AND ACCUMULATED DEFICIT

<TABLE>
<CAPTION>

Millions of dollars except per share amounts	For the year ended December 31 1993	1992	1991
<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.

LYONDELL PETROCHEMICAL COMPANY

CONSOLIDATED BALANCE SHEET

<TABLE>
<CAPTION>

Millions of dollars	December 31 1993	1992
<S>	<C>	<C>
ASSETS		
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
LIABILITIES AND STOCKHOLDERS' DEFICIT		
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.

LYONDELL PETROCHEMICAL COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>

<CAPTION>

Millions of dollars	For the year ended December 31 1993	1992	1991
<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.

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).

2. Summary of Significant Accounting Policies - (continued)

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.

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:

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

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.

3. Formation of LYONDELL-CITGO Refining Company Ltd. - (continued)

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.

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 Birmingport, 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 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>

Millions of dollars	1993	1992	1991
<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>

Millions of dollars	1993	1992	1991
<S>	<C>	<C>	<C>
Cash paid during the year for:			
Interest	$ 76	$ 77	$ 72
Income taxes	$ 7	$ 23	$ 98

</TABLE>

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>

Millions of dollars	1993	1992
<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>

Millions of dollars	1993	1992
<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>

Millions of dollars	1993	1992
<S>	<C>	<C>
Deferred turnaround costs (Note 4)	$ 18	$ --
Company owned life insurance	17	12
Other	18	12
	$ 53	$ 24

</TABLE>

10. Other Accrued Liabilities

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

Millions of dollars	1993	1992
Income taxes	$ --	$ 5
Accrued taxes other than income	29	26
Accrued interest	11	11
Accrued payroll	20	19
Other	20	12
	$ 80	$ 73

11. Long-Term Debt and Financing Arrangements

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

Millions of dollars	1993	1992
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

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 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.

LYONDELL PETROCHEMICAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

11. Long-Term Debt and Financing Arrangements- (continued)

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 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.

LYONDELL PETROCHEMICAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

13. Stockholders' Equity (Deficit) - (continued)

<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>

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>

Millions of dollars	Amount
<S>	<C>
1994	$ 36
1995	30
1996	22
1997	20
1998	19

Thereafter	17
Total minimum lease payments	$ 144

</TABLE>

14. Leases-(Continued)

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
<S>	<C>	<C>	<C>	<C>
Millions of dollars				
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	$
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>

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

<TABLE>
<CAPTION>

Millions of dollars	1993	1992	1991
<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>

LYONDELL PETROCHEMICAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

15. RETIREMENT PLANS - (CONTINUED)

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>

PERCENT	1993	1992	1991
<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	
MILLIONS OF DOLLARS	MEDICAL	LIFE	MEDICAL	LIFE
<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>

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

<TABLE>
<CAPTION>

	1993		1992	
MILLIONS OF DOLLARS	MEDICAL	LIFE	MEDICAL	LIFE

<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

LYONDELL PETROCHEMICAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

16. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS - (continued)

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
MILLIONS OF DOLLARS	1993	1992	1991
<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>

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>

Depreciation and amortization	$ 19
Other	(1)
	$ 18

17. INCOME TAXES - (continued)

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:

MILLIONS OF DOLLARS	1993	1992
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

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:

	LIABILITY METHOD		DEFERRED METHOD
DESCRIPTION	1993	1992	1991
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%

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.

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.

18. COMMITMENTS AND CONTINGENCIES - (CONTINUED)

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.

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.

LYONDELL PETROCHEMICAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

19. SEGMENT INFORMATION - (CONTINUED)

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.

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.

LYONDELL PETROCHEMICAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

19. SEGMENT INFORMATION - (CONTINUED)

<TABLE>
<CAPTION>

MILLIONS OF DOLLARS	Petrochemical Segment	Refining Segment	Unallocated	Eliminations	Consolidated
<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>

20. Unaudited Quarterly Results

<TABLE>
<CAPTION>

	Quarter ended			
	March 31	June 30	September 30	December 31
<S>	<C>	<C>	<C>	<C>
Millions of dollars except per share amounts				
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.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are the directors of the Registrant as of March 1, 1994. The executive officers of the Registrant are listed on page 19 herein.

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

Mr. Bowlin was elected a Director of the Company on July 23, 1993 and Chairman of the Board on August 13, 1993. 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 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..... President and Chief Executive Officer	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 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.

ITEM 11. Executive Compensation

EXECUTIVE COMPENSATION

The following table sets forth information as to the Chief Executive Officer and the next four most highly compensated executive officers of the Company.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

		ANNUAL COMPENSATION			
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	ANNUAL BONUS ($)	SPECIAL BONUS ($)(a)	OTHER ANNUAL COMPENSATION ($)(b)
<S>	<C>	<C>	<C>	<C>	<C>
Bob G. Gower.....	1993	555,099	220,000	240,000	74,499
President,	1992	527,215	-0-	(a)	36,149
Chief Executive Officer	1991	511,781	340,000	-0-	
Dan F. Smith (f).....	1993	247,651	120,000	100,000	4,115
Executive Vice	1992	(f)	-0-	(a)	(f)
President,	1991	207,168	-0-	-0-	
Chief Operating Officer					
Jeffrey R. Pendergraft.....	1993	221,934	60,000	37,500	9,754
Senior Vice President,	1992	213,277	-0-	(a)	3,307
General Counsel &	1991	207,951	85,000	-0-	
Secretary					
Russell S. Young.....	1993	206,338	60,000	37,500	17,347
Senior Vice President,	1992	186,722	-0-	(a)	6,988
Chief Financial Officer,	1991	175,829	65,000	-0-	
Treasurer					
Robert H. Ise (h).....	1993	204,481	45,000	15,000	12,316
Vice President and	1992	193,519	-0-	(a)	9,532
Vice President	1991	188,085	85,000	-0-	
LYONDELL-CITGO					
Refining Company Ltd.					

<CAPTION>

	LONG-TERM COMPENSATION	
	AWARDS	PAYOUTS

NAME AND PRINCIPAL POSITION	OPTIONS (#)(c)	LTIP PAYOUTS ($)(c)	ALL OTHER COMPENSATION ($)(d)(e)
<S>	<C>	<C>	<C>
Bob G. Gower.....	56,500	964,452	59,262
President,	42,200	829,116	57,553
Chief Executive Officer	37,000	957,719	
Dan F. Smith (f).....	(f)	(f)	934,449(g)
Executive Vice	(f)	423,987	(f)
President,	14,400	298,117	
Chief Operating Officer			
Jeffrey R. Pendergraft.....	17,200	216,480	26,030
Senior Vice President,	11,700	186,629	22,086
General Counsel &	8,200	129,374	
Secretary			
Russell S. Young.....	14,500	180,698	28,489
Senior Vice President,	8,200	155,341	19,513
Chief Financial Officer,	6,400	134,537	
Treasurer			
Robert H. Ise (h).....	19,000	201,433	26,571
Vice President and	12,900	173,167	25,270
Vice President	8,200	124,328	
LYONDELL-CITGO			
Refining Company Ltd.			

</TABLE>

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In accordance with the transition provisions applicable to the revised proxy rules covering disclosure of executive compensation adopted under the Securities Exchange Act of 1934 (the "Proxy Rules"), amounts of other annual compensation and all other compensation are excluded for the Company's 1991 fiscal year.

(a) Special bonuses were paid in 1993 in recognition of the executive officers' and other key employees' significant contributions during 1992 and 1993 to the successful completion of the Company's refining venture with CITGO Petroleum Corporation and Lagoven S.A.

(b) Includes imputed income in respect of the Long-Term Disability Plan, tax gross-ups in respect of financial counseling reimbursements and in respect of other miscellaneous items, and the amount of incremental interest accrued under the Executive Deferral Plan that exceeds 120 percent of a specified IRS rate. "Tax gross-ups" refers to the additional reimbursement paid to a recipient to cover the federal income tax obligations associated with the underlying benefit, including an additional amount, based on maximum applicable income tax rates.

(c) Amounts shown in the LTIP Payouts column represent payment of performance units (including associated dividend share credits) awarded under the Company's Executive Long-Term Incentive Plan (the "LTIP"). The LTIP provides for the granting of stock options and the right to receive performance units under certain circumstances and a cash payment in respect of dividend share credits as described in this footnote. Dividend

share credits are allocated to an optionee's account whenever dividends are declared on shares of common stock. The number of dividend share credits to be allocated on each record date to an optionee's account is computed by multiplying the dividend rate per share of Common Stock by the sum of (i) the number of shares subject to outstanding options, (ii) the number of performance units and (iii) the number of dividend share credits then credited to the optionee's account and dividing the resulting figure by the fair market value of a share of Common Stock ("FMV") on such dividend record date. As future dividends are declared, the participant will receive dividend share credits not only on the number of shares covered by unexercised options and the number of performance units but also on the number of dividend share credits in the participant's account. The dividend crediting mechanism will continue to operate in this manner (i) with respect to options, until the participant exercises such options or the options expire, and (ii) with respect to performance units, until payment is made (or not made, as the case may be) in respect of performance units. Dividend share credits do not represent earned compensation and have no definite value, if any, until the date on which the options or performance units, as applicable, in respect of which such credits have been allocated, are exercised or paid. See footnote (b) to the Aggregated Option Exercises and Fiscal Year-End Option Values Table. Dividend share credits are canceled upon an optionee's termination of employment under certain specified

circumstances. In addition to the dollar amounts shown in the LTIP Payouts column, the number of dividend share credits accrued to the accounts of the named executives during 1993 and 1992, respectively, is as follows: Mr. Gower: 13,819 and 13,200; Mr. Smith: 2,405 and 4,399; Mr. Pendergraft: 3,414 and 2,885; Mr. Young: 2,625 and 2,311; and Mr. Ise: 3,384 and 2,900.

(d) Includes contributions to the Executive Supplementary Savings Plan, incremental executive medical plan premiums, financial counseling reimbursements and certain amounts in respect of the Executive Life Insurance Plan, as follows:

<TABLE>
<CAPTION>

	YEAR	MR. GOWER	MR. SMITH	MR. PENDERGRAFT	MR. YOUNG	MR. ISE
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>
Executive Supplementary Savings Plan	1993	$ 44,408	$ 19,812	$ 17,754	$ 16,507	$ 16,358
	1992	$ 42,177	$ _0_	$ 17,062	$ 14,938	$ 15,481
Incremental Medical Plan Premiums...	1993	$ 4,301	$ 2,867	$ 4,301	$ 4,301	$ 4,301
	1992	$ 4,104	$ _0_	$ 4,104	$ 4,104	$ 4,104
Financial Counseling Reimbursement..	1993	$ 7,735	$ _0_	$ 3,975	$ 7,235	$ 4,645
	1992	$ 8,885	$ _0_	$ 920	$ 100	$ 4,646
Executive Life Insurance Plan.....	1993	$ 2,818	$ 1,770	$ _0_	$ 446	$ 1,267
	1992	$ 2,387	$ _0_	$ _0_	$ 371	$ 1,039

</TABLE>

(e) In 1993 a revised methodology was adopted to calculate certain amounts in respect of the Executive Life Insurance Plan; accordingly, 1992 amounts have been restated to reflect this methodology. The effect of this restatement is not material to the overall figure previously reported.

(f) Mr. Smith was elected Executive Vice President and Chief Operating Officer on May 6, 1993. The salary figure for 1993 is the amount paid to Mr. Smith for his service from that date. Prior to that he served as Vice President Corporate Planning of ARCO from October, 1991. He previously served as Executive Vice President and Chief Financial Officer of the Company from October, 1988 to October, 1991. The salary figure for 1991 is the amount paid to Mr. Smith for that portion of the year he was employed by the Company.

(g) Includes relocation expenses in connection with his relocation to Houston of $540,000 for the loss from the sale of a home. Mr. Smith also received $370,000 as a tax gross-up in connection with that loss, which is included in this column.

(h) Mr. Ise served as Vice President, Marketing and Sales, Polymers and Petroleum Products through June 30, 1993. Effective as of July 1, 1993, Mr. Ise began providing services as a loaned executive as a Vice President of LYONDELL-CITGO Refining Company Ltd., a limited liability company in which the Company currently owns an approximate 90% interest and CITGO Petroleum Corporation owns an approximate 10% interest. LYONDELL-CITGO Refining Company Ltd. reimburses the Company for the cost of salary and other compensation paid to Mr. Ise. Mr. Ise continues to serve as a Vice President of Lyondell.

EXECUTIVE LONG-TERM INCENTIVE PLAN

The LTIP provides for the granting of stock options, the right to receive performance units under certain circumstances and a cash payment in respect of dividend share credits. The following table describes the grants to the named executive officers of stock options and certain other information with respect to the exercise of stock options. No performance units were granted in 1993. Additional information with respect to payouts of performance units under the LTIP is contained in the Summary Compensation Table.

OPTIONS

OPTION GRANTS IN LAST FISCAL YEAR

The following table provides information regarding stock options granted to the named executive officers during 1993. The values assigned to each reported option are shown using the Black-Scholes option pricing model. In assessing these values it should be kept in mind that no matter what theoretical value is placed on a stock option on the date of grant, its ultimate value will be dependent on the market value of the company's stock at a future date.

<TABLE>
<CAPTION>

	INDIVIDUAL GRANTS(a)				
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(#)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE ($/SH)	EXPIRATION DATE	GRANT DATE PRESENT VALUE ($)(b)
<S>	<C>	<C>	<C>	<C>	<C>
Mr. Gower.....	56,500	22	$26.00	March 5, 2003	$819,815
Mr. Smith(c).....	0	--	--	--	--
Mr. Pendergraft..	17,200	6.7	26.00	March 5, 2003	249,572
Mr. Young.....	14,500	5.6	26.00	March 5, 2003	210,395
Mr. Ise.....	19,000	7.4	26.00	March 5, 2003	275,690

</TABLE>
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(a) The ten-year options were granted on March 5, 1993 pursuant to the LTIP at an exercise price equal to the FMV on the date of grant. The options become exercisable in four equal annual installments beginning March, 1994. Options and the dividend share credits associated with such options are canceled upon an optionee's termination of employment under certain specified circumstances. Stock options also carry eligibility for dividend share credits as described in footnote (c) to the Summary Compensation Table.

(b) The values shown reflect a variation of the Black-Scholes pricing model. The pricing model used by the Company includes the following assumptions: options are exercised at the end of the 10-year term; no premium for risk is assigned; the dividend yield is assumed to be the current yield on the date of grant; and a long-term (200 days) historical volatility rate is applied. The values relate solely to stock options (and not performance units) and do not take into account risk factors such as nontransferability and limits on exercisability. The values do take into account the fact that dividend share credits are allocated to an optionee's account whenever dividends are declared on shares of common stock.

(c) Mr. Smith was not an executive officer when options were granted in 1993. See footnote (f) to the Summary Compensation Table.

The following table shows the number of shares of Common Stock represented by outstanding stock options held by each of the named executive officers as of December 31, 1993. Also reported are the values for "in-the-money" options which represent the positive spread between the exercise price of any such existing stock options and the year end price of common stock.

AGGREGATED OPTION EXERCISES IN 1993
AND FISCAL YEAR-END OPTION VALUES

<TABLE>
<CAPTION>

			NUMBER OF UNEXERCISED OPTIONS AT YEAR-END (#)(a)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT YEAR-END ($)(a)(b)	
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS EXERCISED (#)	VALUE REALIZED ($)	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Mr. Gower.....	-0-	-0-	78,212	106,650	$99,986	$ 18,500
Mr. Smith.....	-0-	-0-	16,766	7,200	15,354	7,200
Mr. Pendergraft..	-0-	-0-	16,110	30,075	22,442	4,100
Mr. Young.....	-0-	-0-	12,879	24,400	18,467	3,200
Mr. Ise.....	-0-	-0-	15,854	32,775	21,119	4,100

</TABLE>
- ----------

(a) The FMV of Lyondell Common Stock on December 31, 1993 was $21.25

(b) Each option carries with it the right to dividend share credits, as described in footnote (c) to the Summary Compensation Table. Set forth below is a calculation of the value of accrued dividend share credits, assuming exercise at December 31, 1993, of the in-the-money options. These hypothetical values have been calculated for illustration purposes only.

<TABLE>
<CAPTION>

	EXERCISABLE	UNEXERCISABLE
<S>	<C>	<C>
Mr. Gower.....	$413,802	$82,370
Mr. Smith.....	$ 65,217	$32,057
Mr. Pendergraft..	$ 92,859	$18,255
Mr. Young.....	$ 76,344	$14,248
Mr. Ise.....	$ 87,477	$18,255

</TABLE>

ANNUAL PENSION BENEFITS

The following table shows estimated annual pension benefits payable to the Company's employees, including executive officers of the Company, upon retirement on January 1, 1994 at age 65 under the provisions of the Lyondell Retirement Plan and the Executive Supplementary Retirement Plan.

PENSION PLAN TABLE

<TABLE>
<CAPTION>

AVERAGE FINAL EARNINGS (BASE SALARY PLUS ANNUAL INCENTIVE PLAN AWARDS)-- HIGHEST THREE CONSECUTIVE YEARS OUT OF LAST TEN YEARS	APPROXIMATE ANNUAL BENEFIT FOR YEARS OF MEMBERSHIP SERVICE INDICATED(a)(b)(c)				
	15 YEARS	20 YEARS	25 YEARS	30 YEARS	35 YEARS
<S>	<C>	<C>	<C>	<C>	<C>
$1,100,000	253,025	337,367	421,709	506,050	590,392
1,000,000	229,925	306,567	383,209	459,850	536,492
900,000	206,825	275,767	344,709	413,650	482,592
800,000	183,725	244,967	306,209	367,450	428,692
700,000	160,625	214,167	267,709	321,250	374,792
600,000	137,525	183,367	229,209	275,050	320,892
500,000	114,425	152,567	190,709	228,850	266,992
400,000	91,325	121,767	152,209	182,650	213,092
300,000	68,225	90,967	113,709	136,450	159,192
200,000	45,125	60,167	75,209	90,250	105,292

</TABLE>

(a) The amounts shown in the above table are necessarily based upon certain assumptions, including retirement of the employee on January 1, 1994 and payment of the benefit under the basic form of allowance provided under the Lyondell Retirement Plan (payment for the life of the employee only with a guaranteed minimum payment period of 60 months). The amounts will change if the payment is made under any other form of allowance permitted by the Lyondell Retirement Plan, or if an employee's retirement occurs after January 1, 1994, since the "annual covered compensation level" of such employee (one of the factors used in computing the annual retirement benefits) may change during the employee's subsequent years of membership service. The benefits shown are not subject to deduction for Social Security benefits or other offset amounts. The plans, however, provide a higher level of benefits for the portion of compensation above the compensation levels on which Social Security benefits are based.

(b) As of December 31, 1993, the credited years of service (rounded to the nearest whole number) under the Lyondell Retirement Plan for the named executive officers are: Mr. Gower, 30; Mr. Smith, 17; Mr. Pendergraft, 21; Mr. Young, 13; and Mr. Ise, 34.

(c) All employees' (including executive officers') years of service with ARCO prior to the creation of Lyondell have been credited under the Company's retirement plans.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

PRINCIPAL STOCKHOLDERS

The Company's principal stockholder, ARCO, is one of the nation's leading integrated oil companies and maintains its headquarters at 515 South Flower Street, Los Angeles, California 90071. At March 1, 1994 ARCO owned 39,921,400 shares of Lyondell's Common Stock, which represent 49.9 percent of the outstanding stock. ARCO has consistently maintained an ownership position of just under 50 percent of Lyondell's Common Stock from the date of the Company's public offering of stock; however, there is no assurance that ARCO will maintain such ownership position in the future.

ARCO officers and directors do not constitute a majority of the Board of Directors; however, ARCO officers and directors hold five of eleven directorships. Beginning in 1989, the Company was not included as a consolidated subsidiary in ARCO's financial statements; however, for certain securities laws purposes, ARCO could be deemed to be a "control" person or an "affiliate" of Lyondell.

The table below sets forth certain information as of December 31, 1993 (the most recent date as of which the Company has information) regarding the beneficial ownership of the Common Stock by persons other than ARCO known by the Company to own beneficially more than five percent of its outstanding shares of Common Stock.

<TABLE>
<CAPTION>

Name	Number of Shares	Percentage Of Shares Outstanding
<S>	<C>	<C>
Wellington Management Company(a).....	5,356,300	6.70%
75 State Street, Boston, Massachusetts 02109		

</TABLE>
- ----------

(a) Wellington Management Company ("WMC") (together with its wholly-owned subsidiary, Wellington Trust Company, National Association) may be deemed a beneficial owner of the 5,356,300 shares by virtue of the direct or indirect investment and/or voting discretion they possess pursuant to the provisions of investment advisory agreements with clients. WMC has shared dispositive power over the 5,356,300 shares of Common Stock, including the 5,083,900 shares beneficially owned by Vanguard/Windsor Fund Inc., an investment advisory client of WMC.

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth the number of shares of Common Stock owned beneficially as of March 1, 1994 by each director, each of the executive officers named on the Summary Compensation Table and by all current directors and officers as a group. As of March 1, 1994, the percentage of shares of Common Stock beneficially owned by any director, named executive officers or by all directors and officers as a group, did not exceed one percent of the issued and outstanding Common Stock. Unless otherwise noted, each individual has sole voting and investment power.

<TABLE>
<CAPTION>

	Shares of Common Stock owned beneficially as of March 1, 1994(a)(b)
<S>	<C>
Mike R. Bowlin.....	2,000
William T. Butler.....	3,001
Allan L. Comstock.....	0
Terry G. Dallas.....	0
Bob G. Gower.....	166,717
Stephen F. Hinchliffe, Jr.....	2,250(c)
Robert H. Ise.....	27,776
Dudley C. Mecum II.....	700
Jeffrey R. Pendergraft.....	25,521
William C. Rusnack.....	301
Dan F. Smith.....	27,590

Paul R. Staley	400
William E. Wade, Jr.	1,000
Russell S. Young	33,774(d)
All directors and officers as a group (19 Persons)	375,521(e)

</TABLE>

(a) Includes shares held by the trustees under the Lyondell Capital Accumulation Plan and the Lyondell Savings Investment Plan for the accounts of participants as of December 31, 1993.

(b) The amounts shown include shares that may be acquired within 60 days following March 1, 1994 through the exercise of stock options, as follows: Mr. Gower, 112,137; Mr. Smith, 20,366; Mr. Pendergraft, 23,285; Mr. Young, 20,704; Mr. Ise, 25,879 and all directors and officers as a group, including those just named, 272,984.

(c) Does not include 1,000 shares held by a trust of which Mr. Hinchliffe is a trustee, as to which shares he disclaims beneficial ownership.

(d) Does not include 1,100 shares owned by Mr. Young's spouse, as to which shares he disclaims beneficial ownership.

(e) Does not include 5,059 shares owned by spouses and a trust, as to which shares beneficial ownership is disclaimed.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than eleven percent of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission ("SEC") and the New York Stock Exchange initial reports of ownership and reports of changes in ownership of Common Stock of the Company. Officers, directors and greater than ten-percent shareholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on review of the copies of such reports furnished to the Company and written representations that such reports accurately reflect all reportable transactions and holdings, during the fiscal year ended December 31, 1993 all Section 16(a) filing requirements applicable to its officers, directors and greater than ten-percent beneficial owners were complied with.

ITEM 13. Certain Relationships and Related Transactions

TRANSACTIONS BETWEEN THE COMPANY AND ARCO

In connection with the transfer of assets and liabilities to Lyondell, 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 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 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.

THE FOLLOWING IS A SUMMARY OF CERTAIN AGREEMENTS, ARRANGEMENTS AND TRANSACTIONS AMONG THE COMPANY AND ARCO AFFILIATES EFFECTIVE DURING THE PAST FISCAL YEAR, AS WELL AS CERTAIN AGREEMENTS, ARRANGEMENTS AND TRANSACTIONS THAT ARE CURRENTLY PROPOSED.

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 a Cross-Indemnification Agreement (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: (a) all liabilities and obligations of the Company and its combined subsidiaries, as of July 1, 1988; (b) all liabilities and obligations under contracts and commitments relating to the business of the Lyondell Division and certain assets relating thereto; (c) employment and collective bargaining agreements affecting the Company's employees; (d) specified pending litigation and other proceedings; (e) federal, state, foreign and local income taxes to the extent provided in the Cross-Indemnity Agreement; (f) liabilities for other taxes associated with the Lyondell Division's business and certain assets relating thereto; (g) 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; (h) 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 (i) 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.

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.

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 agreed to provide the Company in the Administrative Services Agreement included employee benefits administration services, payroll, 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 one year's 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 which it provided under the Administrative Services Agreement.

Effective January 1, 1991, the Company and ARCO entered into an agreement (the "Insurance Termination 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.

OTHER AGREEMENTS BETWEEN THE COMPANY AND ARCO

Lyondell has purchased and LCR continues to purchase certain of its crude oil requirements from ARCO Oil and Gas ("AOGC") under short-term arrangements at prices based on market values at the time of delivery. LCR also purchases crude oil from AOGC 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 AOGC 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.

The Company has entered into several contracts with ARCO Pipe Line Company (ARCO Pipe Line) pursuant to which the Company (i) 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 (ii) acquired the services of ARCO Pipe Line to operate various groups of pipelines owned by the Company, (iii) 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. ARCO Pipe Line and LCR have agreed to use jointly a control room owned by LCR and located at the Houston Refinery. 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 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 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 processes MTBE (using one of the Company's two MTBE units) for ARCO Chemical, and ARCO Chemical markets this product for its own account. The term of this agreement extends through June 30, 1997. ARCO Chemical purchases certain base feedstocks for this processing agreement from Lyondell at market based prices. A processing fee is paid by ARCO Chemical to Lyondell to cover variable and fixed operating costs, as well as capital costs. 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 the Company's requirements 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 interest), 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, (i) 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, (ii) 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, (iii) 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 (ii) and no persons currently are in categories (i) and (iii).

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.

CERTAIN OTHER TRANSACTIONS

During the 1993 fiscal year, Dan F. Smith, a director and the Company's Executive Vice President and Chief Operating Officer, was indebted to the Company in the amount of $349,000. This interest-free loan, which was repaid within seven months and was not outstanding at the end of the year, was made in connection with his relocation to Houston.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as a part of this report:

1 and 2 -- Consolidated Financial Statements and Financial Statement Schedules: these documents are listed in the Index to Consolidated Financial Statements and Financial Statement Schedules.

Exhibits:

3.1	--	Restated Certificate of Incorporation of the Registrant filed with the State of Delaware on November 2, 1988.*
3.2	--	By-Laws of the Registrant.*
4.1	--	Indenture, dated as of May 31, 1989, as supplemented by a First Supplemental Indenture dated as of May 31, 1989, between the Registrant and Texas Commerce Bank National Association, as Trustee.**
4.2	--	Indenture, dated as of March 10, 1992, as supplemented by a First Supplemental Indenture dated as of March 10, 1992, between the Registrant and Continental Bank, National Association, as Trustee.*****
4.3	--	Specimen certificate.*
4.4	--	Form of Medium-Term Note.**
10.1	--	Lyondell Petrochemical Company Amended & Restated Annual Incentive Plan.
10.2	--	Lyondell Petrochemical Company Executive Supplementary Savings Plan.**
10.3	--	Lyondell Petrochemical Company Executive Long-Term Incentive Plan as amended and restated as of October 19, 1990.***
10.4	--	Lyondell Petrochemical Company Supplementary Executive Retirement Plan, effective October 1, 1990.***
10.5	--	Lyondell Petrochemical Company Executive Medical Insurance Plan - Summary Plan Description.***
10.6	--	Lyondell Petrochemical Company Executive Deferral Plan, effective October 1, 1990.****
10.7	--	Lyondell Petrochemical Company Executive Long-Term Disability Plan, effective October 1, 1990.*****
10.8	--	Lyondell Petrochemical Company Executive Life Insurance Plan, effective October 1, 1990.*****
10.9	--	Lyondell Petrochemical Company Elective Deferral Plan for Outside Directors.****
10.10	--	Lyondell Petrochemical Company Retirement Plan for Outside Directors, as amended and restated.****
10.11	--	Lyondell Petrochemical Company Supplemental Executive Benefit Plans Trust Agreement.****
10.12	--	Form of Registrant's Indemnity Agreement with Officers and Directors.*
10.13	--	Asset Purchase Agreement (conformed without exhibits), dated as of December 19, 1989, between the Registrant and Rexene Products Company.**
10.14	--	Conveyance (conformed without exhibits), dated as of July 1, 1988 between the Registrant and ARCO.*
10.15(a)	--	Cross-Indemnification Agreement, dated as of July 1, 1988, between the Registrant and ARCO and Amendment No. 1 to the Cross-Indemnification Agreement effective as of July 1, 1988.*
10.15(b)	--	Dispute Resolution Agreement, dated as of April, 1993, between the Registrant, ARCO and ARCO Chemical Company.
10.16(a)	--	Administrative Services Agreement, dated as of January 1, 1991, between the Registrant and ARCO.****
10.16(b)	--	Letter Agreement regarding Administrative Services Agreement, between the Registrant and ARCO dated as of February 26, 1992.*****
10.17	--	Agreements Implementing Transfer of Pipeline Rights from ARCO Pipe Line Company to Registrant.*
10.18(a)	--	Amended and Restated Limited Liability Company Regulations of LYONDELL-CITGO Refining Company Ltd. dated as of July 1, 1993.******

10.18(b)	--	Contribution Agreement between Lyondell Petrochemical Company and LYONDELL-CITGO Refining Company Ltd. dated as of July 1, 1993.******
10.18(c)	--	Crude oil Supply Agreement between LYONDELL-CITGO Refining Company Ltd. and Lagoven, S.A. dated as of May 5, 1993******
10.19(a)	--	Immunity From Suit Agreement, effective July 1, 1988, between ARCO and the Registrant.*
10.19(b)	--	Amendment to Immunity From Suit Agreement, effective July 1, 1988, between ARCO and the Registrant.***
10.20(a)	--	License Agreement, effective July 1, 1988, between ARCO and the Registrant.*

10.20(b) -- License Agreement Amendment, effective July 1, 1988, between ARCO and the Registrant.***
10.21(a) -- Technology Agreement, effective as of July 1, 1988, between ARCO and the Registrant, as amended.**
10.21(b) -- Technology Agreement Amendment dated September 14, 1990, effective July 1, 1988 between ARCO and the Registrant.***
10.22 -- Assignment of Common Law Trademark(s), dated October 3, 1988, between ARCO and the Registrant.*
10.23 -- Assignment of U.S. Trademark(s), dated October 3, 1988, between ARCO and the Registrant.*
10.24 -- Crystalline Polymers License and Block Copolymer License dated February 14, 1990 between Phillips Petroleum Co. and the Registrant.**
10.25(a) -- Assignment of Foreign Trademarks, dated October 3, 1988, as amended February 14, 1988, between ARCO and the Registrant.**
10.25(b) -- Assignment of Foreign Trademarks, dated October 24, 1990, between ARCO and the Registrant.***
10.26 -- Assignment of Patents and Patent Applications, dated December 27, 1988, between ARCO and the Registrant.**
10.27 -- Assignment of Technology Agreement, dated July 1, 1988, as amended, between ARCO and the Registrant.**
10.28 -- Trademark License Agreement, dated October 7, 1988 between, ARCO and the Registrant.**
10.29 -- Trademark License Agreement Amendment, dated October 7, 1991, between ARCO and the Registrant.****
10.30 -- Symbol Agreement dated July 1, 1988 between ARCO and the Registrant.**
10.31 -- Joint Pipeline Use Agreement, dated July 1, 1987, between ARCO Chemical Company and the Registrant.*
10.32 -- MTBE Purchase, Transportation & Storage Agreement, dated July 1, 1987, between ARCO Chemical Company and the Registrant.*
10.33(a) -- Isobutylene Purchase and MTBE Tolling Agreement, dated July 1, 1987 and amended May 2, 1988, between the Registrant and ARCO Chemical Company.*
10.33(b) -- Amendment No. 1 to Isobutylene Purchase and MTBE Tolling Agreement.*****
10.34 -- LYONDELL-CITGO Refining Company Ltd. $100,000,000 Credit Agreement dated as of July 1, 1993.
10.35 -- Lyondell Petrochemical Company $400,000,000 Credit Agreement dated as of December 6, 1993
22 -- Subsidiaries of the Registrant.
24 -- Consent of Coopers & Lybrand.
25 -- Powers of Attorney

* Filed as an exhibit to Registrant's Registration Statement on Form S-1 (No. 33-25407) and incorporated herein by reference.
** Filed as an exhibit to Registrant's Annual Report on Form 10-K Report for the year ended December 31, 1989 and incorporated herein by reference.
*** Filed as an exhibit to Registrant's Annual Report on Form 10-K Report for the year ended December 31, 1990 and incorporated herein by reference.
**** Filed as an exhibit to Registrant's Annual Report on Form 10-K Report for the year ended December, 31, 1991 and incorporated herein by reference.
***** Filed as an exhibit to Registrant's Annual Report on Form 10-K Report for the year ended December 31, 1992 and incorporated herein by reference.
****** Filed as an exhibit to Registrant's Form 8-K dated as of July 1, 1993 and incorporated herein by reference.

(b) Consolidated Financial Statements and Financial Statement Schedules

(1) Consolidated Financial Statements

Consolidated Financial Statements and Financial Statement Schedules filed as part of this Annual Report on Form 10-K are listed in the Index to Consolidated Financial Statements and Financial Statement Schedules on page 34.

(2) Financial Statement Schedules

For years ended 1993, 1992, and 1991.

V. -- Property, Plant and Equipment.
VI. -- Accumulated Depreciation and Amortization of Property, Plant and Equipment.
IX. -- Short-Term Borrowings
X. -- Supplementary Income Statement Information

All other schedules are omitted because they are not applicable or the required information is contained in the Financial Statements or notes thereto.

Copies of exhibits will be furnished upon prepayment of 25 cents per page.

Requests should be addressed to the Secretary.

(c) Reports on Form 8-K:

No Current Reports on Form 8-K were filed during the quarter ended December 31, 1993 or thereafter through March 16, 1994.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LYONDELL PETROCHEMICAL COMPANY

By: BOB G. GOWER

Bob G. Gower
President and Chief Executive Officer

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

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<S>	<C>	<C>
MIKE R. BOWLIN * (Mike R. Bowlin)	Chairman of the Board and Director	March 16, 1994
BOB G. GOWER (Bob G. Gower, Principal Executive Officer)	President, Chief Executive Officer and Director	March 16, 1994
WILLIAM T. BUTLER* (William T. Butler)	Director	March 16, 1994
ALLAN L. COMSTOCK* (Allan L. Comstock)	Director	March 16, 1994
TERRY G. DALLAS* (Terry G. Dallas)	Director	March 16, 1994
STEPHEN F. HINCHLIFFE, JR.* (Stephen F. Hinchliffe, Jr.)	Director	March 16, 1994
DUDLEY C. MECUM II* (Dudley C. Mecum II)	Director	March 16, 1994
WILLIAM C. RUSNACK* (William C. Rusnack)	Director	March 16, 1994
DAN F. SMITH (Dan F. Smith)	Director	March 16, 1994

</TABLE>

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SIGNATURE	TITLE	DATE
<S>	<C>	<C>
PAUL R. STALEY* (Paul R. Staley)	Director	March 16, 1994
WILLIAM E. WADE, JR.* (William E. Wade, Jr.)	Director	March 16, 1994
RUSSELL S. YOUNG (Russell S. Young, Principal Financial Officer)	Senior Vice President, Chief Financial Officer and Treasurer	March 16, 1994
JOSEPH M. PUTZ (Joseph M. Putz, Principal Accounting Officer)	Vice President and Controller	March 16, 1994
*By: BOB G. GOWER (Bob G. Gower, as Attorney-in-fact)		March 16, 1994

</TABLE>

SCHEDULE V

LYONDELL PETROCHEMICAL COMPANY

PROPERTY, PLANT AND EQUIPMENT

MILLIONS OF DOLLARS

<TABLE>
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Year	(Column A) Classification	(Column B) Balance at Beginning of Period	(Column C) Additions at Cost	(Column D) Retirements or Sales	(Column E) Other Changes Add (Deduct)	(Column F) Balance at End of Period
<S>		<C>	<C>	<C>	<C>	<C>
1993	Manufacturing facilities and equipment	$2,441	$ 85	$ 1	$ (9)	$2,516
	Land	26	--	--	--	26
	Leased assets and improvements	3	--	--	--	3
		$2,470	$ 85	$ 1	$ (9)	$2,545
1992	Manufacturing facilities and equipment	$1,838	$ 97	$ 2	$ 508	$2,441
	Land	26	--	--	--	26
	Leased assets and improvements	512	--	--	(509)	3
		$2,376	$ 97	$ 2	$ (1)	$2,470
1991	Manufacturing facilities and equipment	$1,799	$ 42	$ 2	$ (1)	$1,838
	Land	25	1	--	--	26
	Leased assets and improvements	512	--	--	--	512
		$2,336	$ 43	$ 2	$ (1)	$2,376

</TABLE>

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SCHEDULE VI

LYONDELL PETROCHEMICAL COMPANY

ACCUMULATED DEPRECIATION AND AMORTIZATION OF
PROPERTY, PLANT AND EQUIPMENT

MILLIONS OF DOLLARS

<TABLE>
<CAPTION>

Year	(Column A) Classification	(Column B) Balance at Beginning of Period	(Column C) Additions Charged to P&L	(Column D) Retirements or Sales	(Column E) Other Changes Add (Deduct)	(Column F) Balance at End of Period
<C>	<S>	<C>	<C>	<C>	<C>	<C>
1993	Manufacturing facilities and equipment	$1,844	$ 44	$ 1	$ --	$1,887
	Leased assets and improvements	3	--	--	--	3
		$1,847	$ 44	$ 1	$ --	$1,890
1992	Manufacturing facilities and equipment	$1,314	$ 40	$ 1	$ 491	$1,844
	Leased assets and improvements	493	--	--	(490)	3
		$1,807	$ 40	$ 1	$ 1	$1,847
1991	Manufacturing facilities and equipment	$1,276	$ 40	$ 2	$ --	$1,314
	Leased assets and improvements	492	1	--	--	493
		$1,768	$ 41	$ 2	$ --	$1,807

</TABLE>

SCHEDULE IX

LYONDELL PETROCHEMICAL COMPANY

SHORT-TERM BORROWINGS

MILLIONS OF DOLLARS

<TABLE>
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Year	(Column A) Category of Aggregate Short-Term Borrowings	(Column B) Balance at End of Period	(Column C) Weighted Average Interest Rate of Amounts Outstanding at End of Period	(Column D) Maximum Amount Outstanding at any Month End	(Column E) Average Amount Outstanding During the Period (a)	(Column F) Weighted Average Interest Rate During the Period (b)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1993	Short-term bank loan	--	--%	10.0	2.3	3.6%
	Financial institutions	4.0	3.4%	6.0	1.3	3.4%
1992	Short-term bank loan	--	--%	--	--	--%
	Financial institutions	--	--%	--	--	--%
1991	Short-term bank loan	--	--%	--	--	--%
	Financial institutions	--	--%	--	--	--%

</TABLE>

(a) Total of daily outstanding principal divided by the actual number of days in the period (365 days).

(b) Actual interest expense on short-term borrowing divided by the average amount outstanding during the period, based upon a 365-day year.

SCHEDULE X

LYONDELL PETROCHEMICAL COMPANY

SUPPLEMENTARY INCOME STATEMENT INFORMATION

MILLIONS OF DOLLARS

<TABLE>
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(Column A)		(Column B)
Year	Description	Amount Charged to Costs and Expenses
<S>	<C>	<C>
1993	Maintenance and Repairs (a)	$ 101
	Taxes (other than income)(b)	$ 55
1992	Maintenance and Repairs	$ 109
	Taxes (other than income)(b)	$ 56
1991	Maintenance and Repairs	$ 92
	Taxes (other than income)(b)	$ 54

</TABLE>

(a) Includes amortization of deferred turnaround costs. See Note 4 of Notes to Consolidated Financial Statements.

(b) Includes property, superfund and other taxes.

EXHIBIT INDEX

<TABLE>
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No.	Name	Page
<S>	<C>	<C>
10.1	Amended and Restated Annual Incentive Plan	
10.15(b)	Dispute Resolution Agreement	
10.34	Lyondell Petrochemical Company $400,000,000 Credit Agreement	
10.35	LYONDELL-CITGO Refinery Company Ltd. $100,000,000 Credit Agreement	
22	Subsidiaries	
24	Consult of Coopers & Lybrand	
25	Power of Attorney	

</TABLE>

Exhibit 10.1

LYONDELL PETROCHEMICAL COMPANY

- ----------

ANNUAL INCENTIVE PLAN

Effective January 1, 1993

LYONDELL PETROCHEMICAL COMPANY
ANNUAL INCENTIVE PLAN

To record the adoption of the Lyondell Petrochemical Annual Incentive Plan, as amended and restated effective January 1, 1993, the undersigned, being duly authorized to act on behalf of Lyondell Petrochemical Company, has executed this plan document at Houston, Texas on the 14th day of February 1994.

ATTEST: LYONDELL PETROCHEMICAL COMPANY

By: Gerald A. O'Brien

(Gerald A. O'Brien)

By: Richard W. Park

(Richard W. Park)
Vice President
Human Resources

LYONDELL PETROCHEMICAL COMPANY

ANNUAL INCENTIVE PLAN

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LYONDELL PETROCHEMICAL COMPANY
ANNUAL INCENTIVE PLAN

As amended and restated effective January 1, 1993

SECTION 1. PURPOSE

The Plan's purpose is (i) to provide competitive annual cash awards to executives and other key employees who make substantial contributions to the achievement of Company performance goals and (ii) to assist the Company in attracting, motivating and retaining management employees of high caliber and potential.

SECTION 2. DEFINITIONS

As used in the Plan, the following terms shall have the meanings set forth below:

(a) "Award" - an annual award to a Participant pursuant to Section 5 of the Plan.

(b) "Award Fund" - the amount of money available for Awards under the

Plan for a Plan Year pursuant to Section 4.

(c) "Board" - the Board of Directors of Lyondell Petrochemical Company.

(d) "Chief Executive Officer" - the Chief Executive Officer of the Company.

(e) "Committee" - the Compensation Committee of the Board.

(f) "Company" - the Lyondell Petrochemical Company.

(g) "Financial Comparison Corporations" - a group of corporations (including, but not limited to, corporations in the petrochemical industry) selected by the Committee which, in its opinion, are suitable for comparing business and financial performance. The comparisons are used to determine the Plan Year individual Awards pursuant to Section 5.

(h) "Employee" - an employee of the Company or a Subsidiary.

(i) "Financial Performance" - performance of the Company against measurements or criteria determined by the Committee, in its sole discretion, for a specific Plan Year. These measurements shall include, but are not limited to, cash flow, earnings, return on capital employed and return on shareholder's equity.

(j) "Officer" - an Employee holding a title of Secretary, Vice President, Senior Vice President, Executive Vice President, Chief Financial Officer, Chief Legal Officer, Chief Operating Officer, President or Chief Executive Officer of the Company.

(k) "Participant" - an Employee who is eligible for an Award for the Plan Year.

(l) "Plan" - the Lyondell Petrochemical Company Annual Incentive Plan as set forth herein and as amended from time to time.

(m) "Plan Year" - the calendar year ending December 31.

(n) "Subsidiary" - any corporation, limited liability company, partnership or joint venture in which a majority of the voting stock or rights, or the profits or capital interests, is owned directly or indirectly by the Company, except LYONDELL-CITGO Refining Company Ltd.

(o) "Survey Comparison Corporations" a group of corporations (including, but not limited to, corporations in the petrochemical industry) selected by the Committee which, in its opinion, are suitable for comparing compensation packages. The comparisons are used to determine the Plan Year individual Awards pursuant to Section 5.

(p) "Total Disability" - the total disability of an Employee as determined by the Committee. The Committee in making its determination, may rely upon the determination of the Employee's total or permanent disability under any Company maintained long-term disability benefit plan in which the employee participates.

SECTION 3. ELIGIBILITY FOR PARTICIPATION

(a) Any Employee who has served as a director, officer, or in another key position, at any time during a Plan Year is a Participant and eligible for selection by the Committee to receive an Award for that Plan Year; provided, however, that no member of the Committee may be selected to receive an Award. In addition, Awards may be made (i) to Employees in classifications that the Chief Executive Officer, upon the recommendation of the Vice President, Human Resources, approves for participation in the Plan and (ii) to Employees, other than Employees who regularly participate in the Plan, who the Chief Executive Officer determines have made substantial and significant contributions to the Company for a Plan year.

(b) Awards for Participants who have been eligible for more than six months, but less than the full Plan year, may be pro-rated by full months as determined by the Committee or the Chief Executive Officer, as appropriate.

(c) The Committee may make a pro-rated Award to a Participant (or his/her beneficiary or estate) who has terminated service with the Company prior to the end of Plan Year if the Committee determines that the Participant made an outstanding contribution to the Company during the Plan Year.

(d) All questions regarding eligibility shall be resolved by the Committee.

SECTION 4. DETERMINATION OF AWARD FUND

(a) The target Award Fund for a Plan Year for Officers will be established by the Committee based on the cumulative Survey Comparison Corporations 60th percentile of bonus awards for the Plan participants.

(b) The actual Award Fund for a Plan Year for Officers may range from 0 to 200 percent of the target Award Fund based on Company and individual performance.

(c) The Award Fund for a Plan Year for all Participants other than Officers shall be the total amount of the Awards approved by the Chief Executive Officer pursuant to Section 5(c).

SECTION 5. ALLOCATION AND GRANTING OF AWARDS

(a) Generally, the amount of Awards to Participants shall be designed to ensure that the Participants total cash compensation shall be targeted at the 60th percentile. In no event, however, shall the total of Awards granted in a Plan Year to Officers exceed the actual Award Fund as determined in accordance to Section 4(b).

(b) The Chairman of the Board shall submit to the Committee a recommended Award for the Chief Executive Officer for review and final approval before the proposed Award is communicated. The Chief Executive Officer, in consultation with the Vice President, Human Resources, shall make Award recommendations for Participants who are Officers of the Company. These recommended Awards shall be submitted to the Committee for review and final approval before the proposed Award is communicated.

(c) Awards for Participants, other than the Chief Executive Officer and the other Officers of the Company, shall be established and approved by the Chief Executive Officer after review of the proposed Awards by the Vice President, Human Resources.

(d) The Vice President, Human Resources, shall present the Survey Comparison Corporation information to the Committee to confirm that Awards made to Officers conform with the Plan's terms and conditions.

(e) Following the close of the Plan Year, individual Awards, if any, shall be paid to selected Participants.

(f) All Awards shall be paid as a single cash payment, less any required withholding or deduction (see Section 10), in the year in which the Award is granted except for amounts that a participant in the Lyondell

Petrochemical Company Executive Deferral Plan has elected to defer pursuant to the terms of such plan.

SECTION 6. ADMINISTRATION

(a) The Committee has the full power and authority to construe, interpret and administer the Plan and to make rules and regulations in accordance with Plan provisions. All Committee decisions, actions, determinations, or interpretations shall be at its sole discretion and shall be final, conclusive and binding on the Company, Employees and all other persons. No Employee or beneficiary has any right to participate in the Plan or to receive an Award or any portion thereof except, and subject to any terms and conditions determined by the Committee, in accordance with the provisions of the Plan.

(b) No member of the Committee shall be personally liable for (i) any action taken in good faith, (ii) any exercise of power given to the Committee under the Plan or (iii) any action of any other member of the Committee.

(c) The Vice President, Human Resources, shall be authorized and empowered (i) to make or cause to be made all necessary calculations and measurements, and (ii) take such other actions as may be necessary to make and maintain the Plan's effectiveness.

SECTION 7. NON-ASSIGNABILITY AND FORFEITURE

All Awards are contingent until paid and shall not be assignable, transferable or subject to alienation whether voluntarily or by operation of law. The Committee may declare forfeit any unpaid Awards or portions of Awards, if the Committee determines that the Participant has been discharged for cause or has performed an act detrimental to Company interests. Any unpaid Award shall not be subject to forfeiture in the event of death, Total Disability or (except in cases of discharge for cause) retirement under a qualified retirement plan maintained by the Company.

SECTION 8. AMENDMENT, SUSPENSION OR TERMINATION

The Committee may suspend, terminate or amend the Plan at any time. Such action shall not alter the amount or payment of any Award made prior to the Plan's amendment, suspension or termination.

SECTION 9. COMMUNICATION

The Chief Executive Officer shall be authorized and empowered to communicate a

description of the Plan to Participants.

SECTION 10. MISCELLANEOUS PROVISIONS

(a) All Awards shall be paid from the Company general funds and under no circumstance shall a Participant or other person have any interest whatsoever in any particular property or assets of the Company as a result of the Plan or any Award.

(b) Nothing in the Plan or any action taken pursuant to the Plan, shall be construed as a contract of employment, shall confer upon any Employee or Participant any right to continue in the employment of the Company or shall interfere with or restrict in any way the Company's right to discharge any Employee or Participant at any time for any reason, with or without good cause.

(c) Awards shall not be considered compensation for the purpose of any other benefit plan maintained by the Company, except as provided in the Lyondell Petrochemical Company Executive Supplementary Retirement Plan and the Lyondell Petrochemical Company Executive Long Term Disability Plan.

(d) The Company has the right to withhold from an Award or salary or otherwise, any federal, state, local or foreign taxes required to be withheld with respect to payment of any Award.

(e) If a Participant becomes entitled to a distribution of benefits under the Plan, and if at such time the Participant has outstanding any debt, obligation, or other liability representing an amount owing to the Company, or any benefit plan maintained by the Company, then the Company may offset such amount owed to it or such benefit plan against the amount of benefits otherwise distributable. Such determination shall be made by the Vice President, Human Resources.

(f) All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

(g) The Plan shall be binding upon the Company and its successors and assigns.

SECTION 11. EFFECTIVE DATE

This Plan was first adopted as of January 1, 1989 and is hereby amended and restated effective as of January 1, 1993.

EXHIBIT 10.15(b)

DISPUTE RESOLUTION AGREEMENT

This Agreement, dated April 15, 1993, is among Atlantic Richfield Company, a Delaware corporation ("ARCO"), ARCO Chemical Company, a Delaware corporation ("ACC"), and Lyondell Petrochemical Company, a Delaware corporation ("LPC").

BACKGROUND

Disputes involving two or more of the parties hereto ("Disputes") have in the past arisen and may in the future arise from time to time. Many of the Disputes involve supply contracts or services arrangements and are able to be resolved through discussions and negotiations. The parties hereto all agree that such informal resolution is preferable. However, in the case of any serious Disputes that may be material to one or more of the parties hereto, there is a need for a procedure of negotiation and binding arbitration to promote the systematic resolution of such Disputes in a timely fashion.

AGREEMENT

THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

I. GUIDING TENENTS

The following tenets regarding business dispute resolution shall apply to any Dispute:

1. Most business disputes are best resolved privately and by agreement.

2. Executives should play a key role in business dispute resolution and should approach a dispute as a problem to be solved, not a contest to be won.

3. Efforts should first be made to reach agreement by unaided negotiation.

4. A skilled and respected neutral third party can play a critical role in bringing about agreement.

5. If such efforts are unsuccessful, resolution by a non-adjudicative procedures, such as mediation or minitrial, should next be pursued.

6. If adjudication by a neutral third party is required, a well conducted arbitration proceeding is usually preferable to litigation.

7. During an arbitration proceeding, the door to settlement should remain open; arbitrators should encourage the parties to discuss settlement, if appropriate employing a mediator.

II. APPOINTMENT, EDUCATION AND REPLACEMENT OF ARBITRATOR

1. Appointment: The parties hereto hereby select Charles B. Renfrew, Esquire of San Francisco, California to serve as the arbitrator (the "Arbitrator") for any Disputes.

2. Education: The Arbitrator shall be educated in advance of any arbitration hearing as to the various inter-company arrangements and restrictions. Each party shall participate in the briefing of the Arbitrator and shall share one-third of the cost of the pre-arbitration education.

3. Replacement: If Mr. Renfrew resigns or otherwise ceases to serve as Arbitrator, ACC, LPC, and ARCO will jointly appoint a replacement Arbitrator from Judicial Arbitration Mediation Services, Inc. ("JAM"), or any other agency or organization mutually acceptable to the parties hereto. In order to select the replacement Arbitrator, the following procedure will be followed:

   a. JAM shall be requested to submit to the parties hereto a list of not less than five candidates willing to serve as the Arbitrator. Such list shall include a brief statement of each candidate's qualifications.

   b. Any candidates as to whom a conflict of interest is identified by any party hereto shall be stricken from the list of candidates. Each party may also reject any candidate (with or without explanation). A candidate rejected by any party will be stricken from the list of candidates. Each party shall rank the remaining candidates in order of preference (with 5 points being assigned to the party's first choice, 4 points being assigned to the party's

second choice, etc.), and shall deliver the list of remaining candidates so marked to the other parties within ten days of receipt.

c. Any party failing without good cause to return the candidate list so marked within the specified time period shall be deemed to have assented to all candidates listed thereon.

d. The parties shall designate as Arbitrator the candidate for whom the parties collective have awarded the highest point total.

e. If this procedure for any reason should fail to result in the designation of an Arbitrator, JAM shall submit an amended list of at least two and no more than five candidates who will then be ranked in accordance with the procedures set forth above. These procedures shall continue until an Arbitrator is selected.

III. DISPUTE RESOLUTION PROCEDURE

1. Initiation: The dispute resolution procedure provided by this Agree-
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ment may only be initiated by the General Counsel of one of the parties and only if such officer believes that there exists a Dispute that is serious and material. Initiation of the procedure shall be in writing to the other involved party or parties at the addresses provided herein.

2. Good Faith Negotiations: Upon the procedure being initiated, the
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involved parties shall attempt to settle the Dispute through good faith negotiations. If such negotiations are not successful within a period of two months, binding arbitration shall be commenced.

3. Binding Arbitration: Binding arbitration (i) shall be conducted by the
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Arbitrator, (ii) shall be scheduled so as to start the arbitration hearing no later than five months from the commencement of the arbitration, and (iii) shall be conducted in accordance with the rules attached hereto as Exhibit A.

IV. COSTS

1. Pre-arbitration: The parties shall share the cost of the
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pre-arbitration education of the Arbitrator as set forth in Section II.2.

2. Arbitration: The fee of the Arbitrator during any arbitration and other costs relating thereto shall be shared equally by the parties involved therein.

V. NOTICES

Any notices given or required to be given hereunder shall be in writing and shall be deemed to have been properly given if actually delivered or sent by United States registered or certified mail, postage prepaid, to the General Counsel of the appropriate party at the address listed below, or at such other address as a party may designate by notice to the other parties:

If to ARCO:

Atlantic Richfield Company
515 South Flower Street
Los Angeles, CA 90071

If to ACC:

ARCO Chemical Company
3801 West Chester Pike
Newtown Square, PA 19073

If to LPC:

Lyondell Petrochemical Company
One Houston Center
1221 McKinney Street, Suite 1600
Houston, TX 77010

VI. GOVERNING LAW/JURISDICTION

This Agreement shall be construed, and the legal relations between the parties hereto shall be determined, in accordance with the substantive law of the State of Delaware, except that the United States Arbitration Act, Title 9 of the United States Code, Sections 1-16, shall apply to all matters that arise out of arbitration. The decision of the Arbitrator shall be final and judgment upon any award issued by the Arbitrator may be entered by any court having jurisdiction thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

ATLANTIC RICHFIELD COMPANY

By: [signature appears here]

ARCO CHEMICAL COMPANY

By: [signature appears here]

LYONDELL PETROCHEMICAL COMPANY

By: [signature appears here]

EXHIBIT A

RULES WITH RESPECT TO THE CONDUCT
OF ARBITRATION PROCEEDINGS

Rule 1. General Provisions

1.1 Subject to these Rules, the Arbitrator may conduct the arbitration in such manner as he shall deem appropriate. The Arbitrator shall be responsible for the organization of conferences and hearings.

1.2 The proceedings shall be conducted in an expeditious manner. The Arbitrator is empowered to impose time limits it considers reasonable on each phase of the proceeding, including without limitation the time allotted to each party for presentation of its case and for rebuttal.

1.3 Except as otherwise provided in these Rules or permitted by the Arbitrator, no party or anyone acting on its behalf shall have any ex parte communication with the Arbitrator with respect to any matter
   ----
of substance relating to the proceeding.

1.4 As promptly as possible after the commencement of the arbitration, the Arbitrator shall hold an initial pre-hearing conference for the planning and scheduling of the proceeding. The objective of this conference shall be to discuss all elements of the arbitration with a view to planning for its future conduct. Matters to be considered in

the initial pre-hearing conference may include, inter alia, the following:

(a) Procedural matters such as the timing and manner of any required discovery; the desirability of bifurcation or other separation of the issues in the arbitration; the scheduling of conferences and hearing; the scheduling of pre-hearing memoranda; the need for and type of record of conferences and hearings, including the need for transcripts; the mount of time allotted to each party for presentation of its case and for rebuttal; the mode, manner and order for presenting proof; the need for expert witnesses and how expert testimony should be presented; and the necessity for any onsite inspection by the Arbitrator.

(b) The early identification and narrowing of the issues in the arbitration;

(c) The possibility of stipulations of fact and admissions by the parties solely for purposes of the arbitration, as well as simplification of document authentication; and

(d) The possibility of the parties engaging in settlement negotiations, with or without the assistance of a mediator.

After the initial conference, further pre-hearing or other conferences may be held as the Arbitrator deems appropriate.

1.5 In order to define the issues to be heard and determined, the Arbitrator may inter alia make pre-hearing orders for the arbitration and instruct the parties to file statements of claim and of defense and pre-hearing memoranda.

1.6 Unless the parties have agreed upon the place of arbitration, the Arbitrator shall fix the place of arbitration. The award shall be deemed made at such place. Hearings may be held and the Arbitrator may schedule meetings, including telephone meetings, wherever it deems appropriate.

Rule 2. Discovery

The Arbitrator shall permit and facilitate such discovery as it shall determine is appropriate in the

circumstances, taking into account the needs of the parties and the desirability of making discovery expeditious and cost-effective. The Arbitrator may issue orders to protect the confidentiality of proprietary information, trade secrets and other sensitive information disclosed in discovery.

Rule 3. Evidence and Hearings

3.1 The Arbitrator shall determine the manner in which the parties shall present their cases. Unless otherwise determined by the Arbitrator, the presentation of a party's case shall include the submission of a pre-hearing memorandum including the following elements:

(a) A statement of facts;

(b) A statement of each claim being asserted;

(c) A statement of the applicable law upon which the party relies;

(d) A statement of the relief requested, including the basis for any damages claimed; and

(e) A statement of the evidence to be presented, including the name, capacity and subject of testimony of any witnesses to be called and an estimate of the amount of time required for the witness' direct testimony.

3.2 Evidence may be presented in written or oral form as the Arbitrator may determine is appropriate. The Arbitrator is not required to apply the rules of evidence used in judicial proceedings, provided, however, that the

Arbitrator shall apply the lawyer-client privilege and the work product immunity. The Arbitrator shall determine the applicability of any privilege or immunity and the admissibility, relevance, materiality and weight of the evidence offered.

3.3 The Arbitrator, in its discretion, may require the parties to produce evidence in addition to that initially offered. It may also appoint experts whose testimony shall be subject to cross examination and rebuttal.

3.4 The Arbitrator shall determine the manner in which witnesses are to be examined. The Arbitrator shall have the right to exclude witnesses from hearings during the testimony of other witnesses.

Rule 4. Interim Measures of Protection

4.1 At the request of a party, the Arbitrator may take such interim measures as he deems necessary in respect of the subject matter of the dispute, including measures for the preservation of assets, the conservation of goods or the sale of perishable goods. The Arbitrator may require security for the costs of such measures.

4.2 A request for interim measures by a party to a court shall not be deemed incompatible with the agreement to arbitrate or as a waiver of that agreement.

Rule 5. The Award

5.1 The Arbitrator may make final, interim, interlocutory and partial awards. An award may grant any remedy or relief which the Arbitrator deems just and equitable and within the scope of the agreement of the parties, including but not limited to any interim, interlocutory or partial award, the Arbitrator may state in its award whether or not he views the award as final, for purposes of any judicial proceedings in connection therewith.

5.2 All awards shall be in writing and shall state the reasoning on which the award rests unless the parties agree otherwise.

5.3 Executed copies of awards shall be delivered by the Arbitrator to the parties.

5.4 Within fifteen days after receipt of the award, either party, with notice to the other party, may request the Arbitrator to correct in any award any errors in computation, any clerical or typographical errors, or any errors of a similar nature. Within thirty days after the delivery of an award to the parties, the Arbitrator may make corrections on its own initiative and corrections requested by either party. All such corrections shall be in writing, and the provisions of Rule 5 shall apply to them.

5.5 After expiration of the thirty-day period provided in Rule 5.4, awards shall be final and binding on the parties, and the parties undertake to carry out awards without delay.

5.6 The dispute should in most circumstances be submitted to the Arbitrator for decision within five months after the initial pre-hearing conference required by Rule 1.4. The final award should in most circumstances be rendered within one month thereafter. The parties and the Arbitrator shall use their best efforts to comply with this schedule.

Rule 6. Failure to Comply with Rules

Whenever a party fails to comply with these Rules in a manner deemed material by the Arbitrator, the Arbitrator shall fix a reasonable period of time for compliance and, if the party does not comply within said period, the Arbitrator may impose a remedy it deems just, including an award on default. Prior to entering an award on default the Arbitrator may require the non-defaulting party to produce evidence and legal argument in support of its contentions, which the Arbitrator may receive without the defaulting party's presence or participation.

Exhibit 10.34

LYONDELL-CITGO REFINING COMPANY LTD.
$100,000,000

CREDIT AGREEMENT

Dated as of July 1, 1993

CONTINENTAL BANK N.A.

As Agent

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DEFINITIONS

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CREDIT AGREEMENT dated as of July 1, 1993 among LYONDELL-CITGO REFINING COMPANY LTD, the BANKS listed on the signature pages hereof and CONTINENTAL BANK N.A., as Agent.

The Borrower desires to borrow from time to time amounts not exceeding in the aggregate $100,000,000 outstanding at any one time from the Banks for its general corporate purposes, and the Banks are prepared to make loans on the terms hereof. Accordingly, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. DEFINITIONS.

In addition to terms defined elsewhere in this Agreement, as used in this Agreement, the following terms have the following meanings (all terms defined in this Agreement in the singular to have the same meanings when used in the plural and vice versa):

"ADJUSTED CD RATE" has the meaning set forth in Section 2.07(b).

"ADMINISTRATIVE QUESTIONNAIRE" means, with respect to each Bank, the administrative questionnaire in the form submitted to such Bank by the Agent and submitted to the Agent (with a copy to the Borrower) duly completed by such Bank.

"AGENT" means Continental Bank N.A. its capacity as agent for the Banks hereunder, and its successors in such capacity.

"APPLICABLE LENDING OFFICE" means, with respect to any Bank, (i) in the case of its Domestic Loans, its Domestic Lending Office and (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office.

"ASSESSMENT RATE" has the meaning set forth in Section 2.07(b).

"ASSIGNEE" has the meaning set forth in Section 9.07(c).

"AUTHORIZED OFFICER" and "AUTHORIZED REPRESENTATIVE" of the Borrower shall mean

an officer or other representative of the Borrower designated in the latest Certificate of Incumbency of the Borrower or Lyondell or Lyondell Refining Company. The Agent and the Banks shall be conclusively entitled to rely on the latest such Certificate of Incumbency of the Borrower delivered to the Agent.

"BANK" means each bank which is listed on the signature pages hereof as having a Commitment and which has executed and delivered this Agreement, each Assignee which becomes a Bank pursuant to Section 9.07(c), each substitute bank which becomes a Bank pursuant to Section 8.05, and their respective successors.

"BASE RATE" means, for any day, a rate per annum equal to the higher of (i) the Reference Rate for such day and (ii) the Federal Funds Rate for such day plus 1/4 of 1%.

"BASE RATE LOAN" means a Committed Loan to be made by a Bank as a Base Rate Loan in accordance with the applicable Notice of Committed Borrowing or pursuant to Article VIII.

"BORROWER" means LYONDELL-CITGO REFINING COMPANY LTD., a Texas limited liability company.

"BORROWING" has the meaning set forth in Section 1.03.

"CD BASE RATE" has the meaning set forth in Section 2.07(b).

"CD LOAN" means a Committed Loan to be made by a Bank as a CD Loan in accordance with the applicable Notice of Borrowing.

"CD MARGIN" has the meaning set forth in Section 2.07(b).

"CERTIFICATE OF INCUMBENCY" shall mean a Certificate of Incumbency described in Section 3.01 (ii) and any successor or replacement Certificate of Incumbency delivered hereunder.

"CITGO" means CITGO Petroleum Corporation.

"CODE" means the Internal Revenue Code of 1986, as amended, or any successor statute.

"COMMITMENT" means, as to each Bank, the amount set forth opposite its name on the signature pages hereof under the heading "Commitment" which includes the Maximum Drawing Amount (as such amount may be reduced from time to time as provided in Sections 2.09 and 2.10).

"COMMITMENT PERCENTAGE" means, with respect to each Bank, the percentage set forth on the signature pages hereto as such Bank's percentage of the aggregate Commitments of all of the Banks.

"COMMITTED LOAN" means a loan made by a Bank pursuant to Section 2.01.

"COMPANY REGULATIONS" means the limited liability company regulations dated as of July 1, 1993 between Lyondell Refining Company and CITGO Refining Investment Company.

"CONTROLLED GROUP" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414(b) or 414(c) of the Code.

"CONTRIBUTION AGREEMENT" means the Contribution Agreement dated as of July 1, 1993 between Borrower and Lyondell.

"CRUDE SUPPLY AGREEMENT" means the Crude Supply Agreement dated as of May 5, 1993 between Borrower and Lagoven, S. A., including any supplemental agreements.

"DEBT" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee under capital leases, (v) all Debt of others to the extent secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (vi) all Debt of others to the extent Guaranteed by such Person.

"DEFAULT" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"DOMESTIC BUSINESS DAY" means any day except a Saturday, Sunday or other day on which commercial banks in Chicago, Illinois or Houston, Texas are authorized by law to close.

"DOMESTIC LENDING OFFICE" means, as to each Bank, its office, branch or affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Domestic Lending Office) or such other office, branch or affiliate as such Bank may from time to time specify to the Agent and the Borrower as its Domestic Lending Office; provided that any Bank may from time to time by notice to the Borrower and the Agent designate separate Domestic Lending Offices for its Reference Rate Loans, on the one hand, and its CD Loans, on the other hand, in which case all references herein to the Domestic Lending Office of such Bank shall be deemed to refer to either or both of such offices, as the context may require.

"DOMESTIC LOANS" means CD Loans or Reference Rate Loans or both.

"DOMESTIC RESERVE PERCENTAGE" has the meaning set forth in Section 2.07(b).

"EFFECTIVE DATE" means the date on which this Agreement becomes effective in accordance with Section 3.01.

"ENVIRONMENTAL MATTERS" means matters relating to pollution or protection of the environment, including without limitation emissions, discharges, releases or threatened releases of pollutants, contaminants or chemicals or industrial, toxic or hazardous substances or wastes into the environment (including without limitation ambient air, surface or ground water, land surface or subsurface strata), or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants or toxic or hazardous substances or wastes.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statute.

"EURO-DOLLAR BUSINESS DAY" means any Domestic Business Day on which commercial banks are open for international business (including dealings in dollar deposits) in New York.

"EURO-DOLLAR LENDING OFFICE" means, as to each Bank, its office, branch or affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or affiliate of such Bank as it may from time to time specify to the Agent and the Borrower as its Euro-Dollar Lending Office.

"EURO-DOLLAR LOAN" means a Committed Loan to be made by a Bank as a Euro-Dollar Loan in accordance with the applicable Notice of Borrowing.

"EURO-DOLLAR MARGIN" has the meaning set forth in Section 2.07(c).

"EURO-DOLLAR RESERVE PERCENTAGE" means with respect to any Bank for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirement (including without limitation any basic, supplemental or emergency reserves) imposed on such Bank in respect of "Euro-currency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or in respect of any category of extensions of credit or other assets which includes loans by a non-United States office of such Bank to United States residents).

"EVENT OF DEFAULT" has the meaning assigned to that term in Section 6.01.

"FEDERAL FUNDS RATE" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100th of one percent (1%)) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Domestic Business Day next succeeding such day, provided that (i) if such day is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day, and (ii) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate quoted to Continental Bank National Association on such day for such transactions as determined by the Agent.

"GRADE 1 PERIOD" means any time during which the sum of the Maximum Drawing Amount and the Loans is less than 50% of the aggregate amount of the Commitments.

"GRADE 2 PERIOD" means any time during which the sum of the Maximum Drawing Amount and the Loans is equal to and greater than 50% of the aggregate amount of the Commitments and less than the aggregate amount of the Commitments.

"GUARANTEE" means to guarantee or act, directly or indirectly, as a surety for any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, to incur or assume any obligation, direct or indirect, contingent or otherwise, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term "Guarantee" shall not include to endorse for collection or deposit in the ordinary course of business.

"INTEREST PERIOD" means:

(1) with respect to each Euro-Dollar Borrowing, the period commencing on the date of such Borrowing and ending one or seven (1 or 7) days, or one, two, three or six (1, 2, 3 or 6) months thereafter, as the Borrower may elect in the applicable Notice of Borrowing; provided that:

    (a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding EuroDollar Business Day unless such Euro-Dollar Business Day falls in another

calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period applicable to any Euro-Dollar Loan of any Bank which begins before such Bank's Termination Date and would otherwise end after such Termination Date shall end on such Termination Date;

(2) with respect to each CD Borrowing, the period commencing on the date of such Borrowing and ending thirty (30), sixty (60), ninety (90) or one hundred eighty (180) days thereafter, as the Borrower may elect in the applicable Notice of Borrowing; provided that:

(a) any Interest Period (other than an Interest Period determined pursuant to clause (b) below) which would otherwise end on a day which is not a Domestic Business Day shall be extended to the next succeeding Domestic Business Day; and

(b) any Interest Period applicable to any CD Loan of any Bank which begins before such Bank's Termination Date and would otherwise end after such Termination Date shall end on such Termination Date;

(3) with respect to each Base Rate Borrowing, the period commencing on the date of such Borrowing and ending 90 days thereafter; provided that:

(a) any Interest Period (other than an Interest Period determined pursuant to clause (b) below) which would otherwise end on a day which is not a Domestic Business Day shall be extended to the next succeeding Domestic Business Day; and

(b) any Interest Period applicable to any Base Rate Loan of any Bank which begins before such Bank's Termination Date and would otherwise end after such Termination Date shall end on such Termination Date;

"INTERBANK OFFERED RATE" has the meaning set forth in Section 2.07(c).

"ISSUING BANK" means the Agent, or such other Bank as the Borrower may have requested and the Required Banks shall have approved, issuing a Letter of Credit.

"LETTER OF CREDIT" See Section 2.03.

"LIEN" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, the Borrower or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"LOAN" means a Domestic Loan or a Euro-Dollar Loan and "Loans" means Domestic Loans or Euro-Dollar Loans or any combination of the foregoing.

"LYONDELL" means Lyondell Petrochemical Company.

"LRC" means Lyondell Refining Company.

"MAXIMUM DRAWING AMOUNT" means the maximum aggregate amount from time to time that the beneficiaries may draw under outstanding Letters of Credit, as such aggregate amount may be reduced from time to time pursuant to the terms of the Letters of Credit.

"NOTES" means promissory notes of the Borrower, substantially in the form of Exhibit A hereto, evidencing the obligation of the Borrower to repay the Loans, and "Note" means any one of such promissory notes issued hereunder.

"NOTICE OF BORROWING" means a Notice of Committed Borrowing (as defined in Section 2.02).

"PARENT" means, with respect to any Bank, any Person controlling such Bank.

"PARTICIPANT" has the meaning set forth in Section 9.07(b).

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"PERSON" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"PLAN" means at any time an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either (i) maintained by a member of the Controlled Group for employees of a member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer

makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five (5) plan years made contributions.

"REFERENCE RATE" shall mean the rate of interest then most recently announced by Continental Bank N.A. in Chicago from time to time as its "reference rate" for calculating interest on certain loans (which may not be the lowest rate charged by Continental Bank N.A. at that time): the "Reference Rate" hereunder will change simultaneously with any change in Continental Bank N.A.'s "reference rate".

"REFERENCE BANK" means Continental Bank N.A. or its successor.

"REFUNDING BORROWING" means a Committed Borrowing which, after application of the proceeds thereof, results in no net increase in the outstanding principal amount of Committed Loans made by any Bank.

"REGULATION D" means Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time (including any successor provision thereto or any other United States law or regulation imposing reserves on deposits or loans).

"REGULATION G" shall mean Regulation G of the Board of Governors of the Federal Reserve System, as in effect from time to time (including any successor provision thereto).

"REGULATION U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time (including any successor provision thereto).

"REGULATION X" shall mean Regulation X of the Board of Governors of the Federal Reserve System, as in effect from time to time (including any successor provision thereto).

"REQUIRED BANKS" means at any date Banks having at least sixty-six and two-thirds (66 2/3%) percent of the aggregate amount of the Commitments or, if the Commitments have been terminated, holding Notes evidencing at least sixty-six and two-thirds (66 2/3%) percent of the aggregate unpaid principal amount of the Loans.

"SUBSIDIARY" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions (whether or not any other class of securities has or might have voting power, by reason of the happening of a contingency) are at the time owned or controlled directly or indirectly by the Borrower.

"TERMINATION DATE" means, for each Bank, June 30, 1994, or such later date to which the Termination Date of such Bank shall have been extended pursuant to Section

2.15, or, if such day is not a Euro-Dollar Business Day, the next succeeding

Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the Termination Date for such Bank shall be the next preceding Euro-Dollar Business Day.

"UNFUNDED VESTED LIABILITIES" means, with respect to any Plan at any time, the amount (if any) by which (i) the present value of all vested nonforfeitable benefits under such Plan exceeds (ii) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the Controlled Group to the PBGC or the Plan under Title IV of ERISA.

SECTION 1.02. ACCOUNTING TERMS AND DETERMINATIONS.

Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial Statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the most recent audited financial statements of the Borrower delivered to the Banks.

SECTION 1.03. TYPES OF BORROWINGS.

The term "Borrowing" denotes the aggregation of Loans of one or more Banks to be made to the Borrower pursuant to Article II on a single date and for a single Interest Period. Borrowings are classified for purposes of this Agreement either by reference to the pricing of Loans comprising such Borrowing (e.g., a "Euro-Dollar Borrowing" is a Borrowing comprised of Euro-Dollar Loans) or by reference to the provisions of Article II under which participation therein is determined (i.e., a "Committed Borrowing" is a Borrowing under Section 2.01 in which all Banks participate in proportion to their Commitments).

ARTICLE II

THE CREDITS

SECTION 2.01. COMMITMENTS TO LEND.

Each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make loans to the Borrower pursuant to this Section 2.01 from time to time in amounts such that the aggregate principal amount of Committed Loans by such Bank at any one time outstanding shall not exceed the amount of its Commitment. Each Borrowing under this Section 2.01 shall be in an aggregate principal amount of $5,000,000 or any larger multiple of $1,000,000 (except that

any such Borrowing may be in an aggregate amount such that, immediately after giving effect to such Borrowing, the aggregate outstanding principal amount of the Loans will equal the aggregate amount of the Commitments) and shall be made from the several Banks ratably in proportion to their respective Commitments. Within the foregoing limits, the Borrower may borrow under this Section 2.01, repay, or to the extent permitted by Section 2.11, prepay Loans and re-borrow at any time.

SECTION 2.02. NOTICE OF COMMITTED BORROWINGS.

The Borrower shall give the Agent notice (a "Notice of Committed Borrowing") not later than 10:00 A.M. (Chicago time) (9:00 A.M. Chicago time in the event of one day Euro-Dollar Borrowing) on (x) the date of each Reference Rate Borrowing, (y) the second Domestic Business Day before each CD Borrowing and (z) the third Euro-Dollar Business Day before each Euro-Dollar Borrowing, specifying:

(a) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Domestic Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing,

(b) the aggregate amount of such Borrowing,

(c) whether the Loans comprising such Borrowing are to be CD Loans, Base Rate Loans or EuroDollar Loans, and

(d) in the case of a CD Borrowing or a Euro-Dollar Borrowing, the requested Interest Period; provided, however, that the Borrower shall not be permitted to request Euro-Dollar Borrowings with one (1) day Interest Period longer than 5 consecutive Domestic Business Days.

SECTION 2.03. LETTERS OF CREDIT.

(a) Subject to the terms and conditions hereof and the execution and delivery by the Borrower of a letter of credit application on the Issuing Bank's customary form (a "Letter of Credit Application"), each of the Banks, in its sole discretion, and the Agent in reliance upon the representations and warranties of the Borrower contained in this Agreement, agrees to issue, extend and renew between the Effective Date and Termination Date for the account of the Borrower one or more standby letters of credit or documentary letters of credit (individually, a "Letter of Credit"), in such form as may be requested from time to time by the Borrower and agreed to by such Bank; provided, however, that, after giving effect to such request the sum of (A) the aggregate Maximum Drawing Amount of all Letters of Credit and (B) the amount of all Loans outstanding shall not exceed the aggregate amount of the Commitments.

(b) Each new Letter of Credit Application shall be completed to the

satisfaction of the Issuing Bank. In the event that any provision of any Letter of Credit Application shall be inconsistent with any provision of this Agreement, then the provisions of this Agreement shall, to the extent of any such inconsistency, govern.

(c) Each Letter of Credit issued, extended or renewed hereunder shall, among other things, (i) provide for the payment of sight drafts for honor thereunder when presented in accordance with the terms thereof and when accompanied by the documents described therein, and (ii) have an expiry date no later than fourteen (14) days or, if the beneficiary is located outside of the United States, forty-five (45) days prior to the Termination Date. Each Letter of Credit so issued, extended or renewed shall be subject to the Uniform Customs and Practice for Documentary Credits (1983 Revision), International Chamber of Commerce Publication No. 400 or any successor version thereto.

(d) Upon the reduction of the total Commitments to an amount less than the maximum Drawing Amount, the Borrower shall immediately pay to the Agent an amount equal to such difference.

(e) The amount of each drawing under any Letter of Credit issued by an Issuing Bank pursuant to this Agreement shall be deemed to be a Loan made by the Banks to the Borrower on the date of such drawing and shall be funded by the Banks in accordance with Sections 2.02 and 2.04.

(f) Each Bank (other than the Issuing Bank) and the Borrower hereby acknowledge that each Letter of Credit issued by the Issuing Bank pursuant to this Agreement is issued by the Issuing Bank on behalf of all of the Banks. Each Bank absolutely and irrevocably agrees, regardless of the existence or

continuance of an Event of Default or any other condition whatsoever, to reimburse the Issuing Bank in an amount equal to such Bank's Commitment Percentage of each drawing under any Letter of Credit made in accordance with paragraph (e) above and to be responsible for its Commitment Percentage of all liabilities incurred by the Issuing Bank in respect of each Letter of Credit opened or extended by the Issuing Bank for the account of the Borrower pursuant to this Agreement. The obligations of the Banks hereunder are several and the failure of any Bank to fulfill its obligations shall not result in any Bank becoming obligated to advance more than its Commitment percentage of the Loans hereunder.

(g) The Issuing Bank, upon receipt of any draft drawn under a Letter of Credit, shall promptly examine such draft and any accompanying certificate or other document in accordance with its customary procedures for conformity to the requirements of such Letter of Credit. In the event the Issuing Bank determines to pay such draft in accordance with the foregoing, the Issuing Bank shall promptly notify the Banks and the Agent and each Bank shall, as contemplated by paragraph (f) of this Section 2.03, provide to the Agent

for the account of the Issuing Bank in funds immediately available to the Issuing Bank, such Bank's Commitment Percentage of the funds necessary to pay such draft.

(h) The Borrower's obligations under this Section 2.03 to repay Loans in respect of drawings under the Letters of Credit as provided hereunder shall rank pari passu with the obligations of the Borrower to repay all other Loans, shall be absolute and unconditional under any and all circumstances and irrespective of the occurrence of any Event of Default or any condition precedent whatsoever or any setoff, counterclaim or defense to payment which the Borrower may have or have had against the Agent, the Issuing Bank, any other Bank or any beneficiary of a Letter of Credit. The Borrower further agrees with the Agent and the Banks that the Agent and the Banks shall not be responsible for, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among the Borrower, the beneficiary of any Letter of Credit or any financial institution or other party to which any Letter of Credit may be transferred or any claims or defenses whatsoever of the Borrower against the beneficiary of any Letter of Credit of any such transferee. The Agent and the Banks shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery or any message or advice, however transmitted, in connection with any Letter of Credit absent the Agent's and the Banks' gross negligence and willful misconduct. The Borrower agrees that any action taken or omitted by the Agent or any Issuing Bank under or in connection with each Letter of Credit and the related drafts and documents, absent the Agent's and the Banks' gross negligence and willful misconduct, shall be binding upon the Borrower and shall

not result in any liability on the part of the Agent or any Issuing Bank to the Borrower.

(i) To the extent not inconsistent with paragraph (h) above, the Issuing Bank shall be entitled to rely, and shall be fully protected in relying upon, any Letter of Credit, draft, writing, resolution, notice, consent certificate, affidavit, letter, cablegram, telegram, facsimile, telex or teletype message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel, independent accountants and other experts selected by the Issuing Bank. The Issuing Bank shall be fully indemnified by the Banks (exclusive of the Issuing Bank's pro rata share of such indemnification obligation) against any and all liability and expense (including any expense for which the Issuing Bank has not been reimbursed by the Borrower as required by Section 9.04) which may be incurred by it by reason of taking or failing to take any action absent the Issuing Bank's gross negligence or willful misconduct. The Issuing Bank shall in all cases be fully protected in

acting, or in refraining from acting, under this Agreement in accordance with a request of the Required Banks, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Banks.

(j) The Borrower shall, on the date of issuance or any extension or renewal of any Letters of Credit and at such other time or times as such charges are customarily made by the Issuing Bank, pay an upfront fee (in each case, a "Letters of Credit Fee") to the Agent in respect of each Letter of Credit so issued equal to 0.25% per annum for commercial letters of credit and 0.375% per annum during any Grade 1 Period (.625% per annum for any Grade 2 Period for the face amount of such Letters of Credit in excess of 50% of the aggregate amount of Commitment) for standby Letters of Credit of the face amount of such Letter of Credit, plus the Issuing Bank's issuance, amendment and other administrative fees and charges customarily charged to its customers similarly situated. Such Letter of Credit Fee (but not such customary issuance, amendment fee or other administrative fees and charges which shall be solely for the account of the Issuing bank) shall be for the accounts of the Banks in accordance with their respective Commitment Percentages. Such upfront fees shall be based on a 360 day year.

(k) Upon the occurrence of an Event of Default, the Borrower shall pay to the Agent on demand an amount equal to the Maximum Drawing Amount on all Letters of Credit, which amount shall be held in an interest bearing account by the Agent for the benefit of all the Banks and the Agent as cash collateral for all obligations related to such Letters of Credit.

SECTION 2.04. NOTICE TO BANKS; FUNDING OF LOANS.

(a) Upon receipt of a Notice of Borrowing, the Agent shall promptly notify each Bank of the contents thereof and of such Bank's share (if any) of such Borrowing and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) Not later than 2:00 P.M. (Chicago time) on the date of each Borrowing, each Bank participating therein shall (except as provided in subsection (c) of this Section) make available its share of such Borrowing, in Federal or other funds immediately available in Chicago to the Agent at its address specified in or pursuant to Section 9.01. Unless the Agent determines that any applicable condition specified in Article III has not been satisfied, the Agent will make the funds so received from the Banks available to the Borrower at an account to be designated by Borrower.

(c) Unless the Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Agent such Bank's share of such Borrowing, the Agent may assume that such Bank has made such share available to the Agent on the date of such Borrowing in accordance with subsections (b) and (c) of this Section 2.04 and the Agent may, in reliance upon such assumption, make available to the Borrower on

such date a corresponding amount. If and to the extent that such Bank shall not have so made such share available to the Agent, such Bank and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.07 and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan included in such Borrowing for purposes of this Agreement. In no event shall any payment by the Agent, or repayment by the Borrower, of any amount pursuant to this subsection (d) relieve the Bank that failed to make available its share of the related Borrowing of its obligations hereunder.

SECTION 2.05. NOTES.

(a) The Loans of each Bank shall be evidenced by a single Note payable to the order of such Bank for the account of its Applicable Lending Office in an amount equal to the aggregate unpaid principal amount of such Bank's Loans.

(b) Upon receipt of each Bank's Note pursuant to Section 3.01(vi), the Agent shall mail such Note to such Bank. Each Bank shall record the date, amount and maturity of each Loan made by it and the date and amount of each payment of principal made by the Borrower with respect thereto, and prior to any transfer of its Note shall endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding; provided that the failure of any Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Notes. Each Bank is hereby irrevocably authorized by the Borrower so to endorse its Note and to attach to and make a part of its Note a continuation of any such schedule as and when required.

SECTION 2.06. MATURITY OF LOANS.

Each Loan included in any Borrowing shall mature, and the principal amount thereof shall be due and payable, on the last day of the Interest Period applicable to such Borrowing.

SECTION 2.07. INTEREST RATES.

(a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due,

at a rate per annum equal to the Base Rate for such day. Such interest shall be payable for each Interest Period on the last day thereof. Any overdue principal of and, to the extent permitted by law, overdue interest on any Reference Rate Loan shall bear interest, payable on demand, for each day until paid at a rate (the "Default Rate") per annum equal to 2% above the Reference Rate.

(b) Each CD Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the CD Margin (as in effect on the first day of such-Interest Period) plus the applicable Adjusted CD Rate. Such interest shall be payable for each Interest Period on the last day thereof and if such Interest Period is longer than 90 days, at intervals of 90 days after the first day thereof. Any overdue principal of and, to the extent permitted by law, overdue interest on any CD Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the Default Rate.

"CD MARGIN" means 0.5% per annum during any Grade 1 Period and 0.75% per annum during any Grade 2 Period, provided, however, that such increased rate is applicable only on the incremental borrowings.

The "ADJUSTED CD RATE" means for any Interest Period for any CD Loan, an interest rate per annum equal at all times during such Interest Period to the sum of:

(1) the rate per annum obtained by dividing (x) the rate of interest determined by the Reference Bank to be the average (rounded upward, if necessary, to the nearest whole multiple of 1/16 of 1% per annum) of the bid rates per annum quoted to the Reference Bank in the secondary market at approximately 10:00 A.M. (Chicago, Illinois time), or as soon thereafter as practicable, on the first day of such Interest Period, by two Chicago certificate of deposit dealers of recognized standing selected by the Reference Bank for the purchase at face value of certificates of deposit issued by the Reference Bank in an amount approximately equal or comparable to such Loan and with a maturity approximately equal to such Interest Period, by (y) a percentage equal to 100% minus the Domestic Reserve Percentage (as defined below) for such Interest Period,

plus

(2) the CD Assessment Rate (as defined below) for such Interest Period.

The "CD BASE RATE" applicable to any Interest Period is the rate of interest determined by the Agent to be the average (rounded upward, if necessary, to the next higher 1/100 of one percent (1%)) of the prevailing

rates per annum bid at 10:00 A.M. (Chicago time) (or as soon thereafter as practicable) on the first day of such Interest Period by two or more Chicago certificate of deposit dealers of recognized standing for the purchase at face value from the Reference Bank of its certificates of deposit in an amount comparable to the unpaid principal amount of the CD Loan of the Reference Bank to which such Interest Period applies and having a maturity comparable to such Interest Period.

"DOMESTIC RESERVE PERCENTAGE" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including without limitation any basic, supplemental or emergency reserves) for a member bank of the Federal Reserve System in Chicago, Illinois with deposits exceeding five billion dollars in respect of new non-personal time deposits in dollars in Chicago, Illinois having a maturity comparable to the related Interest Period and in an amount of $100,000 or more. The Adjusted CD Rate shall be adjusted automatically on and as of the effective date of any change in the Domestic Reserve Percentage.

"CD ASSESSMENT RATE" means for any Interest Period the net annual assessment rate (rounded upwards, if necessary, to the next higher 1/100 of one percent (1%)) actually incurred by Continental Bank N.A. to the Federal Deposit Insurance Corporation (or any successor) for such Corporation's (or such successor's) insuring time deposits at offices of Continental Bank N.A. in the United States during the most recent period for which such rate has been determined prior to the commencement of such Interest Period.

(c) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the Euro-Dollar Margin (as in effect on the first day of such Interest Period) plus the applicable Interbank Offered Rate. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three (3) months, at intervals of three (3) months after the first day thereof.

"EURO-DOLLAR MARGIN" means 0.375% per annum during any Grade 1 Period and 0.625% per annum during any Grade 2 Period, provided however, that such increased rate is applicable only on the incremental borrowings.

The "INTERBANK OFFERED RATE" applicable to any Interest Period means the average (rounded upward, if necessary, to the next higher 1/16 of one percent (1%)) of the respective rates per annum at which deposits in dollars are offered by prime banks to the Reference Bank in the interbank Eurodollar market at approximately 10:00 A.M. (Chicago time) two Euro-Dollar Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of the Reference Bank to which such Interest Period is to apply and for a

period of time comparable to such Interest Period.

(d) Any overdue principal of and, to the extent permitted by law, overdue interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day from and including the date payment thereof was due to but excluding the date of actual payment, at a rate per annum equal to the sum of one percent (1%) plus the average (rounded upward, if necessary, to the next higher 1/16 of one percent (1%)) of the respective rates per annum at which one day (or, if such amount due remains unpaid more than three (3) Euro-Dollar Business Days, then for such other period of time not longer than three (3) months as the Agent may select) deposits in dollars in an amount approximately equal to such overdue payment due to the Reference Bank are offered to the Reference Bank in the interbank Eurodollar market for the applicable period determined as provided above (or, if the circumstances described in clause (a) or (b) of Section 8.01 shall exist, at a rate per annum equal to the sum of one percent (1%) plus the rate applicable to Base Rate Loans for such day).

(e) The Agent shall determine each interest rate applicable to the Loans hereunder. The Agent shall give prompt notice to the Borrower and the participating Banks by fax or cable of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

SECTION 2.08. FEES.

(a) Commitment Fee.

The Borrower shall pay to the Agent for the account of the Banks ratably in proportion to their Commitments a commitment fee at the rate of 0.15% per annum on the daily average amount by which the aggregate amount of the Commitments exceeds the aggregate outstanding principal amount of the Loans. Such commitment fee shall accrue for the account of each Bank and including the Effective Date to but excluding the Termination Date of such Bank.

(b) Participation Fee.

Upon the execution and delivery hereof, the Borrower shall pay to the Agent for the account of each Bank a one time participation fee at the rate of 0.06% of such Bank's commitment.

(c) Payments.

Accrued fees under this Section for the account of any Bank shall be payable quarterly in arrears on each September 30, December 31, March 31 and June 30 and upon the date of termination of such Bank's Commitments in their entirety (and, if later, the date the Loans of such Bank shall be

repaid in their entirety).

SECTION 2.09. OPTIONAL TERMINATION OR REDUCTION OF COMMITMENTS.

The Borrower may, upon at least three Domestic Business Day's notice to the Agent, (i) terminate the Commitments at any time, if no Loans are outstanding at such time or (ii) ratably reduce from time to time by an aggregate amount of $10,000,000 or any larger multiple of $1,000,000, the aggregate amount of the Commitments in excess of the aggregate outstanding principal amount of the Loans.

SECTION 2.10. MANDATORY TERMINATION OF COMMITMENTS.

(a) The Commitment of each Bank shall terminate on the Termination Date of such Bank, and any Loans of such Bank then outstanding (together with accrued interest thereon) shall be due and payable on such date.

SECTION 2.11. OPTIONAL PREPAYMENTS.

(a) The Borrower may, upon at least one Domestic Business Day's notice to the Agent, prepay any Reference Rate Borrowing or, upon at least two Domestic Business Days notice to the Agent, prepay any CD Borrowing or, upon at least three (3) Euro-Dollar Business Days' notice to the Agent, prepay any Euro-Dollar Borrowing in whole at any time, or from time to time in part in amounts aggregating $5,000,000 or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to but excluding the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Banks included in such Borrowing.

(b) Upon receipt of a notice of prepayment pursuant to this Section, the Agent shall promptly notify each Bank of the contents thereof and of such Bank's ratable share (if any) of such prepayment and such notice shall not thereafter be revocable by the Borrower.

SECTION 2.12. GENERAL PROVISIONS AS TO PAYMENTS.

(a) The Borrower shall make each payment of principal of, and interest on, the Loans and of fees hereunder, not later than 12:00 Noon (Chicago time) on the date when due, in Federal or other funds immediately available in Chicago, to the Agent at its address referred to in Section 9.01. The Agent will promptly distribute to each Bank its ratable share, if any, of each such payment received by the Agent for the account of the Banks. Whenever any payment of principal of, or interest on, the Domestic Loans or

of fees shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of, or interest on, the Euro-Dollar Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Borrower shall not have so made such payment, each Bank shall repay to the Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent, at the Federal Funds Rate.

SECTION 2.13. COMPUTATION OF INTEREST AND FEES.

All interest and fees shall be computed on the basis of a year of three hundred sixty (360) days and paid for the actual number of days elapsed (including the first day but excluding the last day).

SECTION 2.14. MAXIMUM INTEREST RATE.

(a) It is the intention of the parties hereto to comply strictly with all applicable usury laws regarding the contracting for, and the charging, payment and receipt of, interest (which shall, for purposes of this Section 2.15, be deemed to include, without limitation, any compensation received by any Bank for the use, forbearance or detention (as such terms are used in Tex. Rev. Civ. Stat. Ann. Art. 5069-1.01(a)) of the indebtedness incurred under this Agreement and evidenced by the Notes) whether such laws are now or hereafter in effect, including the laws of the United States of America or any other jurisdiction whose laws are applicable, and including any subsequent revisions to or judicial interpretations of those laws, in each case to the extent they are applicable to this Agreement and the Notes (the "Applicable Usury Laws").

(b) If any payment by the Borrower to any Bank hereunder (including any payment upon acceleration of the maturity of any Notes of such Bank) results or

would result in the Borrower paying to any Bank any interest in excess of the Maximum Amount, as defined in subsection (e) below, or if any transaction contemplated by or any provision of this Agreement, such Bank's Note or Notes or any other agreement or instrument (collectively, such Bank's "Loan Documents") would otherwise be usurious under any Applicable Usury Laws, then, notwithstanding anything to the contrary in such Bank's Loan Documents, the Borrower and such Bank agree as follows:

(i) the provisions of this Section 2.14 shall govern and control;

(ii) the aggregate amount of all interest that is contracted for, charged or received pursuant to such Bank's Loan Documents or otherwise shall under no circumstances exceed the Maximum Amount;

(iii) neither the Borrower nor any other Person shall be obligated to pay the amount of such interest to the extent that it would exceed the Maximum Amount; and

(iv) the provisions of such Bank's Loan Documents immediately shall be deemed reformed, without the necessity of the execution of any new document or instrument, so as to comply with all Applicable Usury Laws.

(c) If any payment by the Borrower under any Bank's Loan Documents (including any payment upon acceleration of the maturity of any Note) results in the Borrower actually having paid to such Bank any interest in excess of the Maximum Amount, then such excess amount shall be applied to the reduction of the principal balance of such Bank's Loans or to other amounts (other than interest) payable hereunder, and if no such principal is then outstanding, and no such other amount is then payable, such excess or part thereof remaining, shall be repaid to the Borrower.

(d) All interest paid, or agreed to be paid, pursuant to any Bank's Loan Documents shall, to the fullest extent permitted by Applicable Usury Laws, be amortized, prorated, allocated and spread throughout the full term of any indebtedness incurred under or evidenced by such Bank's Loan Documents so that the rate of interest paid under such Bank's Loan Documents does not exceed the Highest Lawful Rate in effect at any particular time during the full term thereof.

(e) As used herein, the term "Maximum Amount" means, with respect to any Bank, the maximum nonusurious amount of interest that may be lawfully contracted for, charged or received by such Bank in connection with the indebtedness incurred under or evidenced by such Bank's Loan Documents under all Applicable Usury Laws, and the term "Highest Lawful Rate" means, with respect to any Bank, the maximum rate of interest, if any, that may be charged the Borrower under all Applicable Usury Laws on the principal balance of the indebtedness incurred under or evidenced by such Bank's Loan

Documents from time to time outstanding.

(f) In the event that the rate of interest set forth in Section 2.07 on any Loan of any Bank (the "Stated Rate"), together with any fees or other amounts payable to such Bank deemed to constitute interest under Applicable Usury Laws ("Additional Interest"), exceeds the Highest Lawful Rate, then the amount of

interest payable to such Bank to accrue pursuant to such Bank's Loan Documents shall be limited, notwithstanding anything to the contrary in such Bank's Loan Documents, to the amount of interest that would accrue at the Highest Lawful Rate; provided that, to the fullest extent permitted by Applicable Usury Laws, any subsequent reductions in the Stated Rate shall not reduce the interest payable to such Bank to accrue pursuant to such Bank's Loan Documents below the Highest Lawful Rate until the aggregate amount of interest payable to such Bank actually accrued pursuant to such Bank's Loan Documents, together with all Additional Interest payable to such Bank, equals the amount of interest which would have accrued if the Stated Rate had at all times been in effect and such Additional Interest, if any, had been paid in full.

(g) In the event that, at maturity or upon payment in full of all amounts payable under any Bank's Loan Documents, the total amount of interest paid to any Bank or payable to such Bank and accrued under the terms of or evidenced by such Bank's Loan Documents is less than the total amount of interest which would have been paid to such Bank or accrued on the indebtedness incurred under or evidenced by such Bank's Loan Documents if the Stated Rate had, at all times, been in effect and all Additional Interest had been paid in full, then the Borrower shall, to the extent permitted by Applicable Usury Laws, pay to the Agent for the account of such Bank an amount equal to the difference between (a) the lesser of (i) the amount of interest payable to such Bank which would have accrued if the Highest Lawful Rate for such Bank had at all times been in effect or (ii) the amount of interest which would have accrued on the indebtedness incurred under or evidenced by such Bank's Loan Documents if the Stated Rate had at all times been in effect and all Additional Interest had been paid in full and (b) the amount of interest actually paid to such Bank or payable to such Bank and accrued under or evidenced by such Bank's Loan Documents.

SECTION 2.15. EXTENSION OF TERMINATION DATE.

(a) The Termination Date of each Bank may be extended, in the manner set forth in this Section 2.15, on June 30, 1994 and on the day following such date (an "Extension Date") for a period of 364 days after the date on which such Termination Date would otherwise have occurred. If the Borrower wishes to request an extension of the Termination Date of the Banks on any Extension

Date it shall give notice to that effect to the Agent not less than forty-five (45) nor more than sixty (60) days prior to such Extension Date, whereupon the Agent shall promptly notify each of the Banks of such request.

(b) Each Bank which desires to extend its Termination Date as requested by the Borrower may, at its option, so elect by notice to the Borrower and the Agent

within fifteen (15) days after receipt of such notice. Such notice shall be irrevocable. Any Bank which does not give such notice to the Borrower and the Agent shall be deemed to have elected not to extend its Termination Date as requested, and such Bank's Commitment shall terminate in accordance with Section 2.10 on its then Termination Date.

(c) The Borrower shall have the right, with the assistance of the Agent, to seek a mutually satisfactory substitute bank or banks (which may be one or more of the Banks) to purchase the Note at par and assume the Commitment of any Bank electing not to extend its Termination Date, all in accordance with Section 9.07(c).

SECTION 2.16. WITHHOLDING TAX EXEMPTION.

At least five (5) Domestic Business Days prior to the first date on which interest or fees are payable hereunder for the account of any Bank, each Bank that is not incorporated under the laws of the United States of America or a state thereof agrees that it will deliver to each of the Borrower and the Agent two duly completed copies of United States Internal Revenue Service Form 1001 or 4224, certifying in either case that such Bank is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes. Each Bank which so delivers a Form 1001 or 4224 further undertakes to deliver to each of the Borrower and the Agent two additional copies of such form (or a successor form) on or before the date that such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Borrower or the Agent, in each case certifying that such Bank is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Bank from duly completing and delivering any such form with respect to it and such Bank advises the Borrower and the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax. If any Bank notifies the Borrower that it is not capable of receiving payments without any deduction or withholding of United States federal income

tax, the Borrower shall commence making any deductions and withholding any amounts with respect to payments for the account of such Bank that are required by applicable law.

ARTICLE III

CONDITIONS

SECTION 3.01. EFFECTIVENESS.

This Agreement shall become effective on the date that each of the following conditions shall have been satisfied (or waived in accordance with Section 9.05):

(i) receipt by the Agent of certified copies of the Certificate of Organization and Regulations of the Borrower and the resolutions of the Owners Committee of the Borrower authorizing the transactions contemplated hereby and such other documents as the Agent or the Required Banks may reasonably request relating to the existence of the Borrower, the corporate authority for and the validity of this Agreement and the Notes, and any other matters relevant hereto, all in form and substance satisfactory to the Agent;

(ii) receipt by the Agent of a Certificate of Incumbency dated the Effective Date executed by the Secretary or an Assistant Secretary of the Borrower in substantially the form of Exhibit E hereto setting forth the name, title and specimen signature of each Authorized Officer or Authorized Representative of the Borrower (1) who has signed this Agreement on behalf of the Borrower, (2) who will sign the Notes on behalf of the Borrower or (3) who will, until replaced by another officer or representative duly authorized for that purpose, act as the representative of the Borrower for the purposes of signing documents and giving notices and other communications by the Borrower in connection with this Agreement and the transactions contemplated hereby;

(iii) receipt by the Agent of counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Agent in form satisfactory to it of telegraphic, telex or other written confirmation from such party of execution of a counterpart hereof by such party);

(iv) receipt by the Agent of an opinion of the General Counsel of the Borrower in substantially the form of Exhibit F hereto and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request;

(v) receipt by the Agent of a certificate signed by the Chief Executive Officer or Controller of the Borrower dated the Effective Date to the effect set forth in clauses (iii) and (iv) of Section 3.02; and

(vi) receipt by the Agent for the account of each Bank of a duly executed Note dated on or before the Effective Date, complying with the provisions of Section 2.05.

provided that this Agreement shall not become effective or be binding on any party hereto unless all of the foregoing conditions are satisfied not later than July 1 , 1993. The Agent shall promptly notify the Borrower and the Banks of the Effective Date, and such notice shall be conclusive and binding on all parties hereto.

SECTION 3.02. BORROWINGS.

The obligation of any Bank to make a Loan, including, without limitation, a Letter of Credit, on the occasion of any Borrowing hereunder is subject to the satisfaction of the following conditions:

(i) receipt by the Agent of a Notice of Borrowing as required by Section 2.02;

(ii) the fact that, immediately after such Borrowing, the aggregate outstanding principal amount of the Loans will not exceed the aggregate amount of the Commitments. For purposes of calculating the available amount of a Loan as at any date, all Loans requested but not yet advanced and the aggregate face amount of all Letters of Credit requested but not yet issued will be treated as advanced unless the Borrower has directed that the requested advance be disbursed to repay the Loans;

(iii) the fact that, immediately after such Borrowing, no Default shall have occurred and be continuing;

(iv) the fact that the representations and warranties of the Borrower contained in this Agreement shall be true on and as of the date of such Borrowing as if made on and as of such date (except in the case of a Refunding Borrowing, the representations and warranties set forth in clauses (c) and (d) of Section 4.01 as to any material-adverse change or litigation which has theretofore been disclosed in writing by the Borrower to the Banks);

Each Borrowing hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Borrowing as to the facts specified in clauses (ii), (iii) and (iv) of this Section.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. REPRESENTATIONS AND WARRANTIES OF THE BORROWER.

The Borrower represents and warrants to the Banks as follows:

(a) (1) The Borrower is

(i) a limited liability company duly organized, validly existing and in good standing under the laws of the State of Texas and

(ii) The Borrower is registered, qualified or licensed (or has applied for such registration, qualification or licensing) to do business and in good standing in each of the jurisdictions within the United States where ownership of its properties or the conduct of its business requires such registration, qualification or licensing and which currently permit registration, qualification or licensing of limited liability companies and has or will apply for registration, qualification or licensing to do business in each other jurisdiction within the United States where the ownership of its properties or the conduct of its business requires such registration, qualification or licensing as soon as such jurisdiction permits registration, qualification of or licensing for limited liability companies, except in all cases where the failure to be so registered, qualified or licensed would not have a material adverse effect on the business, operations, affairs, assets, condition (financial or otherwise) or results of operation of the Borrower considered as a whole.

(2) The Borrower has all power and authority, governmental permits, licenses, consents, authorizations, orders and approvals and other authorizations as are necessary to carry on its business substantially as presently conducted except for such governmental permits, licenses, consents, authorizations, orders and approvals and other authorizations as are held by Lyondell or any of Lyondell's subsidiaries or predecessors in interest, are non-transferable in accordance with their respective terms or require the consent of third parties (including governmental entities) to their transfer and as to which the Borrower and Lyondell believe that such third-party consents can be obtained or substitute permits, licenses, consents, authorizations, orders and approvals may be obtained by the Borrower in due course and without materially affecting the ability of the Borrower to carry on its business substantially as presently conducted in

the meantime. The Borrower is diligently seeking to obtain such third-party consents and such substitute permits, licenses, consents, authorizations, orders and approvals.

(3) The execution, delivery and performance by the Borrower of this Agreement and of the Notes, and Borrowings hereunder, are within its power and authority and have been duly authorized by all necessary proceedings.

(4) Neither such authorization nor the execution, delivery and performance by the Borrower of this Agreement or of the Notes, nor any Borrowing hereunder when made, will conflict with, result in a breach of or constitute a default under any of the terms, conditions or provisions of any law or any regulation, order, writ, injunction or decree of any court or governmental authority or of the Certificate of Organization or Regulations of the Borrower or result in the violation or contravention of, or the acceleration of any obligation under, or cause the creation of any Lien on any of the assets of the Borrower pursuant to the provisions of, any indenture, agreement or other instrument to which it is a party or by which it is bound.

(5) Assuming its due execution by the Banks and the Agent, this Agreement constitutes a legal, valid and binding agreement of the Borrower and the Notes, when duly executed on behalf of the Borrower and delivered in accordance with this Agreement, will constitute legal, valid and binding obligations of the Borrower.

(b) The pro forma balance sheet of the Borrower as of March 31, 1993 a copy of which has been delivered to each of the Banks, fairly present, in conformity with generally accepted accounting principles applied on a basis consistent with the financial statements referred to in paragraph (b) of this Section, the financial position of the Borrower as of such date (subject to normal year-end adjustments and not including footnotes or schedules required by generally accepted accounting principles).

(c) Except as disclosed in writing to the Banks, there has been no material adverse change since March 31, 1993 in the business, operations, assets or condition (financial or otherwise) of the Borrower, considered as a whole.

(d) Except as disclosed in writing to the Banks, there is no action, suit or proceeding pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower in any court or before or by any arbitrator, governmental department, agency or instrumentality, an adverse decision in which might materially and adversely affect the business, operations, affairs,

assets, condition (financial or otherwise) or results of operations of the Borrower considered as a whole or the ability of the Borrower to perform its obligations hereunder and under the Notes or which in any manner draws into question the validity of this Agreement or the Notes.

(e) No Default has occurred and is continuing.

(f) No consent, authorization, order or approval of (or filing or registration with) any governmental commission, board or other regulatory authority (other than routine reporting requirements) is required for the execution, delivery and performance by the Borrower of this Agreement or of the Notes.

(g) Each member of the Controlled Group has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Code, and has not incurred any liability to the PBGC or a Plan under Title IV of ERISA.

(h) Each of the Contribution Agreement and the Company Regulations is in full force and effect in accordance with its respective terms as originally executed except for any amendments, modifications or waivers which do not affect the Borrower in any material fashion, including without limitation (1) any amendments, modifications or waivers which do not, in the aggregate, materially reduce the rights of the Borrower thereunder against Lyondell or CITGO or materially increase the obligations of the Borrower thereunder to Lyondell or CITGO and (2) any other amendments, modifications or waivers to which the Required Banks have consented in writing. True and complete copies of all amendments, modifications and waivers referred to above have been delivered to the Agent for each of the Banks.

(i) The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or a "public-utility company" or a "holding company" within the meaning of the Public Utility Holding Company Act of 1935 or a "public utility" under the laws of the State of Texas.

(j) The Borrower has good and indefeasible fee simple title to or valid and enforceable leasehold interests in all of its real property, and good title to all of its other property and assets (which property, real or otherwise, is material to the businesses, operations, properties, assets or condition, financial or otherwise, of the Borrower, considered as a whole), and none of such property or assets is subject to any Lien, except as permitted by Section 5.03. Except as permitted in Section 5.03, there is not on file in any public office, and the Borrower has not signed any financing statement naming it as debtor. The

Borrower has not subordinated any of its rights under any obligation owing

to it the rights of any other Person. The Borrower has no subsidiary.

(k) All information heretofore furnished by or on behalf of the Borrower to the Agent or any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the Borrower to the Agent or any Bank will be, true, accurate and complete in every material respect or based on reasonable estimates on the date as of which such information is stated or certified.

(l) Except as set forth in Lyondell's Annual Report on Form 10-K for the year ended 1992 and any subsequent documents filed by Lyondell pursuant to the Securities Exchange Act of 1934, there does not exist any violation by the Borrower of any law, rule, regulation or order of any government or government agency relating to the Environmental Matters which will or threatens to impose a liability on the Borrower or which will require an expenditure by the Borrower to cure such violation, which liability or expenditure would be material to the Borrower.

ARTICLE V

COVENANTS

The Borrower agrees that, so long as any Bank has any Commitment hereunder or any amount payable under any Note remains unpaid:

SECTION 5.01. CERTAIN INFORMATION TO BE FURNISHED BY THE BORROWER. The Borrower will deliver to each Bank:

(a) as soon as available and in any event within one hundred twenty (120) days after the end of each of its fiscal years, the balance sheet of the Borrower as of the end of such fiscal year and the related statements of income, stockholder's equity and cash flows for such year, setting forth in each case in comparative form the figures for the previous fiscal year, prepared in accordance with generally accepted accounting principles consistently applied and so certified by a nationally recognized firm of independent certified public accountants;

(b) as soon as available and in any event within sixty (60) days after the end of each of the first three quarters of each of its fiscal years, the balance sheet of the Borrower as of the end of such fiscal quarter, the related statement of income for such fiscal quarter and for the portion of the fiscal year ended with such quarter and the related statement of cash flows for the portion of the

fiscal year ended with such quarter, setting forth in each case in comparative form the figures for the corresponding quarter and the corresponding portion of the Borrower's previous fiscal year, all

certified (subject to normal year-end adjustments and not including footnotes or schedules required by generally accepted accounting principles) as to fairness of presentation, generally accepted accounting principles and consistency by the chief financial officer or the chief accounting officer of the Borrower;

(c) simultaneously with the delivery of the financial statements referred to in clause (a) and (b) above, a certificate of the Borrower signed by an Authorized Officer of the Borrower stating whether there exists on the date of such certificate any Default, and, if any such Default then exists, specifying the nature and period of existence thereof and the action the Borrower is taking and proposes to take with respect thereto;

(d) forthwith, if at any time any officer of the Borrower shall obtain knowledge of any Default, a certificate of an Authorized Officer specifying the nature and period of existence thereof and the action the Borrower is taking and proposes to take with respect thereto;

(e) if and when any member of the Controlled Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA, a copy of such notice; or (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate or appoint a trustee to administer any Plan, a copy of such notice;

(f) in the event of any damage, loss or casualty to or destruction of any portion of any facility of the Borrower, the Borrower shall give prompt notice thereof to the Banks, specifying the nature and extent of such damage, loss, casualty or destruction and whether such damage, loss, casualty or destruction, in the reasonable judgment of the Borrower, materially adversely affects the production capacity of such facility or the economic value of such facility; provided that the Borrower shall have no obligation to deliver such notice if the damage to the facility in the good faith judgment of the Borrower will not cost in excess of $25,000,000 to rebuild, replace or restore or if such damage does not materially adversely affect such production capacity or the economic value of the facility;

(g) in the event of any total or partial shutdown of any production or storage facility of the Borrower or any Subsidiary in connection with any Environmental Matter, the Borrower shall give prompt notice thereof to the Banks, specifying the reason for such shutdown; provided that the Borrower shall have no obligation to deliver such notice if in the good faith

judgment of the Borrower such shutdown will not result in a reduction of consolidated net income of $25,000,000 or more over the remaining period of this Agreement; and

(h) from time to time such further information regarding compliance with this Agreement or the business, operations, assets, condition (financial or otherwise), material change or results of operations of the Borrower as the Agent, at the request of any Bank, may reasonably request.

SECTION 5.02. MAINTENANCE OF PROPERTY; INSURANCE.

(a) The Borrower will keep all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted.

(b) The Borrower will maintain insurance to the extent available to the Borrower on commercially reasonable terms and will furnish to the Banks, upon request from the Agent, information presented in reasonable detail as to the insurance so carried.

SECTION 5.03. LIMITATION ON LIENS.

Nothing in this Agreement shall in any way restrict or prevent the Borrower from incurring any Debt; provided that neither the Borrower will issue, assume or guarantee any Debt secured by any Lien or grant any Lien to secure any such Debt without effectively providing that all of the Notes (together with, if the Borrower so determines, any other Debt then existing and any other Debt thereafter created ranking equally with the Notes) shall be secured equally and ratably with (or prior to) such Debt so long as such Debt shall be so secured. To the extent the following Liens would otherwise be prohibited by the foregoing provisions, the foregoing provisions shall not apply to:

(a) Liens on any property of a corporation existing at the time it becomes a Subsidiary or at the time it is merged into or consolidated with the Borrower or a Subsidiary and not created in contemplation of such event;

(b) Liens on any property (i) existing at the time of acquisition thereof and not created in contemplation of such event or (ii) incurred to secure payment of all or part of the purchase price thereof or (iii) incurred to secure Debt incurred

prior to, at the time of or within ninety (90) days after acquisition thereof for the purpose of financing all or part of the purchase price thereof;

(c) Liens on property of the Borrower existing on the date hereof and listed on Schedule I hereto;

(d) Liens (i) on any improvement in connection with such improvement to be made on the properties of the Borrower, or (ii) on the real properties of the Borrower in connection with construction to be done on such real properties (but only on the real properties upon which such construction occurs), and in connection with the acquisition of real property by the Borrower (but only on the real property so acquired), after the date hereof, securing Debt incurred or assumed either

(i) at the time of or within twenty-four (24) months after commencement of improvement or construction or

(ii) within ninety (90) days after completion of improvement or construction of such plant in a principal amount not exceeding the cost of such improvement or construction and the cost of acquisition of such plant and such real estate;

(e) Liens which secure only Debt owing by a Subsidiary to the Borrower or another Subsidiary;

(f) Liens in favor of the United States of America or any state thereof or any department, agency, instrumentality or political subdivision of any such jurisdiction to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any Debt incurred for the purpose of financing all or any part of the purchase price or cost of constructing or improving the property subject to such Lien, including, without limitation, Liens to secure Debt of the pollution control or industrial revenue bond type;

(g) Liens required by any contract or statute in order to permit the Borrower or a Subsidiary to perform any contract or subcontract made by it with or at the request of the United States of America, any state or any department, agency or instrumentality or political subdivision of either; or

(h) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien referred to in the foregoing clauses (a) to (g) inclusive or of any Debt secured thereby, provided that the principal amount of Debt secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement Lien shall be limited to all or part

of substantially the same property which secured the Lien extended, renewed or replaced (plus improvements on such property); provided that the Borrower may issue, assume or guarantee Debt secured by Liens which would otherwise be subject to the foregoing restrictions or grant any such Lien to secure any such Debt in an aggregate principal amount which, together

with the aggregate outstanding principal amount of all Debt of the Borrower which would otherwise be subject to the foregoing restrictions (not including Debt permitted to be secured under clauses (a) to (h) inclusive above) does not at any one time exceed the greater of $50,000,000 or ten percent (10%) of net tangible assets of the Borrower.

SECTION 5.04. CONSOLIDATION, MERGER.

(a) Nothing contained in this Agreement shall prevent any consolidation or merger of the Borrower with or into any other limited liability company or other organization (whether or not affiliated with the Borrower), or successive consolidations or mergers in which the Borrower or its successor or successors shall be a party or parties, or shall prevent any sale or conveyance of all or substantially all the property of the Borrower, to any other Person (whether or not affiliated with the Borrower) authorized to acquire and operate the same; provided, however, that upon any such consolidation, merger, sale or conveyance, other than a consolidation or merger in which the Borrower is the continuing organization, the due and punctual payment of the principal of and interest on all of the Notes, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of this Agreement, shall be expressly assumed by instrument satisfactory to the Required Banks and executed and delivered to the Agent by the organization (if other than the Borrower) (i) formed by such consolidation or into which the Borrower shall have been merged or by the Person which shall have acquired such property and (ii) satisfactory to the Required Banks; and provided further that no Default shall exist hereunder after giving effect to such consolidation, merger or sale of assets.

(b) If, upon any consolidation or merger of the Borrower with or into any other organization, or upon the sale or conveyance of all or substantially all the property of the Borrower to any other Person, any of the property of the Borrower would thereupon become subject to any Lien, the Borrower, prior to or simultaneously with such consolidation, merger, sale or conveyance, will secure the Notes and all other obligations of the Borrower under this Agreement equally and ratably with any other obligations of the Borrower then entitled thereto, by a direct Lien on all such property prior to all Liens other than any theretofore existing thereon.

SECTION 5.05. USE OF PROCEEDS.

The proceeds of the Loans made under this Agreement will be used by the Borrower for general corporate purposes. None of such proceeds will be used in violation of Regulation U, Regulation X, Regulation G or of any similar laws or regulations.

SECTION 5.06. COMPLIANCE WITH LAWS.

The Borrower will comply in all material respects with all applicable laws, ordinances, rules, regulations, and requirements to governmental authorities (including, without limitation, ERISA and the rules and regulations thereunder, and relating to the Environmental Matters) except where the necessity of compliance therewith is contested in good faith by appropriate proceedings.

SECTION 5.07. NO MATERIAL CHANGE.

The Borrower shall not amend, supplement, waive or modify the Crude Supply Agreement in any way which would result in a material change of terms set forth in the Crude Supply Agreement as in effect as of the date hereof, without written consent of the Required Banks.

ARTICLE VI

DEFAULTS

SECTION 6.01. DEFAULTS.

If one or more of the following events (herein called "Events of Default") shall occur and be continuing:

(a) the Borrower shall default in the payment when due of any principal of any Loan or shall default in the payment within five (5) days of the due date thereof of any interest on any Loan or any other amount payable hereunder;

(b) the Borrower shall fail to perform or observe any covenant or agreement to be performed by it contained in Sections 5.03 and 5.04;

(c) the Borrower shall fail to perform or observe any covenant or agreement to be performed by it contained in this Agreement (other than those covered by

clause (a) or (b) above) for thirty (30) days after written notice of such failure is given to the Borrower by the Agent at the request of any Bank;

(d) the Borrower shall have made, or be deemed to have made pursuant to Section 3.02, any representation or warranty in this Agreement, or in any certificate, financial statement or other document delivered pursuant hereto, which shall prove to have been incorrect in any material respect when so made or deemed to have been made;

(e) an amendment or modification to the Company Regulations shall have been adopted that affects the Borrower in any material fashion, including any

amendment or modification that materially changes the ownership of the Borrower as in effect as of the date hereof, other than the changes in the Owners' Participation Percentages (as defined in the Company Regulations) as contemplated by the Company Regulations. reduces the rights of the Borrower thereunder against Lyondell or CITGO or materially increases the obligations of the Borrower thereunder to Lyondell or CITGO and such amendment or modification shall not have been consented to in writing by the Required Banks;

(f) the Borrower or any Subsidiary shall fail to pay any indebtedness for borrowed money (other than the Loans) payable or guaranteed by it, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such indebtedness or guarantee; provided that the aggregate amount of such indebtedness or guarantee, including any interest or premium thereon, shall exceed $20,000,000;

(g) the Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing, or shall admit in writing its inability to pay its debts as they become due;

(h) an involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian

or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws as now or hereafter in effect;

(i) any member of the Controlled Group shall fail to pay when due an amount or amounts aggregating in excess of $25,000,000 which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Vested Liabilities in excess of $25,000,000 (collectively, a "Material Plan")

shall be filed under Title IV of ERISA by any member of the Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against any member of the Controlled Group to enforce Section 515 of ERISA and such proceeding shall not have been dismissed within thirty (30) days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated;

(j) a final, non-appealable judgment or order for the payment of money in excess of $25,000,000 shall be rendered against the Borrower and such judgment or order shall continue unsatisfied for a period of thirty (30) days; or

(k) A default shall have occurred and shall be continuing under either the Company Regulations or the Crude Supply Agreement

then, and in every such event, the Agent shall (i) if requested by Banks having more than fifty percent (50%) in aggregate amount of the Commitments, by notice to the Borrower terminate the Commitments, and they shall thereupon terminate, and (ii) if requested by Banks holding Notes evidencing more than fifty percent (50%) in aggregate principal amount of the Loans, by notice to the Borrower declare the full unpaid principal of and accrued interest on the Loans and the Notes and all other amounts payable hereunder to be immediately due and payable, whereupon the Commitments shall terminate and the Loans and the Notes and such other amounts shall be immediately due and payable, without further notice, presentment, demand, protest or other formality of any kind, all of which are hereby expressly waived by the Borrower; provided that in the case of the occurrence of an event referred to in clause (f) or (g) above, the Commitments shall automatically terminate and the full unpaid principal of and accrued interest on the Loans and the Notes and all other amounts payable hereunder shall automatically become immediately due and payable, without notice, presentment, demand, protest or other formality of any kind, all of which are hereby expressly waived by the Borrower.

SECTION 6.02. NOTICE OF DEFAULT.

The Agent shall give notice to the Borrower under Section 6.01(c) promptly upon being requested to do so by any Bank and shall thereupon notify all the Banks thereof.

ARTICLE VII

SECTION 7.01. APPOINTMENT AND AUTHORIZATION.

Each Bank irrevocably appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Notes as are delegated to the Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto.

SECTION 7.02. AGENT AND AFFILIATES.

Continental Bank National Association shall have the same rights and powers under this Agreement as any other Bank and may exercise or refrain from exercising the same as though it were not the Agent, and Continental Bank N. A. and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Subsidiary or any affiliate thereof as if it were not the Agent hereunder.

SECTION 7.03. ACTION BY AGENT.

(a) The obligations of the Agent hereunder are only those expressly set forth herein. Without limiting the generality of the foregoing, the Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article VI.

SECTION 7.04. CONSULTATION WITH EXPERTS.

The Agent may consult with legal counsel (who may be counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

SECTION 7.05. LIABILITY OF AGENT.

Neither the Agent nor any of its directors, officers, agents or employees shall be liable to any Bank for any action taken or not taken by it in connection herewith

(i) with the consent or at the request of the Required Banks or

(ii) in the absence of its own gross negligence or willful misconduct. Neither the Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation

made in connection with this Agreement or any Borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of any Borrower; (iii) the satisfaction of any condition specified in Article III, except receipt of items required to be delivered to the Agent; or (iv) the validity, effectiveness or genuineness of this Agreement, the Notes or any other instrument or writing furnished in connection herewith. The Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, telex or similar writing) reasonably believed by it to be genuine or to be signed by the proper party or parties.

SECTION 7.06. INDEMNIFICATION.

Each Bank shall, ratably in accordance with its Commitment, indemnify the Agent (to the extent not reimbursed by the Borrower) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from the Agent's gross negligence or willful misconduct) that the Agent may suffer or incur in connection with this Agreement or any action taken or omitted by the Agent hereunder.

SECTION 7.07. CREDIT DECISION.

Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

SECTION 7.08. SUCCESSOR AGENT.

The Agent may resign at any time by giving written notice thereof to the Banks and the Borrower, with such resignation to be effective upon the acceptance by a successor Agent of its appointment as agent hereunder, as set forth below. Upon any such resignation, the Required Banks shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within (thirty) 30 days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a Bank or a commercial bank organized under the laws of the United States of America or of any state thereof and having a combined capital and surplus of at least $50,000,000. Upon the acceptance of its appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring

Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent.

ARTICLE VIII

CHANGE IN CIRCUMSTANCES

SECTION 8.01. ILLEGALITY.

If, after the Effective Date, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Bank (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Bank shall so notify the Agent, the Agent shall forthwith give notice thereof to the other Banks and the Borrower whereupon until such Bank notifies the Borrower and the Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Loans shall be suspended. Before giving any notice to the Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such Bank shall determine that it may not lawfully continue to maintain and fund any of its outstanding Euro-Dollar Loans to maturity and shall so specify in such notice, the Borrower shall immediately prepay in full the then outstanding principal amount of each such affected

Euro-Dollar Loan, together with accrued interest thereon. Concurrently with prepaying each such affected Euro-Dollar Loan, the Borrower shall borrow a Reference Rate Loan (or, if the Borrower so elects by at least one Domestic Business Day's notice to the Agent and such Bank the Borrower shall borrow a CD Loan), from such Bank in a principal amount equal to the principal amount of such affected Euro-Dollar Loan for an Interest Period coincident with the remaining term of the Interest Period applicable to such affected Euro-Dollar Loan of the Borrower, and such Bank shall make such a Reference Rate Loan.

SECTION 8.02. INCREASED COST AND REDUCED RETURN.

(a) If on or after the Effective Date, in the case of any Committed Loan or any obligation to make Committed Loans the adoption of any applicable law, rule or regulation, or any change therein, or any change in the

interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Parent or Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

> shall impose, modify or deem applicable any reserve, special deposit, deposit insurance assessment or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding (A) with respect to any CD Loan any such requirement included in an applicable Domestic Reserve Percentage and (B) with respect to any Euro-Dollar Loan any such requirement with respect to which such Bank is entitled to compensation during the relevant Interest Period under Section 8.04) against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Applicable Lending Office);

and the result of any of the foregoing is to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending Office) under this Agreement or under its Notes with respect thereto, by an amount deemed by such Bank to be material, then, within fifteen (15) days after demand by such Bank (with a copy to the Agent), the Borrower shall pay to such Bank (without duplication of amounts otherwise payable hereunder) such additional amount or amounts as will compensate such Bank for such increased cost or reduction with respect to such affected sum.

(b) If any Bank shall have reasonably determined that the adoption of any applicable law, rule or regulation regarding capital adequacy or any change therein, or any change in the interpretation or administration thereof by any governmental

authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Parent or Applicable Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or has had the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of such Bank's obligations hereunder to a level below that which such Bank or its Parent could have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within fifteen (15) days after demand by such Bank (with a copy to the Agent), the Borrower shall pay to such Bank (without duplication of amounts otherwise payable hereunder) such additional amount or amounts as will compensate such Bank or its Parent for such reduction.

(c) Each Bank will promptly notify the Borrower and the Agent of any event of

which it has knowledge, occurring after the Effective Date, which will entitle such Bank to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section, setting forth the additional amount or amounts to be paid to it hereunder and setting forth in reasonable detail the basis for such compensation shall be conclusive in the absence of manifest error, and the amount set forth therein shall be payable by Borrower within five (5) days after receipt of such certificate. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

(d) In the event a Bank shall incur any loss or expense (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to make, continue or maintain any portion of the principal amount of any Loan as, or to convert any portion of the principal amount of any Loan into, a CD Loan or Euro-Dollar Loan) as a result of

(1) any conversion or repayment or prepayment of the principal amount of any CD Loan or Euro-Dollar Loan on a date other than the scheduled last day of the Interest Period applicable thereto;

(2) any Loans not being made as CD Loans or Euro-Dollar Loans in accordance with any request therefor; or

(3) any Loans not being continued as, or converted into, CD Loans or Euro-Dollar Loans in accordance with the notice therefor,

then, upon the written notice of such Bank to the Borrower, the Borrower shall, within five days of its receipt thereof, pay to such Bank such amount as will (in its reasonable determination) reimburse such Bank for such loss or expense. Such written notice (which shall include calculations in reasonable detail) shall, in the absence of manifest error, be conclusive and binding on the Borrower.

(e) If a Bank shall have determined that

(1) U.S. dollar certificates of deposit or U.S. dollar deposits, as the case may be, in the relevant amount and for the relevant Interest Period are not available to such Bank in its relevant market; or

(2) by reason of circumstances affecting such Bank's relevant market, adequate means do not exist for ascertaining the interest rate applicable hereunder to CD Loans or Euro-Dollar Loans of such type,

then, upon notice from such Bank to the Borrower, such Bank's obligations

under this Agreement to make or continue any Loans as, or to convert any Loans into, CD Loans or Euro-Dollar Loans of such type shall forthwith be suspended until such Bank shall notify the Borrower that the circumstances causing such suspension no longer exist.

SECTION 8.03. SUBSTITUTE LOANS.

If (i) the obligation of any Bank to make Euro-Dollar Loans has been suspended pursuant to Section 8.01 or (ii) any Bank has demanded compensation under Section 8.02(a) and the Borrower shall, by at least five (5) Euro-Dollar Business Days' prior notice to such Bank through the Agent, have elected that the provisions of this Section shall apply to such Bank, then, unless and until such Bank notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(a) all Loans which would otherwise be made by such Bank as CD Loans or Euro-Dollar Loans, as the case may be, shall be made instead as Reference Rate Loans.

SECTION 8.04. REGULATION D COMPENSATION.

Each Bank may require the Borrower to pay, contemporaneously with each payment of interest on Euro-Dollar Borrowings, additional interest on the related Euro-Dollar Loan of such Bank at a rate per annum equal to the excess of (i) (A) the applicable London Interbank Offered Rate divided by (B) one minus the Euro-Dollar Reserve

Percentage over (ii) the rate specified in clause (i)(A). Any Bank electing to require payment of such additional interest shall so notify the Borrower and the Agent, at least five (5) Euro-Dollar Business Days prior to each date on which interest is payable on the Euro-Dollar Loans of the amount then due it under this Section.

SECTION 8.05. SUBSTITUTION OF BANK.

If (i) the obligation of any Bank to make Euro-Dollar Loans has been suspended pursuant to 8.01 or (ii) any Bank has demanded compensation under Section 8.02 or 8.04, the Borrower shall have the right, with the assistance of the Agent, to seek a mutually satisfactory substitute bank or banks (which may be one or more of the Banks) to purchase the Notes for cash without recourse to such Bank and assume the Commitment of such Bank. Any such purchase shall be at par, shall be without prejudice to the Borrower's obligations under Section 9.04 and shall release such Bank from all further obligations under this Agreement.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. NOTICES.

(a) All notices and other communications provided for herein shall be in writing (including bank wire, telecopy, or similar writing) and shall be given to the intended recipient at the "Address for Notices" specified, if the intended recipient is the Borrower or the Agent, below its name on the signature pages hereof or, if the intended recipient is a Bank, in such Bank's Administrative Questionnaire, or, as to any party, at such other address as shall be designated by such party in a notice to the Borrower and the Agent. All notices and other communications shall be effective

(i) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid,

(ii) if given by telecopier, upon confirmation that the telecopied document has been received by the individual to whom it was addressed, or

(iii) if given by any other means, when delivered at the address specified in this Section; provided that notices to the Agent under Article II or VIII hereof shall not be effective until received and notices to the Borrower under Section 6.01 shall not be effective until such notice is delivered.

(b) All notices given to the Borrower shall also be given to LYONDELL at the address below and to CITGO at the address below:

to LYONDELL:

Lyondell Petrochemical Company
1221 McKinney, Suite 1600
One Houston Center
Houston, Texas 77010
Attention: Treasurer

to CITGO:

CITGO Petroleum Corporation
One Warren Place
6100 S. Yale
Tulsa, Oklahoma 74136
Attention: Treasurer

SECTION 9.02. NO WAIVER.

No failure on the part of the Agent or any Bank to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement or any Note shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement or any Note preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

SECTION 9.03. GOVERNING LAW.

THIS AGREEMENT, THE NOTES AND THE REQUESTS, INVITATIONS AND OFFERS PROVIDED FOR HEREIN SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF ILLINOIS.

SECTION 9.04. EXPENSES; DOCUMENTARY TAXES; INDEMNIFICATION.

(a) The Borrower shall pay, within thirty (30) days after receipt of a reasonably detailed statement setting forth the amount and nature thereof, (i) all out-of-pocket expenses of the Agent, including the reasonable fees and disbursements of special counsel for the Agent, in connection with the preparation of this

Agreement, any waiver or consent hereunder or any amendment hereof or any Default or alleged Default hereunder and (ii) if an Event of Default occur, all out-of-pocket expenses incurred by the Agent or any Bank, including reasonable fees and disbursements of counsel, in connection with such Event of Default and collection and other enforcement proceedings resulting therefrom. The Borrower shall indemnify each Bank against any transfer taxes, documentary taxes, assessments or charges made by any governmental authority by reason of the execution and delivery of this Agreement or the Notes.

(b) The Borrower agrees to indemnify each Bank and the Agent and hold each Bank and the Agent harmless from and against any and all liabilities (including without limitation, environmental liabilities), losses, damages, costs and expenses of any kind (including, without limitation, the reasonable fees and disbursements of counsel for any Bank and the Agent in connection with any investigative, administrative or judicial proceeding, whether or not such Bank or the Agent shall be designated a party thereto) which may be incurred by any Bank, or by the Agent in connection with its actions as Agent hereunder, relating to or arising out of Article VI or VII of this Agreement or any actual or proposed use of proceeds of Loans hereunder; provided that neither any Bank nor the Agent shall have the right to be indemnified hereunder for its own gross negligence or willful misconduct as determined

by a court of competent jurisdiction.

SECTION 9.05. AMENDMENTS, ETC.

Any provision of this Agreement or the Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Banks (and, if the rights or duties of the Agent are affected thereby, by the Agent); provided that no such amendment, waiver or modification shall, unless signed by all the Banks,

(i) increase or decrease the Commitment of any Bank or subject any Bank to any additional obligation (except for increases to the Commitment of any Bank pursuant to Section 8.05 to which such Bank has agreed in writing),

(ii) reduce the principal of or rate of interest on any Loan or any fees hereunder,

(iii) postpone the date fixed for any payment of principal of or interest on any Loan or any fees hereunder or for any reduction or termination of any Commitment,

(iv) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Section or any other provision of this Agreement or

(v) amend or waive any provision of Section 3.01 or Section 9.05.

SECTION 9.06. COUNTERPARTS; INTEGRATION.

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

SECTION 9.07. SUCCESSORS AND ASSIGNS.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of all Banks, except as set forth in Section 5.04(a).

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its Commitment or any or all of its Loans. In the event of any such grant by a Bank of a participating interest to a Participant, whether or not upon notice to the Borrower and the Agent, such Bank shall remain responsible for the performance of its obligations hereunder, and the Borrower and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in clause (i), (ii), (iii) or (iv) of Section 9.05 without the consent of the Participant. The Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.11 and 9.04 and Article VIII with respect to its participating interest; provided that all amounts payable to a Bank for the account of a Participant under Sections 2.11

and 9.04 and Article VIII shall be determined as if such Bank had not granted such participation to the Participant. An assignment or other transfer which is not permitted by subsection (c) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) Any Bank may upon 5 days notice by the Agent and the Borrower at any time assign to one or more banks or other institutions (each an "Assignee") all, or a part of all(a minimum of $5,000,000, in multiples of $1,000,000) of its rights and obligations under this Agreement and the Notes, and such Assignee shall assume such rights and obligations, pursuant to an instrument substantially in the form of Exhibit B attached hereto, executed by such Assignee and such transferor Bank, with (and subject to) the subscribed consent of the Borrower and the Agent, which consent shall not be unreasonably withheld; provided that if an Assignee is an affiliate of such transferor Bank, no such consent shall be required. Upon execution by the transferor Bank, the Borrower, the Assignee and the Agent, and delivery of, such an instrument and payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such transferor Bank and such Assignee, such Assignee shall be a Bank party to this Agreement and shall have all the rights and obligations of a Bank with a Commitment as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder to the extent of such assignment, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor Bank, the Agent and the Borrower shall make appropriate

arrangements so that, if required, new Notes are issued to the Assignee. Prior to the issuance of any such new Note, the Assignee to which such Note is issued shall pay to the Agent a fee of $2,500.

(d) No Assignee or other transferee of any Bank's rights shall be entitled to receive any greater payment under Section 8.02 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Borrower's prior written consent or by reason of the provisions of Section 8.01 or 8.02 requiring such Bank to designate a different Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exit.

SECTION 9.08. SURVIVAL.

The obligation of the Borrower under Article VIII and Section 9.04 shall survive the repayment of the Loans and the termination of the Commitments.

SECTION 9.09. ACKNOWLEDGEMENT.

The Borrower acknowledges that the Banks have entered into this Agreement in reliance on the Borrower's assurance that the Borrower does not intend to use the proceeds of any Borrowings hereunder in a manner which would violate any applicable law or governmental rule or regulation.

SECTION 9.10. HEADINGS.

The Table of Contents and Article and Section headings used herein shall not affect the interpretation of any provision of this Agreement.

SECTION 9.11. SHARING OF SETOFFS.

Each Bank agrees that, if it shall, by exercising any right of setoff or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Note held by it which is greater than the proportion received by any other Bank in respect of the aggregate amount of principal and interest due with respect to any Note held by such other Bank (other than disproportionate payments to any Bank provided for by this Agreement), the Bank receiving such proportionately greater payment shall purchase such participation in the Notes held by the other Banks, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Notes held by the Banks shall be shared by the Banks pro rata; provided that nothing in this Section shall impair the right of any Bank to exercise any right of setoff or counterclaim it may have and to apply the amount recovered thereby to the payment of indebtedness of the Borrower other than its indebtedness under the Notes. If under any

applicable bankruptcy, insolvency or other similar law, any Bank receives a secured claim in lieu of a setoff to which this Section applies, such Bank shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Banks entitled under this Section to share in the benefits of any recovery on such secured claim. The Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any Bank which is a holder of a participation in a Note, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of setoff or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Borrower in the amount of such participation.

SECTION 9.12. COLLATERAL.

Each of the Banks represents to the Agent and each of the other Banks that it in good faith is not relying upon any "margin stock" (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for in this Agreement.

SECTION 9.13. CONSENT TO JURISDICTION.

(A) THE BORROWER IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY FEDERAL OR ILLINOIS STATE COURT OVER ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY NOTE. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH COURT AND ANY CLAIM THAT ANY SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. THE BORROWER AGREES THAT A FINAL, NONAPPEALABLE JUDGMENT IN ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT SHALL BE CONCLUSIVE AND BINDING UPON THE BORROWER AND MAY BE ENFORCED IN ANY FEDERAL OR ILLINOIS STATE COURT (OR ANY OTHER COURTS TO THE JURISDICTION OP WHICH THE BORROWER IS OR MAY BE SUBJECT) BY A SUIT UPON SUCH JUDGMENT, PROVIDED THAT SERVICE OF PROCESS IS EFFECTED UPON THE BORROWER IN ONE OP THE MANNERS SPECIFIED IN SUBSECTION (B) OF THIS SECTION OR AS OTHERWISE PERMITTED BY LAW.

(B) IN LIGHT OF THE EXPRESS INTENT OF THE PARTIES TO SUBMIT TO THE JURISDICTION OF ILLINOIS COURTS FOR THE RESOLUTION OF ANY AND ALL DISPUTES ARISING UNDER THIS AGREEMENT, THE PARTIES FURTHER HEREBY WAIVE ANY AND ALL AFFIRMATIVE DEFENSES THEY COULD OR MIGHT OTHERWISE BE ABLE TO ASSERT BASED ON AN ALLEGED INCAPACITY OF THE BORROWER (SOLELY BASED ON CERTAIN STATUTORY PROVISIONS OF ILLINOIS LAW) TO ASSERT A CLAIM OR COUNTER-CLAIM IN EITHER THE FEDERAL OR STATE COURTS OF THE STATE OF ILLINOIS. THE AFFIRMATIVE DEFENSES AND MOTIONS HEREBY WAIVED INCLUDE BUT ARE NOT LIMITED TO OBJECTIONS TO SUIT PURSUANT TO THE ILLINOIS BUSINESS CORPORATION ACT SECTION 13.70, AS AMENDED, AND ANY SIMILAR ILLINOIS PARTNERSHIP LAW STATUTE. THE PARTIES WAIVE ALL AFFIRMATIVE

DEFENSES AND DEFENSIVE MOTIONS PREDICATED ON,, THE FOREGOING STATUTORY PROVISIONS WITH FULL KNOWLEDGE OF THEIR RIGHTS, IF ANY, UNDER THOSE PROVISIONS. IT IS THE EXPRESS AND KNOWING INTENTION OF THE PARTIES TO WAIVE THE RIGHT TO ASSERT AS

AN AFFIRMATIVE DEFENSE THE LEGAL INCAPACITY OF THE BORROWER TO MAINTAIN A CLAIM OR COUNTER-CLAIM ON THE GROUNDS THAT IT FAILED TO COMPLY WITH ANY OR ALL REGISTRATION, CERTIFICATION, NOTIFICATION, FILING OR DESIGNATION-OF-AGENT REQUIREMENTS SET FORTH AND ENFORCED BY THE FOREGOING OR ANY SIMILAR STATUTORY PROVISIONS.

(C) SERVICE OF PROCESS. THE BORROWER HEREBY CONSENTS TO PROCESS BEING SERVED IN ANY SUIT, ACTION OR PROCEEDING REFERRED TO IN THE FIRST SENTENCE OF SUBSECTION (A) OF THIS SECTION IN ANY FEDERAL OR ILLINOIS STATE COURT BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED AIR MAIL, POSTAGE PREPAID, RETURN RECEIPT REQUESTED, TO THE BORROWER AT ITS ADDRESS SPECIFIED IN SECTION 9.01 OR TO ANY OTHER ADDRESS OF WHICH THE BORROWER SHALL HAVE GIVEN WRITTEN NOTICE TO THE AGENT. THE BORROWER IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW, ALL CLAIM OF ERROR BY REASON OF ANY SUCH SERVICE IN ANY SUIT, ACTION OR PROCEEDING BROUGHT BY THE AGENT OR ANY BANK. THE BORROWER AGREES THAT SUCH SERVICE SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE OF PROCESS UPON THE BORROWER IN ANY SUCH SUIT, ACTION OR PROCEEDING AND SHALL, TO THE FULLEST EXTENT PERMITTED BY LAW, BE TAKEN AND HELD TO BE VALID AND PERSONAL SERVICE UPON AND PERSONAL DELIVERY TO THE BORROWER.

(D) NO LIMITATION ON SERVICE OR SUIT. NOTHING IN THIS ARTICLE SHALL AFFECT THE RIGHT OF THE AGENT OR ANY BANK TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR LIMIT THE RIGHT OF THE AGENT OR ANY BANK TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF THE JURISDICTION OF THE BANK'S LENDING OFFICE OR THE COURTS OP ANY JURISDICTION OR JURISDICTIONS IN WHICH THE BORROWER HAS ANY ASSETS.

SECTION 9.14. WAIVER OF JURY TRIAL

THE AGENT, THE BANKS AND THE BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF THE AGENT, THE BANKS OR THE BORROWER. THE BORROWER ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION (AND EACH OTHER PROVISION OF EACH OTHER LOAN DOCUMENT TO WHICH IT IS A

PARTY) AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE AGENT AND THE BANKS ENTERING INTO THIS AGREEMENT AND EACH SUCH OTHER LOAN DOCUMENT.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

LYONDELL-CITGO REFINING COMPANY LTD.

By: /s/ William E. Haynes

Title: President and Chief Executive Officer

Address for Notices:

One Houston Center
Suite 1600
1221 McKinney Street
P. O. Box 3646
Houston TX 77253-3646
Attn: Controller

Telephone No.: 713-475-4111
Telecopier No.: 713-951-1505

CONTINENTAL BANK N.A.
As Agent

By: /s/ Ronald E. McKaig

Title: Vice President

Address for Notices:

231 South La Salle Street
Chicago, Illinois 60697
Attn: Robert Ingersoll

Telephone No.: 312-828-6720
Telecopier No.: 312-987-5614

Exhibit 10.35

LYONDELL PETROCHEMICAL COMPANY

$400,000,000

CREDIT AGREEMENT

DATED AS OF DECEMBER 6, 1993

TEXAS COMMERCE BANK NATIONAL ASSOCIATION

AS ADMINISTRATIVE AGENT

AND

CONTINENTAL BANK N.A.

AS CO-AGENT

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CREDIT AGREEMENT dated as of December 6, 1993 among LYONDELL PETROCHEMICAL COMPANY, the BANKS listed on the signature pages hereof and TEXAS COMMERCE BANK NATIONAL ASSOCIATION, as Administrative Agent AND CONTINENTAL BANK N.A., as Co-Agent (the Agreement").

The Borrower desires to borrow from time to time amounts not exceeding in the aggregate $400,000,000 outstanding at any one time from the Banks for general business purposes, and the Banks are prepared to make loans on the terms hereof. Accordingly, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. In addition to terms defined elsewhere in this Agreement, as used in this Agreement the following terms have the following meanings (all terms defined in this Agreement in the singular to have the same meanings when used in the plural and vice versa):

"Adjusted CD Rate" has the meaning set forth in Section 2.07(b).

"Administrative Questionnaire" means, with respect to each Bank, the administrative questionnaire in the form submitted to such Bank by the Administrative Agent and submitted to the Administrative Agent (with a copy to the Borrower) duly completed by such Bank.

"Administrative Agent" means Texas Commerce Bank National Association in its capacity as administrative and syndication agent for the Banks hereunder and its successors in such capacity.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with such Person.

"Agents" means the Administrative Agent and the Co-Agent in their capacity as agents for the Banks hereunder, and their successors in such capacity.

"Agreement" has the meaning specified in the introduction to this Agreement, including all amendments, extensions and modifications thereto.

"Applicable Lending Office" means, with respect to any Bank, (i) in the case of its Domestic Loans, its Domestic Lending Office, (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office, and, (iii) with respect to the Issuing Bank, its Domestic Lending Office.

"Assessment Rate" has the meaning set forth in Section 2.07(b).

"Assignee" has the meaning set forth in Section 9.07(c).

"Authorized Officer" and "Authorized Representative" of the Borrower shall mean an officer or other representative of the Borrower designated in the latest

Certificate of Incumbency of the Borrower. The Agents and the Banks shall be conclusively entitled to rely on the latest such Certificate of Incumbency of the Borrower delivered to the Administrative Agent.

"Bank" means each bank which is listed on the signature pages hereof as having a Commitment and which has executed and delivered this Agreement, each Assignee which becomes a Bank pursuant to Section 9.07(c) and their respective successors.

"Base Rate" means, for any day, a rate per annum equal to the lesser of (i) the higher of (x) the Prime Rate for such day plus the Base Rate Margin or (y) the Federal Funds Rate for such day plus 1/2 of 1 percent plus the Base Rate Margin, or (ii) the Highest Lawful Rate.

"Base Rate Loan" means a Loan to be made by a Bank as a Base Rate Loan in accordance with the applicable Notice of Borrowing or pursuant to Article VIII.

"Base Rate Margin" means the highest applicable basis points set forth in Schedule 2.07(a) hereto.

"Borrower" means Lyondell Petrochemical Company, a Delaware corporation, and its successors.

"Borrowing" has the meaning set forth in Section 1.03.

"CD Base Rate" has the meaning set forth in Section 2.07(b).

"CD Loan" means a Loan to be made by a Bank as a CD Loan in accordance with the applicable Notice of Borrowing.

"CD Margin" has the meaning set forth in Section 2.07(b).

"CD Reference Banks" means Texas Commerce Bank National Association and Continental Bank N.A. and each such other bank as may be appointed pursuant to Section 9.07(e).

"Certificate of Incumbency" shall mean a Certificate of Incumbency described in clause (ii) of Section 3.01 and any successor or replacement Certificate of Incumbency delivered hereunder.

"CITGO" means CITGO Petroleum Corporation, a Delaware corporation, and its successors and assigns.

"CITGO Refining", means CITGO Refining Investment Company, an Oklahoma corporation, and its successors (including, without limitation, any entity that assumes Citgo Refining's obligations under the Company Regulations).

"Co-Agent" means Continental Bank N.A. in its capacity as co-agent for the Banks hereunder and its successors in such capacity.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor statute.

"Commitment" means, as to each Bank, the amount set forth opposite its name on the signature pages hereof under the heading "Commitment" or as set forth in an instrument signed by all appropriate parties in accordance with Section 9.07(c) (as such amount may be reduced from time to time as provided in Section 2.10).

"Commitment Percentage" of any Bank means, at any time, the ratio which its Commitment bears to the aggregate of all the Banks' Commitments or, if the Commitments have been terminated, the ratio which the aggregate outstanding principal amount of the Loans made by such Bank bears to the aggregate outstanding principal amount of all Loans made by the Banks.

"Company Regulations" means the amended and restated limited liability company regulations of LCR dated as of July 1, 1993.

"Consolidated Capital Expenditures" means, for any period, the gross additions to fixed assets attributable to cash flows from investing activities as reflected on the consolidated statement of cash flows of the Borrower and its Consolidated Subsidiaries for such period.

"Consolidated Debt" means, as of the date of any determination thereof, a consolidated computation of all Debt of the Borrower and its Consolidated Subsidiaries.

"Consolidated Interest Expense" means, for any period, the Interest Expense reflected on the consolidated statement of income of the Borrower and its Consolidated Subsidiaries for such period.

"Consolidated Net Income or Loss" means, for any period, the net income (loss) reflected on the consolidated statement of income of the Borrower and its Consolidated Subsidiaries for such period.

"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 liabilities that 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, purchased technology, unamortized debt discount and other like intangible assets, all as set forth on the most recent quarterly consolidated balance sheet of the Borrower and its Consolidated Subsidiaries.

"Consolidated Subsidiary" means at any date any Subsidiary or other entity (including, without limitation, LCR) the accounts of which would be consolidated with those of the Borrower in its consolidated financial statements as of such date.

"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414(b) or 414(c) of the Code.

"Credit Event" means the making of a Loan or the occasion of any Borrowing hereunder or the issuance, renewal or extension of any Letter of Credit hereunder.

"Debt" of any Person means without duplication, as of the date of any determination thereof (i) the aggregate outstanding principal amounts of all indebtedness for borrowed money of such Person, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments (including letters of credit), (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee under capital leases, (v) all Debt of others to the extent secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (vi) all Debt of others to the extent Guaranteed by such Person.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Dividend" means any cash dividend paid or declared by the board of directors of the Borrower in respect of the Borrower's stock now or hereafter outstanding.

"Domestic Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in Houston, Texas are authorized by law to close.

"Domestic Lending Office" means, as to each Bank including the Issuing Bank, its office, branch or affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Domestic Lending Office) or such other office, branch or affiliate as such Bank may from time to time specify to the Administrative Agent and the Borrower as its Domestic Lending Office; provided, however, that any Bank may from time to time by notice to the Borrower and the Administrative Agent designate separate Domestic Lending Offices for its Base Rate Loans, on the one hand, and its CD Loans, on the other hand, in which case all references herein to the Domestic Lending Office of such Bank shall be deemed to refer to either or both of such offices, as the context may require.

"Domestic Loans" means CD Loans or Base Rate Loans or both.

"Domestic Reserve Percentage" has the meaning set forth in Section 2.07(b).

"Drawing" means any drawing under a Letter of Credit.

"EBITDA" means, for any period, the Borrower's Consolidated Net Income or

Loss for such period, minus interest income, plus Consolidated Interest Expense, plus depreciation, amortization and provisions for taxes and plus or minus any Non-Operating Special Items; provided, however, that for any fiscal quarter in which the Borrower or any of its Consolidated Subsidiaries shall incur downtime at or with respect to any plant or manufacturing or processing unit (as determined by the Borrower in its sole discretion), the Borrower shall have the right to add up to the lesser of (i) the estimated amount by which EBITDA is impacted by such downtime or (ii) $20,000,000 to the amount of EBITDA calculated for such fiscal quarter; provided further, that such addition of up to $20,000,000 may only be made in the calculation of EBITDA for each of two fiscal quarters during the term of this Agreement and that any such addition may only be made for one fiscal quarter during any four consecutive fiscal quarters.

"Effective Date" means the date on which this Agreement becomes effective in accordance with Section 3.01.

"Environmental Laws" means federal, state or local laws, rules or regulations, including any administrative order, permit or approval pertaining to health, safety or the environment in effect in the applicable jurisdiction at the time in question, including

the Clean Air Act, as amended, the Comprehensive Environmental Response, Compensation and Liability Act, as amended ("CERCLA"), the Federal Water Pollution Control Act, as amended, the Occupational Safety and Health Act, as amended, the Resource Conservation and Recovery Act, as amended, the Safe Drinking Water Act, as amended, the Toxic Substances Control Act, as amended, the Superfund Amendment and Reauthorization Act of 1986, as amended, the Hazardous Materials Transportation Act, as amended, comparable state and local laws, and other environmental conservation and protection laws.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Euro-Dollar Business Day" means any Domestic Business Day on which commercial banks are open for international business (including dealings in dollar deposits) in London.

"Euro-Dollar Lending Office" means, as to each Bank, its office, branch or affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or affiliate of such Bank as it may from time to time specify to the Administrative Agent and the Borrower as its Euro-Dollar Lending Office.

"Euro-Dollar Loan" means a Loan to be made by a Bank as a Euro-Dollar Loan in accordance with the applicable Notice of Borrowing.

"Euro-Dollar Margin" has the meaning set forth in Section 2.07(c).

"Euro-Dollar Rate" has the meaning set forth in Section 2.07(c).

"Euro-Dollar Reference Banks" means Texas Commerce Bank National Association and Continental Bank N.A. and each such other bank as may be appointed pursuant to Section 9.07(e).

"Euro-Dollar Reserve Percentage" means with respect to any Bank for any day that percentage (expressed as a decimal) which is in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirement (including without limitation any basic, supplemental or emergency reserves) imposed on such Bank in respect of "Euro-currency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or in respect of any category of extensions of credit or other assets which includes loans by a non-United States office of such Bank to United States residents).

"Event of Default" has the meaning set forth in Section 6.01.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100th of 1 percent) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of Dallas on the Domestic Business Day next succeeding such day; provided, however, that (i) if such day is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day, and (ii) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate quoted to Texas Commerce Bank National Association on such day for such transactions as determined by the Administrative Agent.

"Financial Letter of Credit" means a Letter of Credit on which the beneficiary thereof can draw due to the failure of a party to perform a payment obligation for the benefit of the beneficiary.

"Fixed Rate Loans" means CD Loans or Euro-Dollar Loans or any combination of the foregoing.

"Guarantee", in respect of any Person, means to guarantee or act, directly or indirectly, as a surety for any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, to incur or assume any obligation, direct or indirect, contingent or otherwise, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by binding agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, however, that

the term "Guarantee" shall not include to endorse for collection or deposit in the ordinary course of business.

"Hazardous Materials" means any pollutant, contaminant, solid waste, asbestos, petroleum product, crude oil or a fraction thereof, any toxic or hazardous substance, material or waste, any flammable, explosive or radioactive material or any other material or substance not mentioned above which is regulated under any Environmental Law.

"Highest Lawful Rate" has the meaning set forth in Section 2.17.

"Interest Expense" means, for any period and for any Person, without duplication, the total interest expense of such Person as reflected on an income statement of such Person for such period.

"Interest Period" means: (1) with respect to each Euro-Dollar Borrowing, the period commencing on the date of such Borrowing and ending one through seven days (subject to market availability), or one, two, three or six months thereafter, as the Borrower may elect in the applicable Notice of Borrowing; provided, however, that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period applicable to any Euro-Dollar Loan of any Bank which begins before the Termination Date and would otherwise end after the Termination Date shall end on the Termination Date;

(2) with respect to each CD Borrowing, the period commencing on the date of such Borrowing and ending 30, 60, 90 or 180 days thereafter, as the Borrower may elect in the applicable Notice of Borrowing; provided, however, that:

(a) any Interest Period (other than an Interest Period determined pursuant to clause (b) below) which would otherwise end on a day which is not a Domestic Business Day shall be extended to the next succeeding Domestic Business Day; and

(b) any Interest Period applicable to any CD Loan of any Bank which begins before the Termination Date and would otherwise end after the Termination Date shall end on the Termination Date; and

(3) with respect to each Base Rate Borrowing, the period commencing on the date of such Borrowing and ending 90 days thereafter; provided, however, that:

(a) any Interest Period (other than an Interest Period determined pursuant to clause (b) below) which would otherwise end on a day which

is not a Domestic Business Day shall be extended to the next succeeding Domestic Business Day; and

(b) any Interest Period applicable to any Base Rate Loan of any Bank which begins before the Termination Date and would otherwise end after the Termination Date shall end on the Termination Date.

"Investment" means any capital contribution or loan made by the Borrower or any of its Subsidiaries to LCR in accordance with the Company Regulations.

"Issuing Bank" means Texas Commerce Bank National Association, or such other Bank as the Borrower may have requested and which has consented to serve as Issuing Bank that issues a Letter of Credit.

"LCR" means LYONDELL-CITGO Refining Company Ltd., a Texas limited liability company and its successors.

"LRC" means Lyondell Refining Company, a Delaware corporation and a wholly-owned subsidiary of the Borrower, and its successors (including, without limitation any entity that assumes LRC's obligations under the Company Regulations).

"Letter of Credit" has the meaning set forth in Section 2.03(a).

"Letter of Credit Application" has the meaning set forth in Section 2.03(a).

"Letter of Credit Fee" has the meaning set forth in Section 2.03(n).

"Letter of Credit Limit" means $75,000,000.

"Letter of Credit Margin" means the highest applicable basis points set forth in Schedule 2.07(b).

"Letter of Credit Outstandings" means, at any time, the sum of (a) the aggregate Stated Amount of all outstanding Letters of Credit and (b) the amount of all Unpaid Drawings in respect of all Letters of Credit.

"Letter of Credit Request" has the meaning set forth in Section 2.03(a).

"Letter of Credit Termination Date" means December 3, 1998 or the earlier date of acceleration of the Obligations of the Borrower hereunder and under the Notes pursuant to Section 6.01.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, the Borrower or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Loan" means a Domestic Loan or a Euro-Dollar Loan and "Loans" means Domestic Loans or Euro-Dollar Loans or any combination of the foregoing.

"Loan Documents" means this Agreement (including all exhibits), the Notes and the Letter of Credit Applications.

"Material Adverse Effect" means relative to the occurrence of any event and after taking into account existing or reasonably anticipated insurance coverage and indemnification rights with respect to such occurrence, a material adverse effect (i) on the business, operations, affairs, assets, condition (financial or otherwise) or results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole or (ii) on the ability of the Borrower to perform its obligations hereunder and under the Notes.

"Net Interest" means the sum of (i) interest on Replacement Debt minus any interest earned on the proceeds from Replacement Debt plus (ii) interest on Replaced Debt.

"Non-Operating Special Item" means (i) any item resulting from a change in one or more accounting principles, (ii) any extraordinary or non-recurring item or (iii) any material operating item which is unusual in nature or infrequent in occurrence; provided, however, that with respect to the designation of any item (other than non-cash items) described in clause (iii), Borrower must obtain the agreement of the Administrative Agent and the Co-Agent that such designation is appropriate, which agreement shall not be unreasonably withheld.

"Notes" means promissory notes of the Borrower, substantially in the form of Exhibit 2.05 hereto, evidencing the obligation of the Borrower to repay the Loans, and "Note" means any one of such promissory notes issued hereunder.

"Notice of Borrowing" means a Notice of Borrowing (as defined in Section 2.02).

"Notice of Conversion" has the meaning set forth in Section 2.08.

"Obligations" means all of the obligations of the Borrower now or hereafter existing under the Loan Documents, whether for principal, Unpaid Drawings, interest, fees, expenses, indemnification or otherwise.

"Parent" means, with respect to any Bank, any Person controlling such Bank.

"Participant" has the meaning set forth in Section 9.07(b).

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Performance Letter of Credit" means a Letter of Credit on which the beneficiary thereof can draw due to the failure of a party to perform any contractual duty or obligation, other than a payment obligation, for the benefit of the beneficiary.

"Person" means an individual, a corporation, a limited liability company, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either (i) maintained by a member of the Controlled Group for employees of a member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"Prime Rate" means the prime rate of interest most recently determined by Texas Commerce Bank National Association and thereafter entered in the minutes of its Loan and Discount Committee, automatically fluctuating upward and downward with and at the time specified in each such announcement without notice to the Borrower or any other Person which prime rate may not necessarily represent the lowest or best rate actually charged to a customer.

"Rating Agencies" shall mean Standard & Poor's Corporation and its successors ("S&P"), and Moody's Investors Service, Inc. and its successors ("Moody's"), or, if S&P or Moody's or both shall not make a rating on the Borrower's long-term senior unsecured Debt publicly available, a nationally recognized securities rating agency or agencies that provide comparable ratings, selected by the Borrower with the consent of the Administrative Agent, which consent shall not be unreasonably withheld, which shall be substituted for S&P or Moody's or both, as the case may be.

"Reference Banks" means the CD Reference Banks or the Euro-Dollar Reference Banks, as the context may require, and "Reference Bank" means any one of such Reference Banks.

"Refunding Borrowing" means a Borrowing which, after application of the proceeds thereof, results in no net increase in the outstanding principal amount of Loans made by any Bank.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time (including any successor provision thereto or any other United States law or regulation imposing reserves on deposits or loans).

"Regulation G" shall mean Regulation G of the Board of Governors of the Federal Reserve System, as in effect from time to time (including any successor provision thereto).

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time (including any successor provision thereto).

"Regulation X" shall mean Regulation X of the Board of Governors of the Federal Reserve System, as in effect from time to time (including any successor provision thereto).

"Release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into the environment (including the abandonment or discarding of barrels, containers and other closed receptacles).

"Required Banks" means at any date Banks having at least 66 2/3 percent of the aggregate amount of the Commitments or, if the Commitments have been terminated, holding (i) Notes evidencing at least 66 2/3 percent of the aggregate unpaid principal amount of the Loans and (ii) participations in at least 66 2/3 percent of the Letter of Credit Outstandings.

"Requirements of Environmental Laws" means, as to any Person, the requirements of any Environmental Laws applicable to such Person or the condition or operation of such Person's business or its properties, both real and personal.

"Restricted Property" means:

(a) any plant (including fixtures and equipment) for the refining of petroleum or the production of petrochemicals owned by the Borrower, or a Subsidiary, except (i) related facilities which in the opinion of the Board of Directors of the Borrower are transportation or marketing facilities and (ii) any plant for the refining of petroleum or the production of petrochemicals which in the reasonable opinion of the Board of Directors of the Borrower is not a principal plant of the Borrower and its Subsidiaries;

(b) any inventory of the Borrower or a Subsidiary;

(c) any trade accounts receivable of the Borrower or a Subsidiary; and

(d) any shares of capital stock or indebtedness of a Restricted Subsidiary owned by the Borrower or a Subsidiary (excluding any of such

shares that constitute "margin stock" as defined in Regulation U).

"Restricted Subsidiary" shall mean any Subsidiary of the Borrower which owns any Restricted Property.

"Stated Amount" means, with respect to each Letter of Credit, at any time, the maximum amount then available to be drawn thereunder.

"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions (whether or not any other class of securities has or might have voting power by reason of the happening of a contingency) are at the time owned or controlled directly or indirectly by the Borrower. Without in any other way limiting the foregoing, LCR shall not be deemed to be a Subsidiary.

"Termination Date" means December 6, 1998, or such earlier date of acceleration if the Obligations of the Borrower hereunder and under the Notes are accelerated pursuant to Section 6.01 or, if such day is not a Euro-Dollar Business Day, the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the Termination Date shall be the next preceding Euro-Dollar Business Day.

"34 Act Report" has the meaning set forth in Section 4.01(d).

"Unfunded Vested Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the present value of all vested nonforfeitable benefits under such Plan exceeds (ii) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the Controlled Group to the PBGC or the Plan under Title IV of ERISA.

"Unpaid Drawing" has the meaning specified in Section 2.03(g).

SECTION 1.02. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the most recent audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries delivered to the Administrative Agent.

SECTION 1.03. Types of Loans and Borrowings. The term "Borrowing" denotes the aggregation of Loans of one or more Banks to be made to the Borrower pursuant to Article II on a single date and for a single Interest Period. Loans and Borrowings are classified for purposes of this Agreement by reference to the pricing of Loans comprising such Borrowings (e.g., a "Euro-Dollar Borrowing" is

a Borrowing comprised of Euro-Dollar Loans).

ARTICLE II

THE CREDITS

SECTION 2.01. Commitments to Lend. Each Bank severally agrees, on the terms and conditions set forth in this Agreement, from time to time to make loans to the Borrower pursuant to this Section 2.01 in amounts such that the aggregate principal amount of Loans by such Bank plus its Commitment Percentage of the Letter of Credit Outstandings at any one time outstanding shall not exceed the amount of its Commitment. Without in any way limiting the foregoing, at no time will the sum of (A) the Letter of Credit Outstandings plus (B) the aggregate

outstanding principal amount of the Loans exceed the aggregate amount of the Commitments. Each Borrowing under this Section 2.01 shall be in an aggregate principal amount of $10,000,000 or any larger multiple of $1,000,000 (except that any such Borrowing may be in an aggregate amount such that, immediately after giving effect to such Borrowing, the sum of (A) the Letter of Credit Outstandings plus (B) the aggregate outstanding principal amount of the Loans will equal the aggregate amount of the Commitments) and shall be made from the several Banks ratably in proportion to their respective Commitments. Within the foregoing limits, the Borrower may borrow under this Section 2.01, repay, or to the extent permitted by Section 2.12, prepay Loans and re-borrow at any time.

SECTION 2.02. Notice of Borrowings. The Borrower shall give the Administrative Agent notice (a "Notice of Borrowing") substantially in the form of Exhibit 2.02 hereto not later than 10:00 A.M. (Houston time) on (i) the date of each Base Rate Borrowing or each Euro-Dollar Borrowing with an Interest Period of seven days or less (ii) the second Domestic Business Day before each CD Borrowing and (iii) the third Euro-Dollar Business Day before each Euro-Dollar Borrowing with an Interest Period greater than seven days, specifying:

(a) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Domestic Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing;

(b) the aggregate amount of such Borrowing;

(c) whether the Loans comprising such Borrowing are to be CD Loans, Base Rate Loans or Euro-Dollar Loans or a combination thereof;

(d) in the case of a Fixed Rate Borrowing, the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period; and

(e) the aggregate outstanding principal amount of Debt of the

Borrower and its Subsidiaries incurred after the Effective Date and, if required, a calculation as of the date of such Notice of Borrowing pursuant to Section 5.08(a).

SECTION 2.03. Letters of Credit.

(a) Subject to and upon the terms and conditions hereof and the execution and delivery of a letter of credit application ("Letter of Credit Application"), and a letter of credit request ("Letter of Credit Request") substantially in the form of Exhibit 2.03(b) hereto, the Issuing Bank agrees that it will, at any time and from time to time on or after the Effective Date and prior to the Letter of Credit Termination Date, renew, extend and issue for the account of the Borrower (in support of its obligations and the obligations of its Consolidated Subsidiaries) one or more irrevocable standby letters of credit (all such letters of credit collectively, the "Letters of Credit"); provided,

however, that the Issuing Bank shall not extend, renew or issue any Letter of Credit if at the time of such issuance, extension or renewal:

(i) the Stated Amount of such Letter of Credit shall be greater than an amount which when added to the Letter of Credit Outstandings at such time and the aggregate principal amount of all Loans then outstanding or requested would exceed the aggregate amount of the Banks' Commitments; or

(ii) the Stated Amount of such Letter of Credit shall be greater than an amount which when added to the Letter of Credit Outstandings at such time, would exceed the Letter of Credit Limit; or

(iii) the expiry date or, in the case of any Letter of Credit containing an expiry date that is extendible at the option of the Issuing Bank, the initial expiry date of such Letter of Credit, is a date that is later than the Letter of Credit Termination Date; or

(iv) such issuance, renewal or extension shall be prohibited by applicable law.

(b) The Issuing Bank shall neither renew nor permit the renewal of any Letter of Credit if any of the conditions precedent to such renewal set forth in Section 3.02 are not satisfied or, after giving effect to such renewal, the expiry date of such Letter of Credit would be a date that is later than the Letter of Credit Termination Date.

(c) Whenever the Borrower requests that a Letter of Credit be issued or renewed for its account or an existing expiry date be extended, it shall forward an executed Letter of Credit Request and Letter of Credit Application to the Issuing Bank (with copies to be sent to the Administrative Agent (if different from the Issuing Bank)) (i) in the case of a Letter of Credit to be issued or renewed at least four Domestic Business Days' prior to the proposed date of issuance or renewal and (ii) in the case of the extension of the existing expiry date of any Letter of Credit, at least five Domestic Business Days prior to the

date on which the Issuing Bank must notify the beneficiary thereof that the Issuing Bank does not intend to extend such existing expiry date. Each Letter of Credit shall be denominated in U.S. dollars, shall expire no later than the date specified in paragraph (a) above, shall not be in an amount greater than is permitted under this Section 2.03 and shall be in such form as may be approved from time to time by the Issuing Bank and the Borrower. At the time of issuance, the Issuing Bank shall designate the Letter of Credit as either a Financial Letter of Credit or a Performance Letter of Credit, which designation shall be final.

(d) The making of each Letter of Credit Request shall be deemed to be a representation and warranty by the Borrower that such Letter of Credit may be

renewed, extended or issued in accordance with, and will not violate the requirements of this Agreement. Unless the Issuing Bank has received notice from the Administrative Agent (if different from the Issuing Bank) before it issues or renews the respective Letter of Credit or extends the existing expiry date of a Letter of Credit that one or more of the conditions specified in Article III are not then satisfied, or that the renewal, extension or issuance of such Letter of Credit would violate any of the terms of this Agreement, then the Issuing Bank may renew, extend or issue the requested Letter of Credit for the account of the Borrower (in support of its obligations and the obligations of its Consolidated Subsidiaries) in accordance with the Issuing Bank's usual and customary practices. Upon its issuance or renewal of any Letter of Credit or the extension of the existing expiry date of any Letter of Credit, as the case may be, the Issuing Bank shall promptly notify the Borrower, the Administrative Agent and each Bank of such issuance, renewal or extension, which notice shall be accompanied by a copy of the Letter of Credit actually issued or renewed or a copy of any amendment extending the existing expiry date of any Letter of Credit, as the case may be.

(e) Upon the renewal, extension or issuance by the Issuing Bank of each Letter of Credit, the Issuing Bank shall be deemed to have sold and transferred to each Bank, and each Bank shall be deemed irrevocably and unconditionally to have purchased and received from the Issuing Bank, without recourse or warranty, an undivided interest and participation, to the extent of such Bank's Commitment Percentage in each such Letter of Credit (including extensions of the expiry date thereof), each substitute letter of credit, each drawing made thereunder and the Obligations of the Borrower under this Agreement and the other Loan Documents with respect thereto and any security, if any, therefor.

(f) In determining whether to pay under any Letter of Credit, the Issuing Bank shall have no obligation relative to the Banks other than to confirm that any documents required to be delivered under such Letter of Credit appear to have been delivered and that they appear to comply on their face with the requirements of such Letter of Credit.

(g) Upon the receipt by the Issuing Bank of any documentation presented for a drawing from a beneficiary under a Letter of Credit, the Issuing Bank promptly will provide the Administrative Agent (if different from the Issuing

Bank), the Banks and the Borrower with telecopy notice thereof and the Issuing Bank will promptly examine the documentation presented for such drawing in accordance with its customary procedures for conformity to the requirements of such Letter of Credit. The Borrower hereby agrees to reimburse the Issuing Bank by making payment to the Administrative Agent in immediately available funds (which payment may be made by application of the proceeds of Loans made to the Borrower in accordance with this Agreement) for any payment so made by the Issuing Bank under any Letter of Credit issued by it

(each such amount so paid until reimbursed by the Borrower, including by application of the proceeds of Loans to the Borrower in accordance with this Agreement, an "Unpaid Drawing") upon demand on or after the date of such payment, with interest on the amount so paid by the Issuing Bank, to the extent not reimbursed prior to 2:00 p.m. (Houston time) on the date of such payment, from and including the date paid to but excluding the date reimbursement is made as provided above, at a rate per annum equal to the lesser of (i) the sum of 2 percent plus the Base Rate or (ii) the Highest Lawful Rate.

(h) In the event that the Issuing Bank makes any payment under any Letter of Credit and the Borrower shall not have reimbursed such amount in full to the Issuing Bank (including by any application of the proceeds of Loans) pursuant to paragraph (g) above, the Issuing Bank shall promptly notify the Administrative Agent (if different from the Issuing Bank) and the Administrative Agent, shall promptly notify each Bank of such failure, and each Bank shall promptly and unconditionally pay the Administrative Agent for the account of the Issuing Bank the amount of such Bank's Commitment Percentage of such unreimbursed payment in dollars and in funds immediately available in Houston. If the Administrative Agent so notifies, prior to 11:00 a.m. (Houston time) on any Domestic Business Day, any Bank required to fund a payment under a Letter of Credit, such Bank shall make available to the Administrative Agent for the account of the Issuing Bank such Bank's Commitment Percentage of the amount of such payment on such Domestic Business Day in funds immediately available in Houston. If and to the extent such Bank shall not have so made its Commitment Percentage of the amount of such payment available to the Administrative Agent for the account of the Issuing Bank, such Bank agrees to pay to the Administrative Agent for the account of the Issuing Bank, forthwith on demand such amount, together with the interest thereon, for each day from such date until the date such amount is paid to the Administrative Agent for the account of the Issuing Bank at the Federal Funds Rate. The failure of any Bank to make available to the Administrative Agent for the account of the Issuing Bank, its Commitment Percentage of any payment under any Letter of Credit shall not relieve any other Bank of its obligation hereunder to make available to the Administrative Agent for the account of the Issuing Bank its Commitment Percentage of any payment under any Letter of Credit on the date required, as specified above, but no Bank shall be responsible for the failure of any other Bank to make available to the Administrative Agent for the account of the Issuing Bank such other Bank's Commitment Percentage of any such payment.

(i) Whenever the Issuing Bank receives a payment of a reimbursement obligation as to which the Administrative Agent has received for the account of

the Issuing Bank any payments from a Bank pursuant to paragraph (h) above, the Issuing Bank shall pay to the Administrative Agent (if different from the Issuing Bank) and the Administrative Agent shall promptly pay to each Bank which has paid its

Commitment Percentage thereof, in dollars and in same day funds, an amount equal to such Bank's Commitment Percentage thereof together with any interest on such reimbursement obligation allocable to such Bank's Commitment Percentage paid by the Borrower to the Issuing Bank and received by the Administrative Agent pursuant to paragraph (g) above.

(j) The obligations of the Banks to make payments to the Administrative Agent for the account of the Issuing Bank with respect to Letters of Credit shall be irrevocable and not subject to any qualification or exception whatsoever (except for the gross negligence or willful misconduct of the Issuing Bank) and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including any of the following circumstances:

(1) any lack of validity or enforceability of this Agreement or any of the other Loan Documents;

(2) the existence of any claim, setoff, defense or other right which the Borrower may have at any time against a beneficiary named in a Letter of Credit, any transferee of Letter of Credit, any Agent, the Issuing Bank, any other Bank, or any other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions;

(3) any draft, certificate or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(4) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Loan Documents; or

(5) the occurrence of any Default or Event of Default.

(k) The Borrower also agrees with the Issuing Bank and the Banks that the Issuing Bank shall not be responsible for, and the Borrower's reimbursement obligations under paragraph (g) above are absolute and unconditional and shall not be affected by any of the following (absent any gross negligence, willful misconduct or violation of law on the part of any of the Issuing Bank, the Agents and the other Banks): the validity or genuineness of documents or any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Borrower and the beneficiary of any letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any

such transferee or any other matter or event similar to any of the foregoing or any setoff, counterclaim or defense to payment which the Borrower may have.

(l) The Issuing Bank, its officers, directors, agents and employees, shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors, omissions, interruptions or delays caused by the Issuing Bank's gross negligence or willful misconduct or violation of law. IT IS THE EXPRESS INTENTION OF THE PARTIES HERETO THAT THE ISSUING BANK SHALL BE INDEMNIFIED AND HELD HARMLESS AGAINST ANY AND ALL LOSSES, LIABILITIES, CLAIMS, DEFICIENCIES, JUDGMENTS OR REASONABLE EXPENSES ARISING OUT OF OR RESULTING FROM THE ORDINARY NEGLIGENCE (WHETHER SOLE OR CONTRIBUTORY) OF THE ISSUING BANK IN CONNECTION WITH ANY SUCH ERROR, OMISSION, INTERRUPTION OR DELAY AS AFORESAID. The Borrower agrees that any action taken or omitted by the Issuing Bank under or in connection with any Letter of Credit or the related drafts or documents if done in accordance with the standards of care specified in the Uniform Customs and Practice for Documentary Credits (1983 Revision), International Chamber of Commerce, Publication No. 400 (and any subsequent revisions thereof approved by a Congress of the International Chamber of Commerce and adhered to by the Issuing Bank) and, to the extent not inconsistent therewith, the Uniform Commercial Code of the State of Texas, shall not result in any liability of the Issuing Bank to the Borrower.

(m) To the extent that any provision of any Letter of Credit Application related to any Letter of Credit is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall control and no Letter of Credit Application or any other document relating to any Letter of Credit shall give the Agents or the Banks any additional rights than they would otherwise have under this Agreement.

(n) The Borrower shall, on the date of issuance or any extension or renewal of any Letter of Credit and at such other time or times as such charges are customarily made by the Issuing Bank, pay an upfront fee (in each case, a "Letter of Credit Fee") to the Administrative Agent in respect of each Performance Letter of Credit or Financial Letter of Credit so issued equal to the Letter of Credit Margin for such Performance Letter of Credit or Financial Letter of Credit, as the case may be, (the applicable basis points set forth on Schedule 2.07(b) computed on an annualized basis) plus a fronting fee for the benefit of the Issuing Bank equal to 12.5 basis points (computed on an annualized basis) plus the Issuing Bank's issuance, amendment and other administrative fees and charges customarily charged to its customers similarly situated. Such Letter of Credit Fee (but not such customary issuance, amendment fee or other administrative fees and charges, or the fronting fee, all of which shall be solely for the account of the Issuing Bank) shall be for the accounts of the Banks in accordance with their respective Commitment Percentages. Such upfront fees and fronting fees shall be based on a 360-day year, except that if the use of a 360-day

year would cause any such fees constituting interest (within the meaning of all applicable laws) to exceed the Highest Lawful Rate, then such interest and fees will be computed on the basis of a year of 365 days (or 366 in a leap year).

SECTION 2.04. Notice to Banks; Funding of Loans.

(a) Upon receipt of a Notice of Borrowing, the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's share (if any) of such Borrowing and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) Not later than 12:00 Noon (Houston time) on the date of each Borrowing, each Bank participating therein shall (except as provided in subsection (c) of this Section) make available its share of such Borrowing, in funds immediately available in Houston, to the Administrative Agent at its address specified in or pursuant to Section 9.01. Unless the Administrative Agent determines that any applicable condition specified in Article III has not been satisfied, the Administrative Agent will make the funds so received from the Banks available to the Borrower at the Administrative Agent's aforesaid address.

(c) If any Bank makes a new Loan hereunder on a day on which the Borrower is to repay all or any part of an outstanding Loan from such Bank, such Bank shall apply the proceeds of its new Loan to make such repayment and only an amount equal to the difference (if any) between the amount being borrowed and the principal amount being repaid shall be made available by such Bank to the Administrative Agent as provided in subsection (b), or remitted by the Borrower to the Administrative Agent as provided in Section 2.13, as the case may be.

(d) Unless the Administrative Agent shall have received notice from a Bank prior to or on the date of any Borrowing that such Bank will not make available to the Administrative Agent such Bank's share of such Borrowing, the Administrative Agent may assume that such Bank has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsections (b) and (c) of this Section 2.04 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such share available to the Administrative Agent, such Bank and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.07 and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Administrative

Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan included in such Borrowing for purposes of this Agreement. In no event shall any payment by the Administrative Agent, or repayment by the Borrower, of any amount pursuant to this subsection (d) relieve the Bank that failed to make available its share of the related Borrowing of its obligations hereunder.

SECTION 2.05. Notes. (a) The Loans of each Bank shall be evidenced by a single Note payable to the order of such Bank for the account of its Applicable Lending Office in an amount equal to such Bank's Commitment.

(b) Upon receipt of each Bank's Note pursuant to Section 3.01(viii), the Administrative Agent shall send by overnight mail such Note to such Bank. Each Bank shall record the date, amount and maturity of each Loan made by it and the date and amount of each payment of principal made by the Borrower with respect thereto, and prior to any transfer of its Note shall endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding; provided, however, that the failure of any Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Notes. Each Bank is hereby irrevocably authorized by the Borrower so to endorse its Note and to attach to and make a part of its Note a continuation of any such schedule as and when required.

SECTION 2.06. Maturity of Loans. Subject to any rights of the Borrower under Section 2.08, each Loan included in any Borrowing shall mature, and the principal amount thereof shall be due and payable, on the last day of the Interest Period applicable to such Borrowing.

SECTION 2.07. Interest Rates. (a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due, at a rate per annum equal to the Base Rate for such day (as described on Schedule 2.07(a)). Such interest shall be payable for each Interest Period on the last day thereof. Any overdue principal of and, to the extent permitted by law, overdue interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the lesser of (i) the sum of 2 percent plus the rate otherwise applicable to Base Rate Loans for such day or (ii) the Highest Lawful Rate.

(b) Each CD Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the lesser of (i) the sum of the CD Margin (as in effect on the first day of such Interest Period) plus the applicable Adjusted CD Rate or (ii) the Highest Lawful Rate. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than 90 days, at intervals of 90 days after the first day

thereof. Any overdue principal of and, to the extent permitted by law, overdue interest on any CD Loan shall bear interest, payable on demand, for each day

until paid at a rate per annum equal to the lesser of (i) the sum of 2 percent plus the rate applicable to Base Rate Loans for such day or (ii) the Highest Lawful Rate.

"CD Margin" means the applicable basis points set forth in Schedule 2.07(c) hereto.

The "Adjusted CD Rate" applicable to any Interest Period means a rate per annum determined pursuant to the following formula:

<TABLE>

ACDR	=	[CDBR]* / [1.00 - DRP] + AR

ACDR = Adjusted CD Rate
CDBR = CD Base Rate
DRP = Domestic Reserve Percentage
AR = Assessment Rate

</TABLE>

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* The amount in brackets being rounded upwards, if necessary, to the next higher 1/100 of 1 percent.

The "CD Base Rate" applicable to any Interest Period is the rate of interest determined by the Administrative Agent to be the average (rounded upward, if necessary, to the next higher 1/100 of 1 percent) of the prevailing rates per annum (as determined by the CD Reference Banks as of approximately 9:00 a.m. on the preceding day) on the first day of such Interest Period paid by the CD Reference Banks on their respective certificates of deposit in an amount comparable to the unpaid principal amount of the CD Loan to which such Interest Period applies and having a maturity comparable to such Interest Period.

"Domestic Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including without limitation any basic, supplemental or emergency reserves) for a member bank of the Federal Reserve System in Dallas with deposits exceeding five billion dollars in respect of new non-personal time deposits in dollars in Dallas having a maturity comparable to the related Interest Period and in an amount of $100,000 or more. The Adjusted CD Rate shall be adjusted automatically on and as of the effective date of any change in the Domestic Reserve Percentage.

"Assessment Rate" means for any day the annual assessment rate in effect on such day which is payable by a member of the Bank Insurance Fund classified as well capitalized and within supervisory subgroup "B" (or a comparable successor assessment risk classification) within the meaning of 12 C.F.R. Section 327.3(d) (or any successor provision) to the Federal Deposit Insurance Corporation (or

any successor) for such Corporation's (or such successor's) insuring time deposits at offices of such institution in the United States. The Adjusted CD Rate shall be adjusted automatically on and as of the effective date of any change in the Assessment Rate.

(c) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the lesser of (i) the sum of the Euro-Dollar Margin (as in effect on the first day of such Interest Period) plus the Euro-Dollar Rate or (ii) the Highest Lawful Rate. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof.

"Euro-Dollar Margin" means the applicable basis points set forth in Schedule 2.07(d) hereto.

"Euro-Dollar Rate" means, as to any Interest Period, the average (rounded upward, if necessary, to the next higher 1/16 of 1 percent) of the respective rates per annum at which deposits in dollars are offered to each of the Euro-Dollar Reference Banks by prime banks in whatever Euro-Dollar interbank market (or, in the case of 1-7 day Euro-Dollar Loans, the appropriate money markets) may be selected by the Euro-Dollar Reference Banks in their sole and absolute discretion, acting in good faith, at the time of determination and in accordance with the then usual practice in such market, at approximately 9:00 A.M. (Houston time) two Euro-Dollar Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of such Reference Bank to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

(d) Any overdue principal of and, to the extent permitted by law, overdue interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day from and including the date payment thereof was due to but excluding the date of actual payment, at a rate per annum equal to the lesser of (i) the sum of 2 percent plus the rate applicable to Base Rate Loans for such day or (ii) the Highest Lawful Rate.

(e) The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the participating Banks by telecopy, telex or cable of each rate of

interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(f) Each Reference Bank agrees to use its best efforts to furnish quotations to the Administrative Agent as contemplated by this Section. If any Reference Bank does not furnish a timely quotation, the Administrative Agent shall determine the relevant interest rate on the basis of the quotation or quotations furnished by the remaining Reference Bank or Banks or, if none of such quotations is available on a timely basis, the provisions of Section 8.01

shall apply.

SECTION 2.08. Conversions and Continuances. At the end of any Interest Period, the Borrower shall have the option to convert or continue all or a portion, equal to not less than $5,000,000 ($1,000,000 in the case of conversions or continuations into Base Rate Loans), of the outstanding principal amount of one Type of its Loans made pursuant to one or more Borrowings into a Borrowing or Borrowings of the other Type or Types of Loans; provided, however, that except as otherwise provided in Section 8.03, no partial conversion or continuation of Euro-Dollar Loans shall reduce the outstanding principal amount of Euro-Dollar Loans made pursuant to any single Borrowing to less than $5,000,000 and (ii) Base Rate Loans may be converted into CD Loans or Euro-Dollar Loans or continued as Base Rate Loans, and CD Loans and Euro-Dollar Loans may be continued as CD Loans or as Euro-Dollar Loans (as applicable) or converted into Base Rate Loans for additional Interest Periods if and only if, in either case no Default or Event of Default is in existence on the date of the conversion or continuation. Each such conversion or continuation shall be effected by the Borrower giving the Administrative Agent notice substantially in the form of Exhibit 2.08 (each a "Notice of Conversion") prior to 11:00 a.m. (Houston, Texas time) at least (a) three Euro-Dollar Business Days prior to the date of such conversion or continuation in the case of a conversion or continuation into Euro-Dollar Loans, (b) two Domestic Business Days in the case of a continuation or conversion into CD Loans and (c) one Domestic Business Day in the case of a conversion or continuation into Base Rate Loans, specifying each Type of Borrowing (or portions thereof) to be so converted or continued and, if to be converted or continued into CD Loans or Euro-Dollar Loans, the Interest Period to be initially applicable thereto. The Administrative Agent shall promptly give the Banks written or telephonic notice (promptly confirmed in writing) of any such proposed conversion or continuation affecting any of its Loans.

SECTION 2.09. Pro Rata Borrowings. All Borrowings under this Agreement shall be incurred from the Banks ratably in proportion to their respective Commitments. It is understood that no Bank shall be responsible for any default by any other Bank in its obligation to make Loans hereunder and that each Bank shall be obligated to make the Loans provided to be made by it hereunder, regardless of the failure of any other Bank to fulfill its Commitment hereunder.

SECTION 2.10. Optional Termination or Reduction of Commitments. The Borrower may, upon at least three Domestic Business Days' notice to the Administrative Agent, (i) terminate the Commitments at any time, if no Loans or Letters of Credit are outstanding at such time or (ii) ratably reduce from time to time by an aggregate amount of $10,000,000 or any larger multiple of $1,000,000, the aggregate amount of the Commitments in excess of the sum of the aggregate outstanding principal amount of the Loans plus the Letter of Credit Outstandings; provided, however, that if no Loans are then outstanding, the Borrower may terminate the Commitments at any time when there are outstanding Letters of Credit by depositing with the Administrative Agent such amount of cash as is equal to the aggregate Stated Amount of the Letters of Credit then outstanding to be held in an interest bearing account with the Administrative

Agent, all such cash and interest to be held by the Administrative Agent as security for the obligations of the Borrower in respect of such Letters of Credit; provided further, that the Borrower shall remain liable for any expenses and other liabilities in respect of such Letters of Credit on terms consistent with Section 9.04, but for all other purposes of this Agreement and the other Loan Documents the Obligations will be deemed paid in full and not outstanding. Any reduction of the Commitments shall apply proportionately to the Commitment of each Bank in accordance with its Commitment Percentage and any such reduction shall be permanent.

SECTION 2.11. Mandatory Termination of Commitments. The Commitment of each Bank shall terminate on the Termination Date, and all Loans then outstanding (together with accrued interest thereon) shall be due and payable on such date; provided, however, if there are any Letter of Credit Outstandings or unpaid Loans on the Termination Date, all obligations of the Borrower and all rights and remedies of the Banks hereunder shall continue, subject to the provisos of Section 2.10, until the full and final repayment thereof.

SECTION 2.12. Optional Prepayments. (a) The Borrower may, upon at least one Domestic Business Day's notice to the Administrative Agent, prepay any Base Rate Borrowing (or any other Borrowing bearing interest at the Base Rate pursuant to Article VIII) or, subject to Section 2.14 and upon at least three Euro-Dollar Business Days' notice to the Administrative Agent, prepay any Fixed Rate Borrowing, in whole at any time, or from time to time in part in amounts aggregating $10,000,000 or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to but excluding the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Banks included in such Borrowing.

(b) Upon receipt of a notice of prepayment pursuant to this Section, the Administrative Agent shall promptly notify each Bank of the contents thereof and of

such Bank's ratable share (if any) of such prepayment and such notice shall not thereafter be revocable by the Borrower.

SECTION 2.13. General Provisions as to Payments.

(a) The Borrower shall make each payment of principal of, and interest on, the Loans and of fees hereunder, not later than 12:00 Noon (Houston time) on the date when due, in Federal or other funds immediately available in Houston, Texas, to the Administrative Agent at its address referred to in Section 9.01. The Administrative Agent will promptly distribute to each Bank its ratable share, if any, of each such payment received by the Administrative Agent for the account of the Banks. Whenever any payment of principal of, or interest on, the Domestic Loans or of fees shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of, or interest on, the Euro-Dollar Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-

Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Borrower shall not have so made such payment, each Bank shall repay to the Administrative Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Administrative Agent, at the Federal Funds Rate.

SECTION 2.14. Funding Losses. The Borrower shall pay to the Administrative Agent for the account of each Bank, upon the request of such Bank through the Administrative Agent, such amount or amounts as shall compensate such Bank for any reasonable loss, cost or expense actually incurred by such Bank (or, subject to Section 9.07(b), by any existing Participant in the related Loan) as a result of:

(a) any payment or prepayment of a Fixed Rate Loan (pursuant to Section 2.12 or Article VI or VIII or otherwise) held by such Bank (or

such Participant) on a date other than the last day of the Interest Period applicable thereto, or

(b) any failure by the Borrower to borrow a Fixed Rate Loan held or to be held by such Bank (or such Participant) on the date for such Borrowing specified in the relevant Notice of Borrowing,

such compensation to include, without limitation, an amount equal to the excess, if any, of (i) the amount of interest which would have accrued on the amount so paid or prepaid, or not converted or borrowed, for the period from the date of such payment or prepayment or failure to borrow or convert to the last day of such Interest Period (or, in the case of a failure to borrow, the Interest Period for such Fixed Rate Loan which would have commenced on the date of such failure to convert or borrow) in each case at the applicable rate of interest for such Fixed Rate Loan provided for herein (excluding, however, the CD Margin or the Euro-Dollar Margin included therein) over (ii) the amount of interest (as reasonably determined by such Bank or Participant) which would have accrued to such Bank or Participant on such amount by placing such amount on deposit for a comparable period with leading banks in the relevant interbank market; provided, however, that such Bank shall have delivered to the Borrower, within 60 days after the date of such payment or prepayment or failure to borrow, a certificate

as to the amount of such actual loss or expense, which certificate shall set forth in reasonable detail the basis for such loss or expense and shall be conclusive in the absence of manifest error. Any payment required to be made pursuant to this Section 2.14 shall be made within 5 days after receipt of the certificate referred to above.

SECTION 2.15. Fees.

(a) Commitment Fee. The Borrower shall pay to the Administrative Agent for the account of the Banks ratably in proportion to their Commitments a commitment fee equal to the highest applicable basis points set forth in Schedule 2.15 calculated on the daily average amount by which the aggregate amount of the Commitments exceeds the sum of (i) the Letter of Credit Outstandings and (ii) the aggregate outstanding principal amount of the Loans. Such commitment fee shall accrue for the account of each Bank from and including the Effective Date to but excluding the Termination Date.

(b) Payments. Accrued fees under this Section and Section 2.03 for the account of any Bank shall be payable quarterly in arrears on each March 31, June 30, September 30 and December 31 and upon the Termination Date.

SECTION 2.16. Computation of Interest and Fees. Interest based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year)

and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and all fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day) except that if use of a 360-day year would cause any interest or fees constituting interest (within the meaning of all applicable laws) to exceed the Highest Lawful Rate, then such interest and fees will be computed on the basis of a year of 365 days (or 366 in a leap year).

SECTION 2.17. Maximum Interest Rate. (a) It is the intention of the parties hereto to comply strictly with all applicable usury laws regarding the contracting for, and the taking, reserving, charging, collection, payment and receipt of, interest (which shall, for purposes of this Section 2.17, be deemed to include, without limitation, any compensation received by any Agent or any Bank for the use, forbearance or detention (as such terms are used in Tex. Rev. Civ. Stat. Ann. Art. 5069-1.01(a)) of the indebtedness incurred under this Agreement and the Notes) whether such laws are now or hereafter in effect, including the laws of the United States of America or any other jurisdiction whose laws are applicable, and including any subsequent revisions to or judicial interpretations of those laws, in each case to the extent they are applicable to this Agreement and the Notes (the "Applicable Usury Laws").

(b) If any payment by the Borrower or any other Person to any Agent or any Bank hereunder (including any payment upon acceleration of the maturity of any Notes of such Bank) would produce a rate of interest in excess of the Highest

Lawful Rate, as defined in paragraph (e) below, with respect to any Bank, or otherwise result in the Borrower or any other Person paying or being deemed to have paid to any Agent or any Bank any interest in excess of the Maximum Amount, as defined in subsection (e) below, with respect to any Bank, or if any Agent or any Bank shall for any reason receive any unearned interest in violation of any Applicable Usury Law, or if any transaction contemplated by or any provision of this Agreement, any Bank's Note or Notes, any Letter of Credit Application or any other agreement or instrument (collectively, such Bank's "Loan Documents") would otherwise be usurious under any Applicable Usury Laws, then, notwithstanding anything to the contrary in any Bank's Loan Documents, the parties hereto agree as follows: (i) the provisions of this Section 2.17 shall govern and control; (ii) the aggregate amount of all interest under Applicable Usury Laws that is contracted for, taken, reserved, charged, collected or received pursuant to each Bank's Loan Documents or otherwise shall under no circumstances exceed the Maximum Amount; (iii) neither the Borrower nor any other Person shall be obligated to pay the amount of such interest to the extent that it exceeds the Maximum Amount; and (iv) the provisions of each Bank's Loan Documents immediately shall be deemed reformed, without the necessity of the execution of any new document or instrument, so as to comply with all Applicable Usury Laws, it being the intention of the parties, to the fullest extent permitted by law, to render

inapplicable any and all penalties of any kind provided by any Applicable Usury Law as a result of any such excess interest.

(c) If any payment by the Borrower or any other Person under any Bank's Loan Documents (including any payment upon acceleration of the maturity of any Note) results in the Borrower actually having paid to such Bank or any Agent any interest in excess of the Maximum Amount, then such excess amount shall be applied to the reduction of the principal balance of such Bank's Loans or to other amounts (other than interest) payable hereunder, and if no such principal is then outstanding, and no such other amount is then payable, such excess or part thereof remaining, shall be repaid to the Borrower or such other Person.

(d) All interest paid, or agreed to be paid, pursuant to any Bank's Loan Documents shall, to the fullest extent permitted by Applicable Usury Laws, be amortized, prorated, allocated and spread throughout the full term of any indebtedness incurred under or evidenced by such Bank's Loan Documents.

(e) As used herein, the term "Maximum Amount" means, with respect to any Bank, in any of such Bank's capacities hereunder, the maximum nonusurious amount of interest that may be lawfully contracted for, reserved, charged, collected or received (in each case as determined by the Applicable Usury Laws) by such Bank in connection with the indebtedness incurred under or evidenced by such Bank's Loan Documents under all Applicable Usury Laws, and the term "Highest Lawful Rate" means, with respect to any Bank, on any day, the maximum rate of interest, if any, that may be contracted for, taken, reserved, charged, collected or received under all Applicable Usury Laws on the principal balance of the indebtedness incurred under or evidenced by such Bank's Loan Documents from time to time outstanding. In this connection, for purposes of Tex. Rev. Civ. Stat.

Ann. Art. 5069-1.04, as it may from time to time be amended, the Highest Lawful Rate, to the extent it is determined with reference thereto, shall be the "indicated rate ceiling" from time to time in effect, referred to in, and determined pursuant to Section (a)(1) of such Art. 5069-1.04, as amended, as modified by Section (b) of such Art. 5069-1.04; provided, however, that to the fullest extent permitted by all Applicable Usury Laws, each Agent and each Bank reserves the right to change, from time to time, in accordance with such Art. 5069-1.04, by written notice to the Borrower, the ceiling upon which the Highest Lawful Rate is based under such Art. 5069-1.04 to the extent it is based thereon; provided further, that the Highest Lawful Rate shall not be limited to the applicable rate ceiling under such Art. 5069-1.04 if applicable federal laws or state laws now or hereafter in effect shall permit a higher rate of interest to be contracted for, taken, reserved, charged, collected and received under any Bank's Loan Documents.

(f) In the event that any rate of interest set forth in Sections 2.07 and 8.01 on any Loan of any Bank (a "Stated Rate"), together with any fees or other amounts

payable under such Bank's Loan Documents to any Agent or such Bank, in any of such Bank's capacities hereunder, deemed to constitute interest under Applicable Usury Laws ("Additional Interest"), exceeds the Highest Lawful Rate, then the amount of interest payable to such Bank to accrue pursuant to such Bank's Loan Documents shall be limited, notwithstanding anything to the contrary in such Bank's Loan Documents, to the amount of interest that would accrue at the Highest Lawful Rate; provided, however, that, to the fullest extent permitted by Applicable Usury Laws, any subsequent reductions in any Stated Rate shall not reduce the interest payable to such Bank to accrue pursuant to such Bank's Loan Documents below the Highest Lawful Rate until the aggregate amount of interest payable to such Bank actually accrued pursuant to such Bank's Loan Documents, together with all Additional Interest payable to such Bank, equals the amount of interest which would have accrued if the Stated Rates had at all times been in effect and such Additional Interest, if any, had been paid in full.

(g) In the event that, at maturity or upon payment in full of all amounts payable under any Bank's Loan Documents, the total amount of interest paid or payable to any Agent or any Bank, in any of such Bank's capacities hereunder, and accrued under the terms of or evidenced by such Bank's Loan Documents is less than the total amount of interest which would have been paid or accrued on the indebtedness incurred under or evidenced by such Bank's Loan Documents if the Stated Rates had, at all times, been in effect and all Additional Interest had been paid in full, then the Borrower shall, to the extent permitted by Applicable Usury Laws, pay to the Administrative Agent for the account of such Bank an amount equal to the difference between (1) the lesser of (i) the amount of interest payable to such Bank which would have accrued if the Highest Lawful Rate for such Bank had at all times been in effect or (ii) the amount of interest which would have accrued on the indebtedness incurred under or evidenced by such Bank's Loan Documents if the Stated Rates had at all times been in effect and all Additional Interest had been paid in full and (2) the amount of interest actually paid to such Bank or payable to such Bank and

accrued under or evidenced by such Bank's Loan Documents.

(h) The Borrower, the Agents and the Banks agree that, except for Article 15.10(b) thereof, the provisions of Chapter 15, Subtitle 79, Revised Civil Statutes of Texas, 1925, as amended (which regulates certain revolving credit loan accounts and revolving tri-party accounts), do not apply to this Agreement or any of the Notes or any of the Obligations.

SECTION 2.18. Withholding Tax Exemption. At least five Domestic Business Days prior to the first date on which interest or fees are payable hereunder for the account of any Bank, each Bank that is not incorporated under the laws of the United States of America or a state thereof agrees that it will deliver to each of the Borrower and the Administrative Agent two duly completed copies of United States Internal

Revenue Service Form 1001 or 4224, certifying in either case that such Bank is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes. Each Bank which so delivers a Form 1001 or 4224 further undertakes to deliver to each of the Borrower and the Administrative Agent two additional copies of such form (or a successor form) on or before the date that such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Borrower or the Administrative Agent, in each case certifying that such Bank is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Bank from duly completing and delivering any such form with respect to it and such Bank advises the Borrower and the Administrative Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax. Any Bank that is not capable of receiving payments without any deduction or withholding of United States federal income tax will promptly notify the Borrower and the Administrative Agent to that effect and will designate a different Applicable Lending Office if such designation will render such Bank capable of receiving payments without any such deduction or withholding and will not, in the reasonable judgment of such Bank, be otherwise disadvantageous. If the Borrower shall receive a certificate of such Bank claiming the need for deductions or withholdings under this Section 2.18, the Borrower shall, subject to Section 8.06 hereof, commence making any deductions and withholding any amounts with respect to payments for the account of such Bank that are required by applicable law.

ARTICLE III

CONDITIONS

SECTION 3.01. Effectiveness. This Agreement shall become effective on the date that each of the following conditions shall have been satisfied (or waived in accordance with Section 9.05):

(i) receipt by the Administrative Agent of certified copies of the Certificate of Incorporation and By-Laws of the Borrower and the resolutions of the Board of Directors of the Borrower authorizing the transactions contemplated hereby and such other documents as the Administrative Agent or the Required Banks may reasonably request relating to the existence of the Borrower, the corporate authority for and the validity of this Agreement and the

Notes, and any other matters relevant hereto, all in form and substance satisfactory to the Administrative Agent;

(ii) receipt by the Administrative Agent of a Certificate of Incumbency dated the Effective Date executed by the Secretary or an Assistant Secretary of the Borrower in substantially the form of Exhibit 3.01(ii) hereto setting forth the name, title and specimen signature of each Authorized Officer or Authorized Representative of the Borrower (1) who has signed this Agreement on behalf of the Borrower, (2) who will sign the Notes on behalf of the Borrower or (3) who will, until replaced by another officer or representative duly authorized for that purpose, act as the representative of the Borrower for the purposes of signing documents and giving notices and other communications by the Borrower in connection with this Agreement and the transactions contemplated hereby;

(iii) receipt by the Administrative Agent of counterparts of this Agreement signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form reasonably satisfactory to it of telecopied, telegraphic, telex or other written confirmation from such party of execution of a counterpart hereof by such party);

(iv) receipt by the Administrative Agent of an opinion of the General Counsel of the Borrower in substantially the form of Exhibit 3.01(iv) hereto and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request;

(v) receipt by the Agents of an opinion of Andrews & Kurth L.L.P., counsel for the Agents in substantially the form of Exhibit 3.01(v) hereto and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request;

(vi) receipt by the Administrative Agent of a certificate signed by the Chief Executive Officer, Chief Financial Officer or Treasurer of the Borrower dated the Effective Date to the effect set forth in clauses (iii) and (iv) of Section 3.02;

(vii) receipt by the Administrative Agent of a certificate signed by

the Chief Executive Officer, Chief Operating Officer or Chief Financial Officer of LRC, dated the Effective Date, to the effect that LRC is not in default in its material obligations pursuant to the Company Regulations; and

(viii) receipt by the Administrative Agent for the account of each Bank of a duly executed Note dated on or before the Effective Date, complying with the provisions of Section 2.05; and

(ix) receipt by the Administrative Agent of evidence that, prior to or as of the Effective Date, (A) the Credit Agreement dated as of July 3, 1990 among the Borrower, the banks listed therein and Texas Commerce Bank National Association, as agent, and the "commitments" thereunder, have been terminated.

provided, however, that this Agreement shall not become effective or be binding on any party hereto unless all of the foregoing conditions are satisfied not later than December 31, 1993. The Administrative Agent shall promptly notify the Borrower and the Banks of the Effective Date, and such notice shall be conclusive and binding on all parties hereto. The Administrative Agent shall promptly forward to the Banks copies of the documents delivered pursuant to this Section 3.01.

SECTION 3.02. Credit Events. The obligation of any Bank to make a Loan on the occasion of any Borrowing hereunder and the obligation of the Issuing Bank to issue, renew or extend any Letter of Credit hereunder are subject to the satisfaction of the following conditions:

(i) receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.02 or receipt by the Issuing Bank of a Letter of Credit Request as required by Section 2.03, as the case may be;

(ii) the fact that, immediately after such Credit Event, the aggregate outstanding principal amount of the Loans plus the Letter of Credit Outstandings will not exceed the aggregate amount of the Commitments;

(iii) the fact that, immediately before and after such Credit Event, no Default or Event of Default shall have occurred and be continuing; and

(iv) the fact that the representations and warranties of the Borrower contained in this Agreement shall be true on and as of the date of such Credit Event as if made on and as of such date (except in the case of a Refunding Borrowing, the representations and warranties set forth in paragraphs (d), (e), (k) and (l) of Section 4.01).

Each Credit Event hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Borrowing as to the facts specified in clauses (ii), (iii) and (iv) of this Section.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrower. The Borrower represents and warrants to the Banks as follows:

(a)(1) The Borrower is (i) a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and (ii) qualified to do business and in good standing in each jurisdiction where the ownership of its properties or the conduct of its business requires such qualification except where the failure to be so qualified would not have a Material Adverse Effect.

(2) The Borrower has all corporate power and authority, governmental permits, licenses, consents, authorizations, orders and approvals and other authorizations and powers as are necessary to carry on its business substantially as presently conducted except where the failure to have such power, authority, permits, licenses, consents, authorizations, orders and approvals would not have a Material Adverse Effect.

(3) The execution, delivery and performance by the Borrower of this Agreement and of the Notes, and Borrowings and other extensions of credit hereunder, are within the Borrower's corporate power and authority and have been duly authorized by all necessary corporate proceedings.

(4) Neither such authorization nor the execution, delivery and performance by the Borrower of this Agreement or of the Notes, nor any Borrowing or Letter of Credit when made or issued, as the case may be, hereunder will conflict with, result in a breach of or constitute a default under any of the terms, conditions or provisions of any law or any regulation, order, writ, injunction or decree of any court or governmental authority or of the Certificate of Incorporation or By-Laws of the Borrower or result in the violation or contravention of, or the acceleration of any obligation under, or cause the creation of any Lien on any of the assets of the Borrower pursuant to the provisions of, any indenture, loan or credit agreement or other material instrument to which it is a party or by which it is bound.

(5) Assuming its due execution by the Banks and the Agents, this Agreement constitutes a legal, valid and binding agreement of the Borrower and the Notes, when duly executed on behalf of the Borrower, and delivered in accordance with this Agreement, will constitute legal, valid and binding obligations of the Borrower.

(b) The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 1992 and the related consolidated statements of income and cash flows for the fiscal year ended that date, reported on by Coopers & Lybrand, copies of which have been delivered to the Administrative Agent, present fairly, in all material respects, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year, in conformity with generally accepted accounting principles consistently applied.

(c)(1) The unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of September 30, 1993 and the related unaudited consolidated statements of income and cash flows for the nine-month period then ended, copies of which have been delivered to the Administrative Agent, present fairly, in all material respects, in conformity with generally accepted accounting principles applied on a basis consistent with the financial statements referred to in paragraph (b) of this Section, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such nine-month period (subject to normal year-end adjustments and not including footnotes or schedules required by generally accepted accounting principles).

(c)(2) The unaudited balance sheet of LCR as of September 30, 1993 and the related statements of income and cash flows for the three-month period then ended, copies of which have been delivered to the Administrative Agent, present fairly, in all material respects, in conformity with generally accepted accounting principles applied on a basis consistent with the financial statements referred to in paragraph (c)(1) of this Section, the financial position of LCR as of such date (subject to normal year-end adjustments and not including footnotes or schedules required by generally accepted accounting principles).

(d) Except as described in the Company's Annual Report on Form 10-K for the year ended December 31, 1992 ("1992 Form 10-K") or any document filed subsequently by the Borrower pursuant to the Securities Exchange Act of 1934 ("'34 Act Report") or as otherwise disclosed in writing to the Administrative Agent and delivered to the Banks, there is no action, suit or proceeding pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any of its Consolidated Subsidiaries in any court or before or by any arbitrator, governmental department, agency or instrumentality, an adverse decision in which could reasonably be expected to have a Material Adverse Effect.

(e) Except as described in the 1992 Form 10-K or any subsequent '34 Act Report or as otherwise disclosed in writing to the Administrative Agent and delivered to the Banks, there has been no material adverse change since

December 31, 1992 in the business, operations, affairs, assets, condition (financial or otherwise) or results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole.

(f) No Default or Event of Default has occurred and is continuing.

(g) No consent, authorization, order or approval of (or filing or registration with) any governmental commission or board or other governmental regulatory authority (other than routine reporting requirements) is required for the execution, delivery and performance by the Borrower of this Agreement or of the Notes.

(h) Each member of the Controlled Group has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Code, and has not incurred any liability to the PBGC (other than for routine premiums due to the PBGC) or a Plan under Title IV of ERISA.

(i)(1) Each corporate Subsidiary is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted except for powers, licenses, authorizations, consents or approvals the absence of which would not have a Material Adverse Effect.

(2) LCR is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Texas and is registered, qualified or licensed (or has applied for such registration, qualification or licensing) to do business and is in good standing in each of the jurisdictions within the United States where ownership of its properties or the conduct of its business requires such registration, qualification or licensing and which currently permit registration, qualification or licensing of limited liability companies and has or will apply for registration, qualification or licensing to do business in each other jurisdiction within the United States where the ownership of its properties or the conduct of its business requires such registration, qualification or licensing as soon as such jurisdiction permits registration, qualification or licensing for limited liability companies, except in all cases where the failure to be so registered, qualified or licensed would not reasonably be expected to have a Material Adverse Effect. LCR also has all

power and authority, governmental permits, licenses, consents, authorizations, orders and approvals and other authorizations as are necessary to carry on its business substantially as presently conducted except in all cases where the failure to have any of the foregoing would not reasonably be expected to have a Material Adverse Effect.

(j) The Borrower is not an "investment company" within the meaning of

the Investment Company Act of 1940, as amended, or a "public-utility company" or a "holding company" within the meaning of the Public Utility Holding Company Act of 1935 or a "public utility" under the laws of the State of Texas.

(k) Except as described in the Borrower's 1992 Form 10-K or any subsequent '34 Act Report or as otherwise disclosed in writing to the Administrative Agent and delivered to the Banks, to the best of its knowledge (i) the Borrower and each of its Consolidated Subsidiaries possess all environmental, health and safety licenses, permits, authorizations, registrations, approvals and similar rights necessary for the Borrower or such Consolidated Subsidiary to conduct its operations as now being conducted (other than where the failure to possess or maintain any of the foregoing would not reasonably be expected to have a Material Adverse Effect) and (ii) the Borrower and each of its Consolidated Subsidiaries are in compliance with all terms, conditions or other provisions of such licenses, permits, authorizations, registrations, approvals and similar rights except for such failure or noncompliance that would not reasonably be expected to have a Material Adverse Effect.

(l) Except as described in the Borrower's 1992 Form 10-K or any subsequent '34 Act Report or as otherwise disclosed in writing to the Administrative Agent and delivered to the Banks, to the best of its knowledge, there does not exist any Release of a Hazardous Material or any violation of the Requirements of Environmental Laws that reasonably would be expected to impose a liability on the Borrower or a Consolidated Subsidiary, or require an expenditure by the Borrower or a Consolidated Subsidiary to cure such violation, in any case where such liability or expenditure would reasonably be expected to have a Material Adverse Effect.

(m) Each of the Borrower and its Consolidated Subsidiaries has filed all federal income tax returns and other material tax returns, statements and reports (or obtained extensions with respect thereto) which are required to be filed and have paid or deposited or made adequate provision in accordance with generally accepted accounting standards for the payment of all taxes (including estimated taxes shown on such returns, statements and reports) which are shown to be due pursuant to such returns.

(n) The Company Regulations, as the same may be amended or otherwise modified from time to time, are in full force and effect in accordance with their terms.

ARTICLE V

COVENANTS

The Borrower agrees that, so long as any Bank has any Commitment hereunder

or any amount payable under any Note or in respect of any Letter of Credit remains unpaid:

SECTION 5.01. Certain Information to be Furnished by the Borrower. The Borrower will deliver to the Administrative Agent and the Administrative Agent shall promptly deliver to the Banks:

(a)(1) as soon as available and in any event within 120 days after the end of each of its fiscal years, the consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income and cash flows for such year, setting forth in each case in comparative form the figures for the previous fiscal year, together with the audit report thereon of a nationally recognized firm of independent certified public accountants;

(a)(2) as soon as available and in any event within 120 days after the end of each of its fiscal years, the balance sheet of LCR as of the end of such fiscal year and the related statements of income and cash flows for such year, setting forth in each case in comparative form the figures for the previous fiscal year, together with an audit report thereon of a nationally recognized firm of independent certified public accountants;

(b)(1) as soon as available and in any event within 60 days after the end of each of the first three quarters of each of its fiscal years, (i) the consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal quarter, (ii) the related consolidated statement of income for such fiscal quarter and for the portion of the fiscal year ended with such quarter and (iii) the related consolidated statement of cash flows for the portion of the fiscal year ended with such quarter, setting forth, with respect to (iii), in comparative form the figures for the corresponding portion of the Borrower's previous fiscal year, all certified (subject to normal year-end adjustments and not including

footnotes or schedules required by generally accepted accounting principles) by the chief financial officer or the chief accounting officer of the Borrower to present fairly, in all material respects, the financial position, results of operations and cash flows of the Borrower and its Consolidated Subsidiaries in accordance with generally accepted accounting principles (except as otherwise stated therein) applied on a basis consistent with the financial statements referred to in paragraph (a)(1) of this Section;

(b)(2) as soon as available and in any event within 60 days after the end of each of the first three quarters of each of its fiscal years, (i) the balance sheet of LCR as of the end of such fiscal quarter, (ii) the related statement of income for such fiscal quarter and for the portion of the fiscal year ended with such quarter and (iii) the related statement of cash flows for the portion of the fiscal year ended with such quarter, setting forth, with respect to (iii), in comparative form the figures for

the corresponding portion of LCR's previous fiscal year, all certified (subject to normal year-end adjustments and not including footnotes or schedules required by generally accepted accounting principles) by the chief financial officer or the chief accounting officer of LCR to present fairly, in all material respects, the financial position, results of operations and cash flows of LCR in accordance with generally accepted accounting principles (except as otherwise stated therein) applied on a basis consistent with the financial statements referred to in paragraph (a)(2) of this Section;

(c) promptly after the same are sent to shareholders or filed, copies of all (i) financial statements, notices, reports and proxy materials sent by the Borrower to shareholders of the Borrower and (ii) registration statements (other than exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Form 10-K, 10-Q and 8-K (or their equivalents) filed by the Borrower with the Securities and Exchange Commission (or any governmental agency succeeding to the functions of such Commission);

(d) simultaneously with the delivery of the financial statements referred to in paragraphs (a) and (b) above, (i) a certificate of the Borrower signed by the Treasurer or any Assistant Treasurer of the Borrower stating whether there exists to the knowledge of such officer of the Borrower on the date of such certificate any Default, and, if any such Default then exists, specifying the nature and period of existence thereof and the action the Borrower is taking and proposes to take with respect thereto and (ii) a certificate of the Borrower signed by the Treasurer or any Assistant Treasurer of the Borrower stating that the Borrower is in compliance with the provisions of Section 5.08 and setting forth all computations relating thereto;

(e) forthwith, if at any time any officer of the Borrower shall obtain knowledge of any Default or Event of Default, a certificate of the Treasurer or any Assistant Treasurer specifying the nature and period of existence thereof and the action the Borrower is taking and proposes to take with respect thereto;

(f) promptly upon obtaining knowledge thereof, a copy of each of the following notices: if and when any member of the Controlled Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA, a copy of such notice; or (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate or appoint a trustee to administer any Plan, a copy of such notice;

(g) in the event of any damage, loss or casualty to or destruction of any portion of any facility of the Borrower, any Subsidiary or LCR, prompt notice thereof, specifying the nature and extent of such damage, loss, casualty or destruction and stating whether such damage, loss, casualty or destruction, in the reasonable judgment of the Borrower, materially adversely affects the production capacity of such facility or the economic value of such facility; provided, however, that the Borrower shall have no obligation to deliver such notice if the damage to the facility in the good faith judgment of the Borrower will not cost in excess of $15,000,000 to rebuild, replace or restore or if such damage does not materially adversely affect such production capacity or the economic value of the facility;

(h) in the event of any total or partial shutdown of any production or storage facility of the Borrower or any Consolidated Subsidiary in connection with any Release, prompt notice thereof to the Administrative Agent, specifying the reason for such shutdown; provided, however, that the Borrower shall have no obligation to deliver such notice if in the good faith judgment of the Borrower such shutdown will not result in a reduction of Consolidated Net Income of $10,000,000 or more over a period of five years beginning with the date of such shutdown;

(i) in addition to its obligations pursuant to Section 2.02, prompt written notice of any Debt, other than Borrowings, incurred subsequent to the Effective Date; and

(j) from time to time such further information regarding compliance with this Agreement or the business, operations, affairs, assets, condition (financial or otherwise) or results of operations of the Borrower and its Consolidated Subsidiaries as the Administrative Agent, at the request of any Bank, may reasonably request.

SECTION 5.02. Maintenance of Property; Insurance.

(a) The Borrower will keep, and will cause each Subsidiary to keep, all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted.

(b) The Borrower will, and will cause each of its Subsidiaries to, maintain insurance consistent either with the insurance practices of the Borrower and its Subsidiaries in effect on the date hereof, or with then existing industry practice, in either case to the extent available to the Borrower and its Subsidiaries on commercially reasonable terms, and will furnish to the Administrative Agent, upon request from the Administrative Agent, information presented in reasonable detail as to the insurance so carried.

SECTION 5.03. Limitation on Liens. Except as otherwise specifically provided in this Agreement, nothing contained in this Agreement shall in any way restrict or prevent the Borrower or any Subsidiary from incurring any Debt; provided, however, that neither the Borrower nor any Restricted Subsidiary will issue, assume or guarantee any Debt secured by any Lien upon any Restricted

Property or grant any Lien on any such Restricted Property to secure any such Debt without effectively providing that all of the Notes and the Letter of Credit Outstandings (together with, if the Borrower so determines, any other Debt then existing and any other Debt thereafter created ranking equally with the Notes) shall be secured equally and ratably with (or prior to) such Debt so long as such Debt shall be so secured. To the extent, if any, that the following Liens would otherwise be prohibited by the foregoing provisions, the foregoing provisions shall not apply to:

(a) Liens on any property of a corporation or other Person existing at the time it becomes a Subsidiary or at the time it is merged into or consolidated with the Borrower or a Subsidiary and not created in contemplation of such event;

(b) Liens on any assets (i) existing at the time of acquisition thereof and not created in contemplation of such event or (ii) incurred to secure payment of all or part of the purchase price thereof or (iii) incurred to secure Debt incurred prior to, at the time of or within 120 days after acquisition thereof for the purpose of financing all or part of the purchase price thereof;

(c) Liens on property of the Borrower or a Subsidiary existing or contemplated on the date hereof and listed on Schedule 5.03(c) hereto;

(d) Liens on any new plant (including any processing unit or production or storage facility) or the real estate on which such plant is situated or is to be constructed securing Debt incurred or assumed either (i) at the time of or within 24 months after commencement of improvement or construction or (ii) within 120 days after completion of improvement or construction of such plant in a principal amount not exceeding the cost of such improvement or construction and the cost of acquisition of such plant and such real estate;

(e) Liens which secure only Debt owing by a Subsidiary to the Borrower or another Subsidiary;

(f) Liens in favor of the United States of America or any state thereof or any department, agency, instrumentality or political subdivision of any such jurisdiction to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any Debt incurred for the purpose of financing all or any part of the purchase price or cost of constructing or improving the property subject to such Lien, including, without limitation, Liens to secure Debt of the pollution control or industrial revenue bond type;

(g) Liens required by any contract or statute in order to permit the Borrower or a Subsidiary to perform any contract or subcontract made by it with or at the request of the United States of America, any state or any department, agency or instrumentality or political subdivision of either; or

(h) Liens securing taxes, assessments, governmental charges or levies, statutory Liens of landlords and Liens of carriers, warehousemen, materialmen, mechanics and other like Persons not yet due or the payment of which is not then

required; provided, however, that this paragraph (h) shall not be deemed to permit any Liens which may be imposed pursuant to Section 4068 of ERISA;

(i) Liens of or resulting from any judgment or award not in excess of $25,000,000, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which the obligor shall at any time in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall have been secured;

(j) Liens incurred or deposits made in the ordinary course of business (i) in connection with workers' compensation, unemployment insurance and other types of social security, or (ii) to secure reimbursement obligations in respect of documentary letters of credit secured by collateral customarily and normally provided to banks

issuing documentary letters of credit; provided, however, that any obligation secured by any such Lien shall not be overdue or, if overdue, is being contested in good faith by appropriate actions or proceedings during which there is no right to exercise remedies and adequate book reserves have been established; provided further, that paragraph (j) shall not be deemed to permit any Liens which may be imposed pursuant to Section 4068 of ERISA;

(k) Minor survey exceptions and minor encumbrances, easements or reservations, or rights of others for rights-of-way, utilities and other similar purposes, or zoning or other restrictions as to the use of real properties, which are necessary for the conduct of the activities of Borrower or any Subsidiary or which customarily exist on properties of corporations or other Persons engaged in similar activities and similarly situated;

(l) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien referred to in the foregoing paragraphs (a) to (k) inclusive or of any Debt secured thereby, provided that the principal amount of Debt secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement Lien shall be limited to all or part of substantially the same property which secured the Lien extended, renewed or replaced (plus improvements on such property);

provided, however, that the Borrower and any one or more Restricted Subsidiaries may issue, assume or guarantee Debt secured by Liens which would otherwise be subject to the foregoing restrictions or grant any such Lien to secure any such Debt in an aggregate principal amount which, together with the aggregate outstanding principal amount of all Debt of the Borrower and the Restricted Subsidiaries which would otherwise be subject to the foregoing restrictions (not including Debt permitted to be secured under paragraphs (a) to (l) inclusive above), does not at any one time exceed the greater of $50,000,000 or 10 percent of Consolidated Net Tangible Assets of the Borrower and its Consolidated Subsidiaries.

SECTION 5.04. Consolidation, Merger, Disposition of Assets. (a) Subject to the provisions of Section 5.04(b) hereof, nothing contained in this Agreement shall prevent any consolidation or merger of the Borrower with or into any other corporation or corporations (whether or not affiliated with the Borrower), or successive consolidations or mergers in which the Borrower or its successor or successors shall be a party or parties, or shall prevent any sale or conveyance of all or substantially all the property of the Borrower, to any other Person (whether or not affiliated with the Borrower) authorized to acquire and operate the same; provided, however, that upon any such consolidation, merger, sale or conveyance, other than a consolidation or merger in which the Borrower is the continuing corporation, the surviving entity must

be chartered under the laws of the United States or one of its states and the due and punctual payment of the principal of and interest on all of the Notes, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of this Agreement, shall be expressly assumed by instrument reasonably satisfactory in form to the Required Banks and executed and delivered to the Administrative Agent by the corporation (if other than the Borrower) formed by such consolidation or into which the Borrower shall have been merged or by the Person which shall have acquired such property; and provided further that no Default or Event of Default shall exist hereunder after giving effect to such consolidation, merger or sale of assets.

(b) If, upon any consolidation or merger of the Borrower with or into any other corporation, or upon the sale or conveyance of all or substantially all the property of the Borrower to any other Person or if any of the remaining property of the Borrower or of any Restricted Subsidiary would thereupon become subject to any Lien, the Borrower, prior to or simultaneously with such consolidation, merger, sale or conveyance, will secure the Notes, the Letter of Credit Outstandings and all other obligations of the Borrower under this Agreement equally and ratably with any other obligations of the Borrower (or any Restricted Subsidiary if applicable) then entitled thereto, by a direct Lien on all such property prior to all Liens other than any theretofore existing thereon.

SECTION 5.05. Use of Proceeds. The proceeds of the Loans made and Letters of Credit issued under this Agreement will be used by the Borrower and its Subsidiaries for general business purposes. None of such proceeds will be used in violation of Regulation U, Regulation X, Regulation G or of any similar laws or regulations.

SECTION 5.06. Payment of Taxes. The Borrower will, and will cause each Consolidated Subsidiary to, pay and discharge, or make adequate provision for, all material taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it; provided, however, that neither the Borrower nor any Consolidated Subsidiary shall be required to pay or discharge or cause to be paid or discharged any such taxes, assessments, charges or levies whose amount, applicability or validity is being contested in good faith by appropriate actions or proceedings and as to which reserves have been established if required by generally accepted

accounting principles.

SECTION 5.07. LCR Matters.

(a) The Borrower will cause LRC to not permit any amendment or modification to the Company Regulations, or take any other action, that would in each case result in LRC's Participation Percentage (as defined in the Company Regulations) to be less that 50 percent, without the consent of Banks having at least 70 percent of the aggregate amount of the Commitments.

(b) Unless the Banks having at least 70 percent of the aggregate Commitments agree otherwise, the Borrower shall cause LRC (within the bounds of good business judgment and its legal obligations under or in connection with the Company Regulations), as an Owner of LCR, to withhold its consent, which is required under Section 3.8 of the Company Regulations, with respect to any action that would cause or permit LCR (or any Person acting in the name or on behalf of LCR), directly or indirectly, to undertake any of the following:

(1) to incur Debt; provided, however, that this covenant shall not be applicable to (i) any Debt for which the Borrower or LRC is the obligee, (ii) any Debt resulting from the Credit Agreement dated as of July 1, 1993 (as the same may be amended or otherwise modified from time to time) between LCR and Continental Bank N.A. as Agent, or any renewal or replacement of such Credit Agreement; provided, however, that such renewal or replacement does not result in an increase in the aggregate principal amount of such credit facility, (iii) any Debt which CITGO Refining is contractually or otherwise liable to pay or to provide reimbursement for pursuant to the Company Regulations, as the same may be amended or otherwise modified from time to time, or (iv) any Debt that is non-recourse to the Borrower and LRC either existing on the In-Service Date (as defined in the Company Regulations) or incurred by LCR subsequent to the In-Service Date;

(2) to fail to maintain insurance consistent either with the insurance practices of the Borrower and its Subsidiaries in effect on the date hereof or with then existing industry practice, in either case to the extent available to LCR on commercially reasonable terms; and

(3) to amend, or alter the Company Regulations in any way that would materially adversely affect (i) the Borrower's access to its share of distributable cash from LCR or (ii) other material rights and obligations of the Borrower or LRC under the Company Regulations (including without limitation materially increasing an obligation of the Borrower or LRC to make contributions to LCR or materially decreasing an obligation of CITGO or CITGO Refining to make contributions to LCR), provided, however, that in any event the Borrower will

provide promptly thereafter to the Administrative Agent notice and copies of all amendments to the Company Regulations.

SECTION 5.08. Financial and Other Covenants. The Borrower will comply with the covenants described in this Section.

a. Debt Incurrence Test. If the aggregate outstanding principal amount of all Debt of the Borrower and its Consolidated Subsidiaries incurred subsequent to the Effective Date exceeds $75,000,000, then the Borrower and its Subsidiaries will not be permitted to incur any additional Debt unless, after giving effect thereto, the ratio of EBITDA to Consolidated Interest Expense, for the four-fiscal-quarter period most recently ended, is greater than or equal to the ratio set forth below with respect to the period that includes the last quarter of such four-fiscal-quarter period; provided, however, that each such determination shall be made by giving effect to all Debt of the Borrower and its Consolidated Subsidiaries actually outstanding during any portion of such four-fiscal-quarter period and by assuming that such proposed Debt had been incurred on the first day of such four-fiscal-quarter period:

<TABLE>
<CAPTION>

Period	Ratio
<S>	<C>
From the Effective Date through December 31, 1994	1.75 to 1
From January 1, 1995 through December 31, 1995	2.00 to 1
Thereafter	2.25 to 1

</TABLE>

b. Fixed Charge Coverage Ratio. The Borrower will not permit, as of the end of any fiscal quarter, the ratio of (i) EBITDA less Consolidated Capital Expenditures (provided, however, that in determining Consolidated Capital Expenditures for purposes of this covenant all items attributable to the activities or business of LCR shall be excluded), to (ii) Consolidated Interest Expense, computed in each case for the four-fiscal-quarter period ending during each of the following periods, to be less than the designated ratio set forth below with respect to each such period:

<TABLE>
<CAPTION>

Period	Ratio
<S>	<C>
From the Effective Date through December 31, 1994	1.15 to 1
From January 1, 1995 through December 31, 1995	1.30 to 1
Thereafter	2.00 to 1

</TABLE>

c. Leverage Ratio. The Borrower will not permit, as of the end of any fiscal quarter, the ratio of Consolidated Debt to EBITDA, computed in each case for the four-

fiscal-quarter period ending during each of the following periods, to be greater than the designated ratio set forth below with respect to each such period:

<TABLE>
<CAPTION>

Period	Ratio
<S>	<C>
From the Effective Date through December 31, 1994	6.50 to 1
From January 1, 1995 through December 31, 1995	5.50 to 1
From January 1, 1996 through December 31, 1996	4.50 to 1
Thereafter	4.00 to 1

</TABLE>

d. Dividend Payments. The Borrower will not at any time declare, make or pay, or incur any liability to make or pay, or cause or permit to be declared, made or paid any Dividend unless at the time of declaring such Dividend, and after giving effect thereto, the aggregate amount of all such Dividends declared or paid on or after January 1, 1994 shall not exceed an amount equal to the sum of $72,000,000 plus 100 percent of Consolidated Net Income or Loss, excluding non-cash Non-Operating Special Items used in determining Consolidated Net Income or Loss, for the period commencing October 1, 1993 and ending with the most recently completed fiscal quarter of the Borrower.

e. Restricted LCR Investments. From and after the Effective Date, the aggregate of all Investments shall not exceed $200,000,000; provided, however, that the Borrower or LRC may invest in LCR, in excess of such $200,000,000, all or a portion of the proceeds from any capital markets offering consisting solely of equity securities.

f. Methodology for Determining Covenant Compliance. Notwithstanding any contrary provision of this Agreement, the Borrower's compliance with each of the covenants described in this Section shall be determined in accordance with the following methodology:

(1) All calculations shall be made without taking into account any Debt or Interest Expense of LCR or CITGO Refining, or any Debt or Interest Expense which CITGO Refining, pursuant to the Company Regulations as the same may be amended or otherwise modified from time to time, is contractually or otherwise liable to pay or provide reimbursement for;

(2) In the event the Borrower issues Debt ("Replacement Debt") for the purpose of refinancing Debt outstanding under any of the Borrower's public indentures or medium-term note programs ("Replaced Debt"), the aggregate principal amount of such Replacement Debt shall be substituted in place of the Replaced Debt for purposes of all determinations and the calculations, in

paragraphs (a) and (c) of this Section; provided, however, that the Net Interest associated with such Replacement Debt shall be included in Interest Expense for purposes of the calculation in paragraph (b) of this Section; and further provided, that the treasurer of the Borrower shall certify to the Administrative Agent that such Replacement Debt will be used to refinance Replaced Debt.

(3)(A) From the Effective Date until the Borrower's public announcement of its Consolidated Net Income or Loss for the fiscal quarter ended June 30, 1994, the results of operations for, and all information pertaining to, the Borrower's most recently completed quarter or four-fiscal-quarter period, as applicable, shall be determined by converting to an annualized four-fiscal-quarter period, information publicly announced by the Borrower as its Consolidated Net Income or Loss for the most recent three month, six month or nine month period, as available, from and including the fiscal quarter ended September 30, 1993; and

(3)(B) From the date of the Borrower's public announcement of its Consolidated Net Income or Loss for the fiscal quarter ended June 30, 1994 and during the remainder of the term of this Agreement, the results of operations for, and all information pertaining to, the Borrower's most recently completed quarter or four-fiscal-quarter period, as applicable, shall be determined based upon the last quarter, or the four-fiscal-quarter period (the last quarter of which is the most recent quarter), for which the Borrower has made a public announcement of its Consolidated Net Income or Loss.

ARTICLE VI

DEFAULTS AND REMEDIES

SECTION 6.01. Defaults. If one or more of the following events (herein called "Events of Default") shall occur and be continuing:

(a) the Borrower shall default in the payment when due of any principal of any Loan or any reimbursement obligation in respect of any Letter of Credit, or shall default in the payment within five days of the due date thereof of any interest on any Loan or any other amount payable hereunder;

(b) the Borrower shall fail to perform or observe any covenant or agreement to be performed by it contained in Section 5.01(e), Section

5.02(b) or Sections 5.03 through 5.08;

(c) the Borrower shall fail to perform or observe any covenant or agreement to be performed by it contained in this Agreement (other than those covered by paragraphs (a) or (b) above) for 30 days after written notice of such failure is given to the Borrower by the Administrative Agent at the request of any Bank;

(d) the Borrower shall have made, or be deemed to have made pursuant to Section 3.02, any representation or warranty in this Agreement, or in any certificate, financial statement or other document delivered pursuant hereto, which shall prove to have been incorrect in any material respect when so made or deemed to have been made;

(e) the Borrower or any Subsidiary shall fail to pay any indebtedness for borrowed money (other than the Loans or any reimbursement obligation in respect of any Letters of Credit) payable or guaranteed by it, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such indebtedness or guarantee; provided, however, that the aggregate amount of such indebtedness or guarantee, including any interest or premium thereon, shall exceed $15,000,000;

(f) LRC shall be determined (upon exhaustion of all appeals and expiration of all cure periods as provided in the Company Regulations) to be in default of any of its material obligations pursuant to the Company Regulations;

(g) the Borrower or any Restricted Subsidiary or LCR shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall take any corporate action to authorize any of the foregoing, or shall fail generally to pay its debts as they become due, or shall admit in writing its inability to pay its debts as they become due;

(h) an involuntary case or other proceeding shall be commenced against the Borrower or any Restricted Subsidiary or LCR seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar

official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower or any Restricted Subsidiary or LCR under the federal bankruptcy laws as now or hereafter in effect;

(i) any member of the Controlled Group shall fail to pay when due an amount or amounts aggregating in excess of $25,000,000 which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Vested Liabilities in excess of $25,000,000 (collectively, a "Material Plan") shall be filed under Title IV of ERISA by any member of the Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against any member of the Controlled Group to enforce Section 515 of ERISA and such proceeding shall not have been dismissed within 30 days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or

(j) a final, non-appealable judgment or order for the payment of money in excess of $15,000,000 shall be rendered against the Borrower or any Restricted Subsidiary or LCR and such judgment or order shall continue unsatisfied for a period of 30 days;

then, and without notice upon the occurrence of an Event of Default specified in Section 6.01(g) or Section 6.01(h), or, by notice to the Borrower upon the occurrence and during the continuation of any other Event of Default, the Administrative Agent may and, upon the written request of the Required Banks shall, take any or all of the following actions: (i) declare the Banks' Commitments terminated, whereupon the Commitments of the Banks shall forthwith terminate immediately and any Commitment Fee shall forthwith become due and payable without any other notice of any kind; (ii) declare the principal of and any accrued interest in respect of all Loans and all Obligations owing hereunder, to be, whereupon the same shall become, forthwith due and payable without further presentment, demand, notice of demand or of dishonor and non-payment, protest, notice of protest, notice of intent to accelerate, declaration or notice of acceleration or any other notice of any kind, all of which are hereby waived by the Borrower; and (iii) direct the Borrower to pay, and the Borrower agrees that upon receipt of such notice (or upon the occurrence of an Event of Default specified in Section 6.01(g) or Section 6.01(h)), it will pay to the Administrative Agent such additional amount of cash as is equal to the

aggregate Stated Amount of all Letters of Credit then outstanding to be held in an interest bearing account with the Administrative Agent, all such cash and interest to be held by the Administrative Agent as security for the Obligations of the Borrower hereunder and under the Notes and the other Loan Documents.

SECTION 6.02. Other Remedies. Upon the occurrence and during the continuance of any Event of Default, the Administrative Agent, acting at the request of the Required Banks, may proceed to protect and enforce its rights, either by suit in equity or by action at law or both, or may proceed to enforce the payment of all amounts owing to the Agents and the Banks under the Loan Documents and interest thereon in the manner set forth herein or therein; it being intended that no remedy conferred herein or in any of the other Loan Documents is to be exclusive of any other remedy, and each and every remedy contained herein or in any other Loan Document shall be cumulative and shall be in addition to every other remedy given hereunder and under the other Loan Documents now or hereafter existing at law or in equity or by a statute or otherwise.

SECTION 6.03. Rights of Setoff. If any Event of Default shall have occurred and be continuing, each Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank, or any branch, subsidiary or Affiliate of such Bank, to or for the credit or the account of the Borrower against any and all the Obligations of the Borrower now or hereafter existing under this Agreement and the other Loan Documents irrespective of whether or not such Bank or the Administrative Agent shall have made any demand under this Agreement, such Note, or the Obligations and although the Obligations may be unmatured. Each Bank agrees promptly to notify the Borrower after any such setoff and application made by such Bank, but the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Bank under this Section are in addition to other rights and remedies (including other rights of setoff) which such Bank may have.

ARTICLE VII

THE AGENTS

SECTION 7.01. Appointment and Authorization. Each Bank irrevocably appoints and authorizes each of the Administrative Agent and the Co-Agent to take such action as Administrative Agent or Co-Agent, as the case may be, on its behalf and to exercise such powers under this Agreement and the Notes as are delegated to the Administrative Agent or the Co-Agent, as the case may be, by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto.

SECTION 7.02. Agents and Affiliates. Each of the Administrative Agent and the Co-Agent shall have the same rights and powers under this Agreement as any other Bank and may exercise or refrain from exercising the same as though they were not the Agents, and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Subsidiary or LCR or any Affiliate thereof as if they were not the Agents hereunder.

SECTION 7.03. Action by Agents. The obligations of the Agents hereunder are only those expressly set forth herein. Without limiting the generality of the foregoing, the Agents shall not be required to take any action with respect to any Default, except as expressly provided in Article VI.

SECTION 7.04. Consultation with Experts. The Agents may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

SECTION 7.05. Liability of Agents. NEITHER THE AGENTS NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, AGENTS OR EMPLOYEES SHALL BE LIABLE TO ANY BANK FOR ANY ACTION TAKEN OR NOT TAKEN BY THEM IN CONNECTION HEREWITH (I) WITH THE CONSENT OR AT THE REQUEST OF THE REQUIRED BANKS OR (II) IN THE ABSENCE OF ITS OWN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. IT IS THE EXPRESS INTENTION OF THE PARTIES HERETO THAT THE AGENTS, THEIR RESPECTIVE DIRECTORS, OFFICERS, AGENTS OR EMPLOYEES SHALL BE INDEMNIFIED AND HELD HARMLESS BY THE BANKS FROM ALL COSTS, EXPENSES (INCLUDING COUNSEL FEES AND DISBURSEMENTS) CLAIMS, DEMANDS, ACTIONS, LOSSES OR LIABILITIES ARISING OUT OF THE NEGLIGENCE (WHETHER SOLE OR CONTRIBUTORY) OF SUCH PERSONS. Neither the Agents nor any of their directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or any Credit Event hereunder; (ii) the performance or observance of any of the covenants or agreements of the Borrower; (iii) the satisfaction of any condition specified in Article III, except receipt of items required to be delivered to the Administrative Agent; or (iv) the validity, effectiveness or genuineness of this Agreement, the Notes or any other instrument or writing furnished in connection herewith. The Agents shall not incur any liability to any Bank by acting in reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, telex or similar writing) reasonably believed by it to be genuine or to be signed by the proper party or parties.

SECTION 7.06. INDEMNIFICATION. EACH BANK SHALL RATABLY IN ACCORDANCE WITH ITS COMMITMENT, INDEMNIFY EACH OF THE AGENTS (TO THE EXTENT NOT REIMBURSED BY THE BORROWER) AGAINST ANY COST, EXPENSE (INCLUDING COUNSEL FEES AND DISBURSEMENTS), CLAIM, DEMAND, ACTION, LOSS OR LIABILITY INCLUDING ANY LIABILITY FOR EITHER OF THE AGENTS' OWN NEGLIGENCE (EXCEPT SUCH AS RESULT FROM SUCH AGENT'S GROSS NEGLIGENCE OR WILLFUL

MISCONDUCT) THAT SUCH AGENT MAY SUFFER OR INCUR IN CONNECTION WITH THIS AGREEMENT OR ANY ACTION TAKEN OR OMITTED BY SUCH AGENT HEREUNDER. IT IS THE EXPRESS INTENTION OF THE PARTIES HERETO THAT THE AGENTS, THEIR RESPECTIVE DIRECTORS, OFFICERS, AGENTS OR EMPLOYEES SHALL BE INDEMNIFIED AND HELD HARMLESS BY THE BANKS FROM ALL COSTS, EXPENSES (INCLUDING COUNSEL FEES AND DISBURSEMENTS) CLAIMS, DEMANDS, ACTIONS, LOSSES OR LIABILITIES ARISING OUT OF OR RESULTING FROM THE ORDINARY NEGLIGENCE (WHETHER SOLE OR CONTRIBUTORY) OF SUCH PERSONS.

SECTION 7.07. Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agents or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agents or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

SECTION 7.08. Successor Agents. Either of the Agents may resign at any time by giving written notice thereof to the Banks and the Borrower, with such resignation to be effective upon the acceptance by a successor Agent of its appointment as agent hereunder, as set forth below. Further, upon vote of the Required Banks, either of the Agents may be replaced by any other Bank consented to by the Borrower (which consent shall not be unreasonably withheld) and which Bank consents to assume the duties of the Agent being replaced; provided, however, that upon any such resignation or removal, the remaining Agent may assume the role and responsibilities of the resigning Agent, with the consent of the Borrower, which consent shall not be unreasonably withheld. If the remaining Agent chooses not accept to such appointment following a resignation, the Required Banks shall have the right to appoint a successor Agent, with the consent of the Borrower, which consent shall not be reasonably withheld. If no successor Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a Bank or a commercial bank organized under the laws of the United States of America or of any state thereof and having a combined capital and surplus of at least $50,000,000. Upon the acceptance of its appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent.

ARTICLE VIII

CHANGE IN CIRCUMSTANCES

SECTION 8.01. Basis for Determining Interest Rate Inadequate or Unfair. If on or prior to the first day of any Interest Period for any Fixed Rate Borrowing:

(1) the Administrative Agent is advised by the Reference Banks that deposits in dollars (in the applicable amounts) are not being offered to the Reference Banks in the relevant market for such Interest Period, or

(2) the Required Banks advise the Administrative Agent that the Adjusted CD Rate or the Euro-Dollar Rate, as the case may, as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Banks of funding their Fixed Rate Loans for such Interest Period,

the Administrative Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such notice no longer exist: (A)(i) if such circumstances relate to CD Loans, the obligations of the Banks to make CD Loans shall be suspended or (ii) if such circumstances relate to the Euro-Dollar Loans, the obligations of the Banks to make Euro-Dollar Loans shall be suspended and (B) unless the Borrower notifies the Administrative Agent at least one Domestic Business Day before the date of any Fixed Rate Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date,

(i) if such Fixed Rate Borrowing is a CD Borrowing, such CD Borrowing shall instead be made (x) as a Euro-Dollar Borrowing if the Borrower so elects by notice to the Administrative Agent and all of the procedures set forth herein for a Euro-Dollar Borrowing can be complied with at such time or (y) if a Euro-Dollar Borrowing is not possible, then such CD Borrowing shall instead be made as a Base Rate Borrowing, and

(ii) if such Fixed Rate Borrowing is a Euro-Dollar Borrowing, such Euro-Dollar Borrowing shall be made (x) as a CD Borrowing if the Borrower so elects by notice to the Administrative Agent and all of the procedures set forth herein for a CD Borrowing can be complied with at such time or (y) if a CD Borrowing is not elected or is not possible, then such Euro-Dollar Borrowing shall instead be made as a Base Rate Borrowing.

SECTION 8.02. Illegality. If, after the Effective Date, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the

interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Bank (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Bank shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other

Banks and the Borrower whereupon until such Bank notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist (which such Bank shall do forthwith) the obligation of such Bank to make Euro-Dollar Loans shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the reasonable judgment of such Bank, be otherwise disadvantageous to such Bank. If such Bank shall determine that it may not lawfully continue to maintain and fund any of its outstanding Euro-Dollar Loans to maturity and shall so specify in such notice, the Borrower shall immediately prepay in full the then outstanding principal amount of each such affected Euro-Dollar Loan, together with accrued interest thereon. Concurrently with prepaying each such affected Euro-Dollar Loan, the Borrower shall borrow a Base Rate Loan (or, if the Borrower so elects by at least one Domestic Business Day's notice to the Administrative Agent and such Bank, the Borrower shall borrow a CD Loan from such Bank in a principal amount equal to the principal amount of such affected Euro-Dollar Loan for an Interest Period coincident with the remaining term of the Interest Period applicable to such affected Euro-Dollar Loan of the Borrower, and such Bank shall make such a Base Rate (or other) Loan.

SECTION 8.03. Increased Cost and Reduced Return. (a) If on or after the Effective Date, in the case of any Loan or any obligation to make Loans or any obligations to issue or participate in any Letters of Credit, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Parent or Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) shall subject any Bank (or its Applicable Lending Office) to any tax, duty or other charge with respect to its Fixed Rate Loans or participation in Letters of Credit, its Notes or its obligation to make Fixed Rate Loans or issue Letters of Credit, or shall change the basis of taxation of payments to any Bank (or its Applicable Lending Office) of the principal of or interest on its Fixed Rate Loans or Letters of Credit or any other amounts due under this Agreement in

respect of its Fixed Rate Loans or Letters of Credit or its obligation to make Fixed Rate Loans or issue or participate in Letters of Credit (except for changes in the rate of tax on the income of such Bank or its Applicable Lending Office or changes in franchise taxes imposed on it under applicable law); or

(ii) shall impose, modify or deem applicable any reserve, special deposit, deposit insurance assessment or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding (A) with respect to any CD Loan any such requirement included in an applicable Domestic Reserve

Percentage and (B) with respect to any Euro-Dollar Loan any such requirement with respect to which such Bank is entitled to compensation during the relevant Interest Period under Section 8.05) against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Applicable Lending Office) or shall impose on any Bank (or its Applicable Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Fixed Rate Loans, its Notes or its obligation to make Fixed Rate Loans;

and the result of any of the foregoing is to increase the actual cost to such Bank (or its Applicable Lending Office) of making or maintaining any Fixed Rate Loan or issuing or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending Office) under this Agreement or under its Notes with respect thereto, by an amount reasonably deemed by such Bank to be material, then, within 15 days after demand by such Bank (with a copy to the Administrative Agent), the Borrower shall pay to such Bank (without duplication of amounts otherwise payable hereunder) such additional amount or amounts as will compensate such Bank for such increased cost or reduction with respect to such affected Fixed Rate Loan or Letter of Credit or such affected sum.

(b) If any Bank shall have reasonably determined that the adoption of any applicable law, rule or regulation regarding capital adequacy or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Parent or Applicable Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or has had the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of such Bank's obligations hereunder to a level below that which such Bank or its Parent could have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within 15 days after demand by such Bank (with a copy to the Administrative Agent), the

Borrower shall pay to such Bank (without duplication of amounts otherwise payable hereunder) such additional amount or amounts as will compensate such Bank or its Parent for such reduction.

(c) Each Bank will promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the Effective Date, which will entitle such Bank to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the reasonable judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section, setting forth the additional amount or amounts to be paid to it hereunder and setting forth in reasonable detail the basis for such compensation shall be conclusive in the absence of manifest error, and the amount set forth therein shall be

payable by the Borrower within five days after receipt of such certificate. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

SECTION 8.04. Substitute Loans. If (i) the obligation of any Bank to make Euro-Dollar Loans has been suspended pursuant to Section 8.01 or 8.02 or (ii) any Bank has demanded compensation under Section 8.03(a) and the Borrower shall, by at least five Euro-Dollar Business Days' prior notice to such Bank through the Administrative Agent, have elected that the provisions of this Section shall apply to such Bank, then, unless and until such Bank notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer apply (which such Bank shall do forthwith):

(a) all Loans which would otherwise be made by such Bank as CD Loans or Euro-Dollar Loans, as the case may be, shall be made instead as Base Rate Loans or, if the Borrower shall so elect in its Notice of Borrowing, CD Loans or Euro-Dollar Loans (whichever type is not affected by such circumstances) for an Interest Period coincident with the related Fixed Rate Borrowing, and

(b) after each of its CD Loans or Euro-Dollar Loans, as the case may be, has been repaid, all payments of principal which would otherwise be applied to repay such Fixed Rate Loans shall instead be applied to repay its Loans made pursuant to Section 8.02 or clause (a) above.

SECTION 8.05. Regulation D Compensation. Each Bank may require the Borrower to pay, contemporaneously with each payment of interest on Euro-Dollar Borrowings, additional interest on the related Euro-Dollar Loan of such Bank at a rate per annum equal to the excess of (i) (A) the applicable Euro-Dollar Rate divided by (B) one minus the Euro-Dollar Reserve Percentage over (ii) the rate specified in clause (i)(A). Any Bank electing to require payment of such additional interest (x) shall so

notify the Borrower and the Administrative Agent, in which case such additional interest on the Euro-Dollar Loans of such Bank shall be payable to such Bank at the place indicated in such notice with respect to each Interest Period commencing at least five Euro-Dollar Business Days after the giving of such notice and (y) shall notify the Borrower at least five Euro-Dollar Business Days prior to each date on which interest is payable on the Euro-Dollar Loans of the amount then due it under this Section.

SECTION 8.06. Substitution of Bank. If (i) the obligation of any Bank to make Euro-Dollar Loans has been suspended pursuant to Section 8.01 or 8.02 or (ii) any Bank has demanded compensation under Section 8.03 or 8.05, or if any Bank has notified the Borrower that it is not capable of receiving payments without deduction or withholding pursuant to Section 2.18 the Borrower shall have the right, with the assistance of the Administrative Agent and the Co-Agent, to seek a mutually satisfactory substitute bank or banks (which may be one or more of the Banks) to purchase the Notes for cash without recourse to such Bank and assume the Commitment and participation in any Letters of Credit

of such Bank. Any such purchase shall be at par, shall be subject to the provisions of Section 2.14, shall be without prejudice to the Borrower's obligations under Section 9.04 and shall release such Bank from all further obligations under this Agreement.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Notices. All notices and other communications provided for herein shall be in writing (including bank wire, telex, telegraph, telecopy, cable or similar writing) and shall be given to the intended recipient at the "Address for Notices" specified, if the intended recipient is the Borrower or any of the Agents, below its name on the signature pages hereof or, if the intended recipient is a Bank, in such Bank's Administrative Questionnaire, or, as to any party, at such other address as shall be designated by such party in a notice to the Borrower and the Administrative Agent. All notices and other communications shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified in this Section and the appropriate answerback is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, (iii) if given by telecopier, upon telephone confirmation that the telecopied document has been received by the individual to whom it was addressed, or (iv) if given by any other means, when delivered at the address specified in this Section; provided, however, that notices to the Administrative Agent under

Article II or VIII hereof shall not be effective until received and notices to the Borrower under Section 6.01 shall not be effective until such notice is received.

SECTION 9.02. No Waiver. No failure on the part of any of the Agents or any Bank to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement or any Note shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement or any Note preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

SECTION 9.03. GOVERNING LAW. THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS, WITHOUT GIVING EFFECT TO ANY CONFLICT OF LAW PRINCIPLES.

SECTION 9.04. Expenses; Documentary Taxes; Indemnification. (a) The Borrower shall pay, within 30 days after receipt of a reasonably detailed statement setting forth the amount and nature thereof, (i) all out-of-pocket expenses of the Agents, including the reasonable fees and disbursements of one

firm serving as special counsel for both Agents, in connection with the preparation of this Agreement, any waiver or consent hereunder or any amendment hereof or any Default or alleged Default hereunder and (ii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Agents or any Bank, including reasonable fees and disbursements of counsel (either outside counsel or in-house counsel, as the case may be), in connection with such Event of Default and collection and other enforcement proceedings resulting therefrom. The Borrower shall indemnify each Bank against any transfer taxes, documentary taxes, assessments or charges made by any governmental authority by reason of the execution and delivery of this Agreement or the Notes.

(B) THE BORROWER AGREES TO INDEMNIFY EACH BANK (AND THEIR RESPECTIVE DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES) AND EACH AGENT (AND THEIR RESPECTIVE DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES) AND HOLD EACH BANK AND EACH AGENT HARMLESS FROM AND AGAINST ANY AND ALL LIABILITIES, LOSSES, DAMAGES, COSTS AND EXPENSES OF ANY KIND (INCLUDING, WITHOUT LIMITATION, THE REASONABLE FEES AND DISBURSEMENTS OF COUNSEL (EITHER OUTSIDE COUNSEL OR IN-HOUSE COUNSEL, AS THE CASE MAY BE) FOR ANY BANK AND THE AGENTS IN CONNECTION WITH ANY INVESTIGATIVE, ADMINISTRATIVE OR JUDICIAL PROCEEDING, WHETHER OR NOT SUCH BANK OR THE AGENT SHALL BE DESIGNATED A PARTY THERETO) WHICH MAY BE INCURRED BY ANY BANK, OR BY ANY AGENT IN CONNECTION WITH ITS ACTIONS AS AGENT HEREUNDER, RELATING TO OR ARISING OUT OF ARTICLE VI OR VII OF THIS AGREEMENT OR ANY ACTUAL OR PROPOSED USE OF PROCEEDS OF LOANS HEREUNDER.

(C) EACH AGENT AND EACH BANK ENTITLED TO INDEMNITY FROM THE BORROWER UNDER ANY PROVISION OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT SHALL BE INDEMNIFIED AND HELD HARMLESS TO THE EXTENT PROVIDED THEREUNDER AGAINST ANY AND ALL LOSSES, LIABILITIES, DAMAGES, CLAIMS, DEFICIENCIES, JUDGMENTS, COSTS OR REASONABLE EXPENSES RELATING TO ENVIRONMENTAL LAWS OR RELEASES IF ANY OF SUCH LOSSES, LIABILITIES, DAMAGES, CLAIMS, DEFICIENCIES, JUDGMENTS, COSTS OR EXPENSES RELATE TO VIOLATIONS OF REQUIREMENTS OF ENVIRONMENTAL LAWS RESULTING FROM ANY OF THE BORROWER'S AND ITS CONSOLIDATED SUBSIDIARIES' OPERATIONS (OTHER THAN AS A RESULT OF AN INDEMNIFIED PERSON'S ACTS OR OMISSIONS IF SUCH INDEMNIFIED PERSON IS DEEMED TO BE A "PERSON IN CONTROL" UNDER ANY STATE OR FEDERAL STATUTE OR REGULATION).

(D) WITHOUT LIMITING ANY PROVISION OF THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS BUT IN ALL EVENTS SUBJECT TO PARAGRAPH (E) OF THIS SECTION 9.04, IT IS THE EXPRESS INTENTION OF THE BORROWER AND THE OTHER PARTIES HERETO THAT EACH INDEMNIFIED PERSON ENTITLED TO INDEMNITY UNDER ANY PROVISION OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT SHALL BE INDEMNIFIED AND HELD HARMLESS TO THE EXTENT PROVIDED THEREUNDER AGAINST ANY AND ALL LOSSES, LIABILITIES, CLAIMS, DEFICIENCIES, JUDGMENTS OR REASONABLE EXPENSES ARISING OUT OF OR RESULTING FROM THE ORDINARY NEGLIGENCE (WHETHER SOLE OR CONTRIBUTORY) OF SUCH INDEMNIFIED PERSON.

(E) NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR ANY OTHER DOCUMENT OR INSTRUMENT, IN NO EVENT SHALL THE BORROWER BE LIABLE IN ANY MANNER WITH RESPECT TO ANY LIABILITIES DAMAGES, LOSSES, CLAIMS, DEFICIENCIES, JUDGMENTS, COSTS OR EXPENSES OF ANY KIND FOR ANY

ACTS OR OMISSIONS CONSTITUTING GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OR VIOLATION OF LAW ON THE PART OF ANY INDEMNIFIED PERSON.

SECTION 9.05. Amendments, Etc.. Any provision of this Agreement or the Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Banks (and, if the rights or duties of any Agent are affected thereby, by such Agent); provided, however, that no such amendment, waiver or modification shall, unless signed by all the Banks, (i) increase or decrease the Commitment of any Bank (except for increases to the Commitment of any Bank pursuant to Section 8.06 to which such Bank has agreed in writing), (ii) reduce the principal of or rate of interest on any Loan or any fees hereunder, (iii) postpone the date fixed for any payment of principal of or interest on any Loan or any fees hereunder or for any termination of any Commitment, (iv) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Section or any other provision of this Agreement or (v) amend or waive any provision of Section 3.01 or this Section 9.05.

SECTION 9.06. Counterparts; Integration. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

SECTION 9.07. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of all Banks.

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its Commitment or any or all of its Loans or any or all of its Commitment Percentage of Letter of Credit Outstandings. In the event of any such grant by a Bank of a participating interest to a Participant, whether or not upon notice to the Borrower and the Agents, such Bank shall remain responsible for the performance of its obligations hereunder, and the Borrower and the Agents shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided, however, that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in clause (i), (ii), (iii) or (iv) of Section 9.05 without the consent of the Participant. The Borrower agrees that each Participant shall be entitled to the benefits of

Sections 2.14 and 9.04 and Article VIII with respect to its participating interest; provided, however, that all amounts payable to a Bank for the account of a Participant under Sections 2.14 and 9.04 and Article VIII shall be determined as if such Bank had not granted such participation to the Participant. An assignment or other transfer which is not permitted by subsection (c) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) Any Bank may, upon 5 days notice to the Administrative Agent and the Borrower, assign to one or more banks or other institutions (each an "Assignee") all, or a proportionate part of all (in minimum amounts of $10,000,000 and in multiples of $1,000,000), of its rights and obligations under this Agreement and the Notes, and such Assignee shall assume such rights and obligations, pursuant to an instrument executed by such Assignee and such transferor Bank, with (and subject to) the written

consent of the Borrower and the Administrative Agent; which shall not be unreasonably withheld; provided, however, that if an Assignee is the local Federal Reserve Bank branch for the region in which such Bank is located and is receiving a collateral assignment or is an affiliate of such transferor Bank, no such consent shall be required. Upon execution by the transferor Bank, the Borrower, the Assignee and the Agents, and delivery of, such an instrument and payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such transferor Bank and such Assignee, such Assignee shall be a Bank party to this Agreement and shall have all the rights and obligations of a Bank with a Commitment as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder to the extent of such assignment, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor Bank, the Agents and the Borrower shall make appropriate arrangements so that, if required, new Notes are issued to the Assignee. Prior to the issuance of any such new Note, the Assignee to which such Note is issued shall pay to the Administrative Agent a fee of $2,000.00.

(d) No Assignee or other transferee of any Bank's rights shall be entitled to receive any greater payment under Section 8.03 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Borrower's prior written consent or by reason of the provisions of Section 8.02 or 8.03 requiring such Bank to designate a different Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

(e) If any Reference Bank assigns its Notes to an unaffiliated institution, the Administrative Agent shall, in consultation with the Borrower and with the consent of the Required Banks, appoint another bank to act as a Reference Bank hereunder.

SECTION 9.08. Survival. The obligations of the Borrower under Article VIII and Section 9.04 shall survive the repayment of the Loans and the

satisfaction of the Letter of Credit Outstandings and the termination of the Commitments.

SECTION 9.09. Acknowledgement. The Borrower acknowledges that the Banks have entered into this Agreement in reliance on the Borrower's assurance that the Borrower does not intend to use the proceeds of any Borrowings hereunder in a manner which would violate any applicable law or governmental rule or regulation.

SECTION 9.10. Headings. The Table of Contents and Article and Section headings used herein shall not affect the interpretation of any provision of this Agreement.

SECTION 9.11. Sharing of Setoffs. Each Bank agrees that, if it shall, by exercising any right of setoff or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Note held by it or any Letter of Credit Outstandings which is greater than the proportion received by any other Bank in respect of the aggregate amount of principal and interest due with respect to any Note held by such other Bank or any Letter of Credit Outstandings (other than disproportionate payments to any Bank provided for by this Agreement), the Bank receiving such proportionately greater payment shall purchase such participation in the Notes held by, or the rights in respect of Letter of Credit Outstandings of, the other Banks, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Notes and Letter of Credit Outstandings held by the Banks shall be shared by the Banks pro rata; provided, however, that nothing in this Section shall impair the right of any Bank to exercise any right of setoff or counterclaim it may have and to apply the amount recovered thereby to the payment of indebtedness of the Borrower other than its indebtedness under the Notes, or in respect of Letter of Credit Outstandings. If under any applicable bankruptcy, insolvency or other similar law, any Bank receives a secured claim in lieu of a setoff to which this Section applies, such Bank shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Banks entitled under this Section to share in the benefits of any recovery on such secured claim.

SECTION 9.12. Collateral. Each of the Banks represents to the Agents and each of the other Banks that it in good faith is not relying upon any "margin stock" (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for in this Agreement.

SECTION 9.13. CONSENT TO JURISDICTION. (a) THE BORROWER IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY FEDERAL OR STATE COURT SITTING IN HARRIS COUNTY, TEXAS OVER ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY NOTE OR ANY LETTER OF CREDIT. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT AND ANY CLAIM THAT ANY SUIT, ACTION OR

PROCEEDING BROUGHT IN ANY SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. THE BORROWER AGREES THAT A FINAL, NONAPPEALABLE JUDGMENT IN ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH A COURT SHALL BE CONCLUSIVE AND BINDING UPON THE BORROWER AND MAY BE ENFORCED IN ANY FEDERAL OF STATE COURT SITTING IN THE STATE OF TEXAS (OR ANY OTHER COURTS TO THE JURISDICTION OF WHICH THE BORROWER IS OR MAY BE SUBJECT) BY A SUIT UPON SUCH JUDGMENT; PROVIDED, HOWEVER, THAT SERVICE OF PROCESS IS EFFECTED

UPON THE BORROWER IN ONE OF THE MANNERS SPECIFIED IN SUBSECTION (b) OF THIS SECTION OR AS OTHERWISE PERMITTED BY LAW.

(b) SERVICE OF PROCESS. THE BORROWER HEREBY CONSENTS TO PROCESS BEING SERVED IN ANY SUIT, ACTION OR PROCEEDING REFERRED TO IN THE FIRST SENTENCE OF SUBSECTION (a) OF THIS SECTION IN ANY FEDERAL OR STATE COURT SITTING IN HARRIS COUNTY, TEXAS BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED AIR MAIL, POSTAGE PREPAID, RETURN RECEIPT REQUESTED, TO THE BORROWER AT ITS ADDRESS SPECIFIED IN SECTION 9.01 OR TO ANY OTHER ADDRESS OF WHICH THE BORROWER SHALL HAVE GIVEN WRITTEN NOTICE TO THE ADMINISTRATIVE AGENT. THE BORROWER IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW, ALL CLAIM OF ERROR BY REASON OF ANY SUCH SERVICE IN ANY SUIT, ACTION OR PROCEEDING BROUGHT BY ANY AGENT OR ANY BANK. THE BORROWER AGREES THAT SUCH SERVICE, TO THE FULLEST EXTENT PERMITTED BY LAW, SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE OF PROCESS UPON THE BORROWER IN ANY SUCH SUIT, ACTION OR PROCEEDING AND SHALL BE TAKEN AND HELD TO BE VALID AND PERSONAL SERVICE UPON AND PERSONAL DELIVERY TO THE BORROWER.

(c) NO LIMITATION ON SERVICE OR SUIT. NOTHING IN THIS ARTICLE SHALL AFFECT THE RIGHT OF ANY AGENT OR ANY BANK TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR LIMIT THE RIGHT OF ANY AGENT OR ANY BANK TO BRING PROCEEDINGS OTHERWISE PERMITTED BY LAW AGAINST THE BORROWER IN THE COURTS OF THE JURISDICTION OF ANY BANK'S LENDING OFFICE OR THE COURTS OF ANY JURISDICTION OR JURISDICTIONS IN WHICH THE BORROWER HAS ANY ASSETS.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

LYONDELL PETROCHEMICAL COMPANY

By:
Title: Russell S. Young
Senior Vice President, Chief Financial Officer
and Treasurer

Address for Notices:

One Houston Center
Suite 1600
1221 McKinney Street

P.O. Box 3646
Houston, Texas 77253-3646
Attn: Treasurer

Telephone No.: (713) 652-7200
Telecopier No.: (713) 652-7430

TEXAS COMMERCE BANK NATIONAL ASSOCIATION, as Administrative Agent

By:
Title: D. G. Mills
Vice President

Address for Notices:
712 Main Street
Houston, Texas 77002
Attn: Syndications Department

Telephone No.: (713) 216-4037
Telecopier No.: (713) 216-2339

CONTINENTAL BANK N.A., as Co-Agent

By:
Title: R. R. Ingersoll
Managing Director

Address for Notices:
231 South LaSalle Street, 10th Floor
Chicago, IL 60697
Attn: Kathryn Rayford

Telephone No.: (312) 828-3488
Telecopier No.: (312) 984-5614

EXHIBIT 22

SUBSIDIARIES

Lyondell Petrochemical de Mexico, a Delaware corporation

Lyondell Licensing, Inc., a Delaware corporation

ARCO Mont Belvieu Corporation, a Delaware corporation

Lyondell Refining Company, a Delaware corporation

EXHIBIT 24

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the following registration statements of Lyondell Petrochemical Company, Post-Effective Amendment No. 3 to Registration Statement on Form S-8 (No. 33-26868), Post-Effective Amendment No. 3 to Registration Statement on Form S-8 (No. 33-26866), Post-Effective Amendment No. 3 to Registration Statement on Form S-8 (No. 33-26870), Post Effective Amendment No. 3 to Registration Statement on Form S-8 (No. 33-26867), Registration Statement on Form S-8 (No. 33-31564), Registration Statement on Form S-8 (No. 33-32683), of our report dated February 11, 1994 on our audits of the consolidated financial statements and financial statement schedules of Lyondell Petrochemical 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 this Annual Report on Form 10-K.

COOPERS & LYBRAND

Houston, Texas
March 16, 1994

EXHIBIT 25

LYONDELL PETROCHEMICAL COMPANY

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Bob G. Gower, Joseph M. Putz and Russell S. Young, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, in connection with any outstanding securities of Lyondell Petrochemical Company (the "Company"), or any public offering or other issuance of any securities of the Company authorized by the Board of Directors of the Company, or by the Executive Committee thereof pursuant to due authorization by such Board, (1) to execute and file, or cause to be filed, with the United States Securities and Exchange Commission (the "Commission"), (A) Registration Statements and any and all amendments (including post-effective amendments) thereto and to file, or cause to be filed, all exhibits thereto and other documents in connection therewith as required by the Commission in connection with such registration under the Securities Act of 1933,

as amended, and (B) any report or other document required to be filed by the Company with the Commission pursuant to the Securities Exchange Act of 1934, as amended, (2) to execute and file, or cause to be filed, any application for registration or exemption therefrom, any report or any other document required to be filed by the Company under the Blue Sky or securities law of any of the United States and to furnish any other information required in connection therewith, (3) to execute and file, or cause to be filed, any application for registration or exemption therefrom under the securities laws of any jurisdiction outside the United States, including any reports or other documents required to be filed subsequent to the issuance of such securities, and (4) to execute and file, or cause to be filed, any application for listing such securities on the New York Stock Exchange, or any other securities exchange in any other jurisdiction where any such securities are proposed to be sold, granting to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act required to be done as he or she might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents, and each of them, may lawfully do or cause to be done by virtue of this power of attorney. Each person whose signature appears below may at any time revoke this power of attorney as to himself or herself only by an instrument in writing specifying that this power of attorney is

revoked as to him or her as of the date of execution of such instrument or at a subsequent specified date. This power of attorney shall be revoked automatically with respect to any person whose signature appears below effective on the date he or she ceases to be a member of the Board of Directors or an officer of the Company. Any revocation hereof shall not void or otherwise affect any acts performed by any attorney-in-fact and agent named herein pursuant to this power of attorney prior to the effective date of such revocation.

Dated: March 4, 1994

<TABLE>
<CAPTION>

Signature	Title
<S>	<C>
MIKE R. BOWLIN Mike R. Bowlin	Chairman of the Board and Director
BOB G. GOWER Bob G. Gower (Principal Executive Officer)	President, Chief Executive Officer and Director
RUSSELL S. YOUNG Russell S. Young (Principal Financial Officer)	Senior Vice President, Chief Financial Officer and Treasurer
JOSEPH M. PUTZ Joseph M. Putz (Principal Accounting Officer)	Vice President and Controller

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<TABLE>
<CAPTION>

Signature	Title
<S>	<C>
DR. WILLIAM T. BUTLER Dr. William T. Butler	Director
ALLAN L. COMSTOCK Allan L. Comstock	Director
TERRY G. DALLAS Terry G. Dallas	Director
STEPHEN F. HINCHLIFFE, JR. Stephen F. Hinchliffe, Jr.	Director
DUDLEY C. MECUM II Dudley C. Mecum II	Director
WILLIAM C. RUSNACK William C. Rusnack	Director
DAN F. SMITH Dan F. Smith	Director
PAUL R. STALEY	Director

	Paul R. Staley
WILLIAM E. WADE, JR.	Director
	William E. Wade, Jr.

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