

# SECURITIES AND EXCHANGE COMMISSION

## FORM S-8

Initial registration statement for securities to be offered to employees pursuant to employee benefit plans

Filing Date: **1995-05-10**  
SEC Accession No. **0000950129-95-000448**

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### FILER

#### **UNION TEXAS PETROLEUM HOLDINGS INC**

CIK: **774214** | IRS No.: **760040040** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **S-8** | Act: **33** | File No.: **033-59213** | Film No.: **95536196**  
SIC: **1311** Crude petroleum & natural gas

Mailing Address  
1330 POST OAK BLVD  
HOUSTON TX 77056

Business Address  
1330 POST OAK BLVD  
HOUSTON TX 77056  
7136236544

As filed with the Securities and Exchange Commission on May 10, 1995

Registration No. 33-

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM S-8  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

UNION TEXAS PETROLEUM HOLDINGS, INC.  
(Exact name of registrant as specified in its charter)

Delaware 76-0040040  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

1330 Post Oak Boulevard  
Houston, Texas 77056  
(Address of Principal Executive Offices) (Zip Code)

UNION TEXAS PETROLEUM HOLDINGS, INC.  
1994 INCENTIVE PLAN  
(Full title of the plan)

Newton W. Wilson, III  
General Counsel, Vice President -- Administration and Secretary  
Union Texas Petroleum Holdings, Inc.  
1330 Post Oak Boulevard  
Houston, Texas 77056  
(713) 623-6544

(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

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CALCULATION OF REGISTRATION FEE

<TABLE>  
<CAPTION>

Title of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
<S> Common Stock, \$0.05 Par Value Per Share	<C> 4,000,000 Shares	<C> \$22.4375 (1)	<C> \$89,750,000 (1)	<C> \$30,949 (1)

</TABLE>

- (1) Estimated solely for the purpose of calculating the registration fee, based upon the average of the high and low prices of a share of the Company's Common Stock on the New York Stock Exchange on May 3, 1995 pursuant to Rule 457(c).

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

ITEM 3. INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE.

The Company incorporates herein by reference the following documents as of their respective dates as filed with the Securities and Exchange Commission (the "Commission"):

- (1) The Annual Report of Union Texas Petroleum Holdings, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 1994;

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995;

(3) The Company's Current Reports on Form 8-K dated January 20, 1995, February 7, 1995, February 22, 1995, March 16, 1995, March 17, 1995, April 10, 1995, April 28, 1995 and May 4, 1995; and

(4) The description of the Company's Common Stock, \$0.05 par value per share (the "Common Stock") contained in the Company's Registration Statement on Form 8-A (File No. 1-9019) filed with the Commission on August 6, 1987, as amended by Forms 8 filed with the Commission on September 16, 1987 (Amendment No. 1), September 21, 1987 (Amendment No. 2) and September 24, 1987 (Amendment No. 3) pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

All documents filed by the Company pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act after the date of this Registration Statement and prior to the filing of a post effective amendment, which indicates that all securities offered hereby have been sold or which deregisters all such securities then remaining unsold, shall be deemed to be incorporated by reference in this Registration Statement and to be a part hereof from the date of filing such documents.

#### ITEM 4. DESCRIPTION OF SECURITIES.

The information required by Item 4 is not applicable to this Registration Statement since the class of securities to be offered is registered under Section 12 of the Exchange Act.

#### ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL.

Newton W. Wilson, III, General Counsel, Vice President -- Administration and Secretary of the Company, has given his opinion that the shares of Common Stock of the Company offered hereby, when issued and sold in accordance with the Company's 1994 Incentive Plan, will be validly issued, fully paid and nonassessable. Such opinion has been filed as an exhibit to this Registration Statement. As of the date of this Registration Statement, Mr. Wilson owned approximately 6,400 shares of Common Stock of the Company (excludes shares held indirectly by Mr. Wilson in the Company's Savings Plan for Salaried Employees) and owned directly options to purchase 157,653 shares of Common Stock (includes options to purchase Common Stock which are not yet vested).

#### ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law, inter alia, empowers a Delaware corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or other enterprise, against expenses (including attorneys' fees),

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judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Similar indemnity is authorized for such persons against expenses (including attorneys' fees) actually and reasonably incurred in connection with the defense or settlement of any such threatened, pending or completed action or suit if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and provided further that (unless a court of competent jurisdiction otherwise provides) such person shall not have been adjudged liable to the corporation. Any such indemnification may be made only as authorized in each specific case upon a determination by the stockholders or disinterested directors or by independent legal counsel in a written opinion that indemnification is proper because the indemnitee has met the applicable standard of conduct.

Section 145 further authorizes a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would otherwise have the power to indemnify him under Section 145. The Company maintains policies insuring its and its subsidiaries' officers and

directors against certain liabilities for actions taken in such capacities, including liabilities under the Securities Act of 1933.

Article VI of the Bylaws of the Company provides for indemnification of the directors and officers of the Company to the full extent permitted by law, as now in effect or later amended. In addition, the Bylaws provide for indemnification against expenses incurred by a director or officer to be paid by the Company at reasonable intervals in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall be ultimately determined that he is not entitled to be indemnified by the Company. The Bylaws further provide for a contractual cause of action on the part of directors and officers of the Company for indemnification claims which have not been paid by the Company.

Article VIII of the Company's Restated Certificate of Incorporation limits under certain circumstances the liability of the Company's directors for a breach of their fiduciary duty as directors. These provisions do not eliminate the liability of a director (i) for a breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law (relating to the declaration of dividends and purchase or redemption of shares in violation of the Delaware General Corporation Law) or (iv) for any transaction from which the director derived an improper personal benefit.

ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED.

The information required by Item 7 is not applicable to this Registration Statement.

ITEM 8. EXHIBITS.

<TABLE>

<CAPTION>

Exhibit Number	Description
4.1	Restated Certificate of Incorporation of Union Texas Petroleum Holdings, Inc. (filed as Exhibit 3.1 to Post Effective Amendment No. 1 to the Company's Registration Statement No. 33-12800 and incorporated herein by reference)
4.2	Bylaws of Union Texas Petroleum Holdings, Inc. (filed as Exhibit 3.2 to the Company's Form 10-Q for the quarter ended June 30, 1994 (Commission File No. 1-9019) and incorporated herein by reference)

</TABLE>

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<S>	<C>
4.3*	The Union Texas Petroleum Holdings, Inc. 1994 Incentive Plan
5.1*	Opinion of Mr. Newton W. Wilson, III, General Counsel, Vice President-- Administration and Secretary of Union Texas Petroleum Holdings, Inc.
15*	Independent Accountants' Awareness Letter
23.1*	The consent of Mr. Newton W. Wilson, III is included in such opinion filed as Exhibit 5.1 to this Registration Statement
23.2*	Consent of Price Waterhouse LLP
24.1*	Power of Attorney (set forth on the signature page contained in Part II of this Registration Statement)

</TABLE>

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\* Filed with this Registration Statement.

ITEM 9. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes:

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

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

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

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

Provided, however, that paragraphs (a) (1) (i) and (a) (1) (ii) do not apply if the information required to be included in a post effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to Section 13 or Section 15 (d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on May 10, 1995.

UNION TEXAS PETROLEUM HOLDINGS. INC.

By: /s/ A. CLARK JOHNSON

-----  
A. Clark Johnson  
Chairman of the Board and  
Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned officers and directors of Union Texas Petroleum Holdings, Inc. (the "Company") hereby constitutes and appoints A. Clark Johnson, Newton W. Wilson, III and Larry D. Kalmbach, or each of them (with full power to each of them to act alone), his

true and lawful attorney-in-fact and agent, with full power of substitution, for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and file this registration statement under the Securities Act of 1933, as amended, and any or all amendments (including, without limitation, post effective amendments), with all exhibits and any and all documents required to be filed with respect thereto, with the Securities and Exchange Commission or any regulatory authority, granting unto such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in order to effectuate the same, as fully to all intents and purposes as he himself might or could do if personally present, hereby ratifying and confirming all that such attorneys-in-fact and agents, or any of them, or their substitute or substitutes, may lawfully do or cause to be done.

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

<TABLE> <CAPTION>	Signature -----	Title -----	Date -----
<S>		<C>	<C>
	/s/ A. CLARK JOHNSON ----- (A. Clark Johnson)	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	May 10, 1995
	/s/ LARRY D. KALMBACH ----- (Larry D. Kalmbach)	Vice President and Chief Financial Officer (Principal Financial Officer)	May 10, 1995
	/s/ DONALD M. MCMULLAN ----- (Donald M. McMullan)	Vice President and Controller (Principal Accounting Officer)	May 10, 1995
	/s/ GLENN A. COX ----- (Glenn A. Cox)	Director	May 10, 1995
	/s/ SAUL A. FOX ----- (Saul A. Fox)	Director	May 10, 1995

</TABLE>

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7 <TABLE>	<S>	<C>	<C>
	/s/ EDWARD A. GILHULY ----- (Edward A. Gilhuly)	Director	May 10, 1995
	/s/ JAMES H. GREENE, JR. ----- (James H. Greene, Jr.)	Director	May 10, 1995
	/s/ HENRY R. KRAVIS ----- (Henry R. Kravis)	Director	May 10, 1995
	/s/ MICHAEL W. MICHELSON ----- (Michael W. Michelson)	Director	May 10, 1995
	/s/ STANLEY P. PORTER ----- (Stanley P. Porter)	Director	May 10, 1995
	/s/ GEORGE R. ROBERTS ----- (George R. Roberts)	Director	May 10, 1995
	/s/ RICHARD R. SHINN ----- (Richard R. Shinn)	Director	May 10, 1995
	/s/ SELLERS STOUGH ----- (Sellers Stough)	Director	May 10, 1995

</TABLE>

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EXHIBIT INDEX

<TABLE>  
<CAPTION>

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4.3*	-- The Union Texas Petroleum Holdings, Inc. 1994 Incentive Plan
5.1*	-- Opinion of Mr. Newton W. Wilson, III, General Counsel, Vice President-- Administration and Secretary of Union Texas Petroleum Holdings, Inc.
15*	-- Independent Accountants' Awareness Letter
23.1*	-- The consent of Mr. Newton W. Wilson, III is included in such opinion filed as Exhibit 5.1 to this Registration Statement
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\* Filed with this Registration Statement.

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## UNION TEXAS PETROLEUM HOLDINGS, INC.

## 1994 INCENTIVE PLAN

## SECTION 1. PURPOSE OF THE PLAN

The Union Texas Petroleum Holdings, Inc. 1994 Incentive Plan (the "Plan") is intended to promote the interests of Union Texas Petroleum Holdings, Inc., a Delaware corporation (the "Company"), by encouraging employees of the Company, its subsidiaries and affiliated entities, and non-employee directors of the Company to acquire or increase their equity interest in the Company and to provide a means whereby employees may develop a sense of proprietorship and personal involvement in the development and financial success of the Company, and to encourage them to remain with and devote their best efforts to the business of the Company thereby advancing the interests of the Company and its shareholders. The Plan is also contemplated to enhance the ability of the Company, its subsidiaries and affiliated entities to attract and retain the services of individuals who are essential for the program, growth and profitability of the Company.

## SECTION 2. DEFINITIONS

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

"Affiliate" shall mean (i) any entity that, directly or through one or more intermediaries, is controlled by the Company and (ii) any entity in which the Company has a significant equity interest, as determined by the Committee.

"Award" shall mean any Option, Stock Appreciation Right, Restricted Stock, Performance Award, Stock Compensation Award, Deferred Shares, Bonus Shares, Other Stock-Based or Cash Award.

"Award Agreement" shall mean any written agreement, contract, or other instrument or document evidencing any Award, which may, but need not, be executed or acknowledged by a participant.

"Board" shall mean the Board of Directors of the Company.

"Bonus Shares" shall mean an award of Shares granted pursuant to Section 6(e) of the Plan.

"Cash Award" shall mean an award payable in cash granted pursuant to Section 6(g) of the Plan.



"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations thereunder.

"Committee" shall mean the Organization and Compensation Committee of the Board.

"Covered Employees" shall have the meaning specified in Section 162(m) (3) of the Code.

"Deferred Shares" shall mean an Award of the right to receive Shares issued at the end of a Restricted Period which is granted pursuant to Section 6(f) of the Plan.

"Disability" shall mean (i) with respect to an Employee of the Company or of any Affiliate, becoming permanently disabled under the standards of the Company's disability program as determined by the Committee or (ii) with respect to a non-employee Director, inability to perform duties and services as a director of the Company by reason of a medically determinable physical or mental impairment supported by medical evidence which in the opinion of the Committee can be expected to result in death or which can be expected to last for a continuous period of not less than twelve (12) months.

"Employee" shall mean any employee of the Company or of any Affiliate.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Fair Market Value" shall mean the fair market value of the property or other item being valued, as determined by the Committee. With respect to Shares, if the Shares are traded on a national stock

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exchange, the fair market value of a Share on a particular date shall be equal to the average of the reported high and low sales prices of the Share on such exchange on that date, or if no prices are reported on that date, on the last preceding date on which such prices of the Share are so reported. If the Shares are publicly traded but are not traded on a national stock exchange at the time a determination of its fair market value is required to be made hereunder, its fair market value shall be deemed to be equal to the average between the closing bid and asked price of the Share on the most recent date the Shares were publicly traded. In the event the Shares are not publicly traded at the time a determination of its fair market value is required to be made hereunder, the determination of fair market value shall be made in good faith by the Committee.

"Incentive Stock Option" or "ISO" shall mean an option granted under

Section 6(a) of the Plan that is intended to qualify as an "incentive stock option" under Section 422 of the Code or any successor provision thereto.

"non-employee Director" shall mean a director of the Company who is not (i) otherwise an employee of the Company or any Affiliate or (ii) a general partner, limited partner or employee of Kohlberg Kravis Roberts & Co.

"Non-Qualified Stock Option" or "NQO" shall mean an option granted under Sections 6(a) or 6(h) of the Plan that is not intended to be an Incentive Stock Option.

"Option" shall mean an Incentive Stock Option or a Non-Qualified Stock Option.

"Other Stock-Based Award" shall mean any right granted under Section 6(g) of the Plan.

"Participant" shall mean any individual granted an Award under the Plan. Any other provisions hereof to the contrary notwithstanding, no non-employee Director may receive benefits under this Plan except for Non-Qualified Stock Options as provided in Section 6(h).

"Performance Award" shall mean any right granted under Section 6(d) of the Plan.

"Person" shall mean individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, government or political subdivision thereof or other entity.

"Restricted Period" shall mean the period established by the Committee with respect to an Award during which the Award either remains subject to forfeiture or is not exercisable by the Participant.

"Restricted Stock" shall mean any Share, prior to the lapse of restrictions thereon, granted under Section 6(c) of the Plan.

"Retirement" shall mean (i) with respect to an employee of the Company or one of its Affiliates, retirement as determined by the Committee, and (ii) with respect to a non-employee Director of the Company, termination of service as a director or honorary director, after at least five (5) years of continuous service.

"Rule 16b-3" shall mean Rule 16b-3 promulgated by the SEC under the Exchange Act, or any successor rule or regulation thereto as in effect from time to time.

"SEC" shall mean the Securities and Exchange Commission, or any successor thereto.

"Shares" or "Common Shares" or "Common Stock" shall mean the common

stock of the Company, \$0.05 par value, and such other securities or property as may become the subject of Awards or become subject to Awards pursuant to an adjustment made under Section 4(c) of the Plan.

"Stock Appreciation Right" or "Right" shall mean any right to receive the appreciation of Shares granted under Section 6(b) of the Plan.

"Stock Compensation" shall mean any right granted under Section 6(e) of the Plan.

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"Substitute Award" shall mean Awards granted in assumption of, or in substitution for, outstanding awards previously granted by (i) a company acquired by the Company or one or more of its Affiliates, or (ii) a company with which the Company or one or more of its Affiliates combines.

### SECTION 3. ADMINISTRATION

The Plans shall be administered by the Committee, which Committee shall consist of at least two members. Members of the Committee shall be "disinterested persons" within the meaning of Rule 16b-3 which has been adopted by the SEC under the Exchange Act as such Rule or its equivalent is then in effect. A majority of the Committee shall constitute a quorum, and the acts of the members of the Committee who are present at any meeting thereof at which a quorum is present, or acts unanimously approved by the members of the Committee in writing, shall be the acts of the Committee. Subject to the terms of the Plan and applicable law, and in addition to other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to an eligible Employee; (iii) determine the number of Shares to be covered by, or with respect to which payments, rights, or other matters are to be calculated in connection with, Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or cancelled, forfeited, or suspended and the method or methods by which Awards may be settled, exercised, cancelled, forfeited, or suspended; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Committee; (vii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (viii) establish, amend, suspend, or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (ix) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award shall be within

the sole discretion of the Committee, may be made at any time and shall be final, conclusive, and binding upon all Persons, including the Company, any Affiliate, any Participant, any holder or beneficiary of any Award, any stockholder and any Employee. The provisions of this Section 3 with respect to decisions made by, and authority of, the Committee shall be subject to the controlling provisions of Section 6(h).

#### SECTION 4. SHARES AVAILABLE FOR AWARDS

##### (a) Shares Available

Subject to Section 4(d) and to adjustment as provided in Section 4(c), the number of Shares with respect to which Awards may be granted under the Plan shall be 4,000,000. If, after the effective date of the Plan, any Shares covered by an Award granted under the Plan, or to which such an Award relates, are forfeited, or if an Award otherwise terminates or is cancelled without the delivery of Shares or of other consideration, then the Shares covered by such Award, or to which such Award relates, or the number of Shares otherwise counted against the aggregate number of Shares with respect to which Awards may be granted, to the extent of any such forfeiture, termination or cancellation, shall again be, or shall become, to the extent permissible under Rule 16b-3, Shares with respect to which Awards may be granted. In the event that any Option or other Award granted hereunder is exercised through the delivery of Shares, the number of Shares available for Awards (other than an Incentive Stock Option) under the Plan shall be increased by the number of Shares surrendered, to the extent permissible under Rule 16b-3. Notwithstanding the foregoing, no more than 1,200,000 Shares available for Awards shall be issued as Restricted Stock.

##### (b) Sources of Shares Deliverable Under Awards

Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.

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##### (c) Adjustments

In the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares (or other securities or property) with respect to which Awards may be granted, (ii) the

number and type of Shares (or other securities or property) subject to outstanding Awards, and (iii) the grant or exercise price with respect to any Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award; provided, in each case, that with respect to Awards of Incentive Stock Options and Awards intended to qualify as performance based compensation under Section 162(m)(4)(C) of the Code, no such adjustment shall be authorized to the extent that such authority would cause the Plan to violate Section 422(b)(1) of the Code or would cause such Award to fail to so qualify under Section 162(m) of the Code, as the case may be, or any successor provisions thereto; and provided, further, that the number of Shares subject to any Award denominated in Shares shall always be a whole number.

(d) Substitute Awards

Any Shares underlying Substitute Awards shall not, except in the case of Shares with respect to which Substitute Awards are granted with respect to Incentive Stock Options or, if not permissible under Rule 16b-3, to Employees who are officers or directors of the Company for purposes of Section 16 of the Exchange Act or any successor section thereto, be counted against the Shares available for Awards other than Incentive Stock Options under the Plan.

SECTION 5. ELIGIBILITY

Other than Awards granted to non-employee Directors pursuant to Section 6(h) of the Plan, any Employee who is not a member of the Committee, including any officer or employee-director of the Company or any Affiliate, shall be eligible to be designated a Participant. All Employees shall be eligible for Awards under the Plan. However, no Employee under this Plan may receive in any calendar year Stock Options and/or Rights that, in the aggregate, are with respect to more than 500,000 Shares (tandem Awards shall be deemed to be one Award for this purpose).

SECTION 6. AWARDS

(a) Options

Subject to the provisions of the Plan, the Committee shall have authority to determine the Employees to whom Options shall be granted, the number of Shares to be covered by each Option, the purchase price therefor and the conditions and limitations applicable to the exercise of the option including the following terms and conditions and such additional terms and conditions, as the Committee shall determine are not inconsistent with the provisions of the Plan.

(i) Exercise Price. The purchase price per Share purchasable under an Option shall be determined by the Committee at the time each Option is granted; provided, however, that the purchase price per Share shall not be less than 100% of the Fair Market Value on the date of grant, except in the case of Options that are Substitute Awards.

(ii) Time and Method of Exercise. The Committee shall determine the

time or times at which an Option may be exercised in whole or in part, and the method or methods by which, and the form or forms (which may include, without limitation, cash, Shares, outstanding Awards, Shares that would otherwise be acquired upon exercise of the Option, other securities or other property, or any combination thereof,

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having a Fair Market Value on the exercise date equal to the relevant exercise price) in which payment of the exercise price with respect thereto may be made or deemed to have been made. Pursuant to Section 7(b) of the Plan, the Committee may, at its discretion, accelerate the time at which Options may be exercised and otherwise modify the time or methods of exercise of the Options.

(iii) Incentive Stock Options. The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision, and any regulations promulgated thereunder. Incentive Stock Options may be granted only to Employees of the Company and its "subsidiaries" within the meaning of Section 424(f) of the Code.

(b) Stock Appreciation Rights

Subject to the provisions of the Plan, the Committee shall have authority to determine the Employees to whom Stock Appreciation Rights shall be granted, the number of Shares to be covered by each Stock Appreciation Right Award, the grant price thereof and the conditions and limitations applicable to the exercise thereof. A Stock Appreciation Right may be granted in tandem with another Award, in addition to another Award, or freestanding and unrelated to another Award. A Stock Appreciation Right granted in tandem with or in addition to another Award may be granted either at the same time as such other Award or at a later time.

(i) Grant Price. The grant price of a Stock Appreciation Right shall be determined by the Committee; provided, however, that the grant price shall not be less than 100% of the Fair Market Value on the date of grant or on the date of original grant of any related Award.

(ii) Other Terms and Conditions. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine, at or after the grant of a Stock Appreciation Right, the term, methods of exercise, methods of settlement, and any other terms and conditions of any Stock Appreciation Right. Any such determination by the Committee may be changed by the Committee from time to time and may govern the exercise of Stock Appreciation Rights granted or exercised prior to such determination as well as Stock Appreciation Rights granted or exercised thereafter. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it shall deem appropriate.

(c) Restricted Stock

Subject to the provisions of the Plan, the Committee shall have authority to determine the Employees to whom Restricted Stock shall be granted, the number of Shares of Restricted Stock to be granted to each such Participant, the duration of the Restricted Period during which, and the conditions under which, the Restricted Stock may be forfeited to the Company, and the other terms and conditions of such Awards.

(i) Dividends. Unless otherwise determined by the Committee, Restricted Stock Awards shall provide for the payment of dividends during the Restricted Period. Any Restricted Stock Award may require that any or all dividends or other distributions paid on the Restricted Stock during the Restricted Period be automatically sequestered and held in a bookkeeping cash account (with or without interest) or reinvested on an immediate or deferred basis in additional shares of Common Stock, which credit or shares may be subject to the same restrictions as the underlying Award or such other restrictions as the Committee may determine. Dividends paid on Restricted Stock may be paid directly to the Participant, may be subject to risk of forfeiture and/or transfer restrictions during any period established by the Committee, all as determined by the Committee in its discretion.

(ii) Registration. Any Restricted Stock may be evidenced in such manner as the Committee shall deem appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of Restricted Stock granted under the Plan, such certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.

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(iii) Forfeiture and Restrictions Lapse. Except as otherwise determined by the Committee or the terms of the Award that granted the Restricted Stock, upon termination of a Participant's employment (as determined under criteria established by the Committee, including, without limitation, in the Committee's discretion, goals described under Section 6(d)(i)) for any reason during the applicable Restricted Period, all Restricted Stock shall be forfeited by the Participant and re-acquired by the Company. The Committee may, when it finds that a waiver would be in the best interests of the Company and not cause such Award, if it is intended to qualify as performance based compensation under Section 162(m) of the Code, to fail to so qualify under Section 162(m) of the Code, waive in whole or in part any or all remaining restrictions with respect to such Participant's Restricted Stock. Unrestricted Shares, evidenced in such manner as the Committee shall deem appropriate, shall be issued to the

holder of Restricted Stock promptly after the applicable restrictions have lapsed or otherwise been satisfied.

(iv) Transfer Restrictions. During the Restricted Period, Restricted Stock will be subject to the limitations on transfer as provided in Section 6(i)(iii).

(d) Performance Awards

The Committee shall have authority to determine the Employees who shall receive a Performance Award, which shall (A) consist of a right, denominated or payable in cash, Shares, Deferred Shares, other securities or other property (including, without limitation, Restricted Stock, or any combination thereof), and (B) confer on the holder thereof rights valued as determined by the Committee and payable to, or exercisable by, such holder, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish.

(i) Terms and Conditions. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award and the amount of any payment or transfer to be made pursuant to any Performance Award. Without limiting the generality of the foregoing, it is intended that the Committee may establish performance goals applicable to Performance Awards granted to Participants who, in the judgment of the Committee, may be Covered Employees in such a manner as shall permit payments with respect thereto to qualify as "performance-based compensation" as described in Section 162(m)(4)(C) of the Code. It is specifically provided that the material terms of such performance goals for Participants who, in the judgment of the Committee, may be Covered Employees, shall, until changed by the Committee with the approval of the stockholders, if such stockholder approval is required by the Code, be as follows: (x) the business criteria on which the performance goals shall be based shall be the attainment of such target levels of either net income, cash flows, reserve additions or revisions, total capitalization, total shareholder return, assets, exploration successes, production volumes, finding and development costs, costs reductions and savings, reportable incidents in safety or environmental matters, return on sales, profit margin, earnings per share or personal objectives tied to operational studies, implementing policies and plans, negotiating transactions and sales, developing long-term business goals, managerial responsibilities and assessments as may be specified by the Committee; and (y) the maximum amount of compensation that may be paid to any one Participant with respect to any one year shall be \$1.5 million under an annual performance bonus Award and \$1.5 million under a long-term Award with a performance period longer than one fiscal year.

(ii) Payment of Performance Awards. Performance Awards may be paid in a lump sum or in installments following the close of the performance period or, in accordance with procedures established by the Committee, on a deferred basis.



(e) Stock Compensation and Bonus Shares

(i) Stock Compensation. The Committee shall have the authority, in its discretion, to pay in Shares all, or such portion as it shall determine, of amounts payable (x) under any Award of the Plan, other than Performance Awards payable in cash as a short term annual incentive or Cash Awards granted in tandem with Restricted Stock or (y) if requested by an Employee, under any compensation program of the Company. The

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number and type of Shares to be distributed in lieu of the cash compensation to which an Employee would otherwise be entitled, as well as the terms and conditions of any such bonus awards, shall be determined by the Committee.

(ii) Bonus Shares. The Committee may also grant Bonus Shares to eligible Employees. Each Bonus Share shall constitute a transfer of Common Shares to the Participant, without other payment therefor, as additional compensation for the Participant's services to the Company.

(f) Deferred Shares

The Committee may also grant Awards of Deferred Shares to eligible Employees upon such terms and conditions as the Committee may determine.

(i) Terms and Conditions. Each Deferred Share award shall constitute an agreement by the Company to issue or transfer a specified number of Shares to the Participant in the future, subject to the fulfillment during the Restricted Period of such conditions, including performance objectives or, as described in Section 6(d)(i), performance goals, if any, as the Committee may specify at the date of grant. During the Restricted Period, the Participant shall not have any right to transfer any rights under the subject Award, shall not have any rights of ownership in the Deferred Shares and shall not have any right to vote such shares.

(ii) Dividends. Any Deferred Share award may provide that any or all dividends or other distributions paid on Shares during the Restricted Period be credited in a cash bookkeeping account (without interest) or that equivalent additional Deferred Shares be awarded, which account or shares may be subject to the same restrictions as the underlying Award or such other restrictions as the Committee may determine.

(g) Other Stock-Based and Cash Awards

(i) Other Stock Based Awards. The Committee is hereby authorized to grant to eligible Employees an "Other Stock-Based Award," which shall consist of a right (i) which is not an Award or right described in Section 6(a), (b), (c), (d), (e) or (f) above and (ii) which is denominated or payable in, valued in

whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares) as are deemed by the Committee to be consistent with the purposes of the Plan; provided, that any such rights must comply, to the extent deemed desirable by the Committee, with Rule 16b-3 and applicable law. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the terms and conditions of any such Other Stock-Based Award.

(ii) Cash Awards. Subject to the provisions of the Plan, the Committee shall have authority to determine the Employees to whom Cash Awards shall be granted, the amount, and the terms or conditions, if any, as additional compensation for the Employee's services to the Company or its Affiliates. A Cash Award may be granted (simultaneously or subsequently) in tandem with another Award and may entitle a Participant to receive a specified amount of cash from the Company upon such other Award becoming taxable to the Participant, which cash amount may be based on a formula relating to the anticipated taxable income associated with such other Award and the payment of the Cash Award or other terms determined by the Committee.

(h) Awards to Non-employee Directors

(i) Initial Granting of Options. Subject to stockholder approval of the Plan pursuant to Section 10, and to the limitation of the number of shares of Stock set forth in Section 4(a), each non-employee Director who serves in such capacity on the date of the approval of the Plan by the Board (the "Current non-employee Directors") shall receive, as of such date and without the exercise of the discretion of any person or persons, a Non-Qualified Stock Option exercisable for 5,000 shares of Stock. Subject to stockholder approval of the Plan pursuant to Section 10, and to the limitation of the number of shares of Stock set forth in Section 4(a), each non-employee Director who is elected or appointed to the Board for the first time after the effective date of the

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Plan (excluding the Current non-employee Directors) shall receive, as of the date of his or her election or appointment and without the exercise of the discretion of any person or persons, a Non-Qualified Stock Option exercisable for 5,000 shares of Stock (subject to adjustment in the same manner as provided in Section 7 hereof with respect to shares of Stock subject to Options then outstanding). Any nominee non-employee Director may make an irrevocable election in advance of election not to receive an option pursuant to this Section 6(h) (i).

(ii) Annual Granting of Options. Subject to stockholder approval of the Plan pursuant to Section 10, and to the limitation of the number of shares of Stock set forth in Section 4(a), as of the date of the annual meeting of the stockholders of the Company in each year that the Plan is in effect as provided in Section 11 hereof (commencing with the 1995 annual meeting of stockholders), each non-employee Director who is in office immediately after such meeting and

who is not then entitled to receive an Option pursuant to the preceding provisions of this Section 6(h) shall receive, without the exercise of the discretion of any person or persons, a Non-Qualified Stock Option exercisable for 3,000 shares of Stock (subject to adjustment in the same manner as provided in Section 7 hereof with respect to shares of Stock subject to Options then outstanding). Any non-employee Director may make an irrevocable election in advance not to receive an option pursuant to this Section 6(h) (ii).

(iii) Other Terms and Conditions. The following provisions are applicable to Options granted pursuant to Sections 6(h) (i) and (ii):

A. Options shall be exercisable on the day following the date of grant.

B. The purchase price of a Share covered under an Option granted under this Section 6(h) shall be the Fair Market Value of a Share on the date of grant.

C. The Option may be exercised in full at one time or in part from time to time by giving written notice, signed by the optionee exercising the Option, to the Company, stating the number of Shares with respect to which the Option is being exercised, accompanied by payment in full for such Shares, which payment may be in whole or in part in Shares of the Company already owned by said optionee, valued at Fair Market Value; provided, however, that (i) no Option shall be exercisable after ten (10) years from the date on which it was granted, and (ii) there shall be no such exercise at any one time for fewer than one hundred (100) Shares or for all of the remaining Shares then purchasable by the optionee exercising the Option, if fewer than one hundred (100) Shares.

D. Each Option shall expire ten (10) years from the date of grant thereof, but shall be subject to earlier termination as follows. Options, to the extent exercisable as of the date a non-employee Director optionee ceases to serve as a director of the Company, must be exercised within six months of such date unless such event results from death, Disability or Retirement, in which case Options may be exercised by the optionee, the optionee's legal representative, heir or devisee, as the case may be, within two (2) years from the date of death or Disability and within three (3) years from the date of Retirement; provided, however, that no such event shall extend the normal expiration date of such Options.

E. Upon exercise of the Option, subject to paragraph F below, delivery of a certificate for fully paid and nonassessable Shares shall be made either at the corporate office of the Company in Houston, Texas to the optionee exercising the Option at such time during ordinary business hours after fifteen (15) days but not more than thirty (30) days from the date of receipt of the notice by the Company as shall be designated in such notice, or at such time, place and manner as may be agreed upon by the Company and the optionee exercising the Option.

F. Until the earlier to occur of the following events (i) the

non-employee Director no longer serves as a Director of the Company for any reason, (ii) a Change in Control, (iii) the approval by the Company's stockholders of a merger or consolidation or (iv) a tender offer for the Common Stock of the Company ("Termination of Restriction"), the Shares received by the non-employee Director upon the exercise of an Option granted pursuant to Section 6(h)(i) and (ii) shall not be subject to disposition by the non-employee Director, by sale, transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment,

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levy, attachment, garnishment or any other legal or equitable proceeds (including bankruptcy), and any attempted disposition thereof, shall be null and void and of no effect; provided, however, that nothing in this Section 6(h)(iii) shall prevent transfer by will, the applicable laws of descent and distribution or pursuant to a qualified domestic relations order. The certificates evidencing the Shares may bear a legend restricting or incorporating the restrictions, and the Company may cause the certificates to be delivered upon issuance to the Secretary of the Company or such other depository as may be designated by the Company as a depository for safe-keeping until Termination of Restriction. Upon Termination of Restriction, the Company will cause a new certificate or certificates to be issued without legend in the name of such former director.

(iv) Notwithstanding anything in the Plan to the contrary, a non-employee Director shall be ineligible to receive a grant provided for in Section 6(h) if as of the date of such grant the Director (i) is an employee of the Company or any Affiliate or (ii) has been an employee of the Company or any Affiliate for any part of the calendar year preceding the calendar year in which such a grant is to be made.

(v) In the event that the number of Shares available for grants under the Plan is insufficient to make all grants provided for in this Section 6(h) hereby made on the applicable date, then all non-employee Directors who are entitled to a grant on such date shall share ratably in the number of Shares then available for grant under the Plan, and shall have no right to receive a grant with respect to the deficiencies in the number of available Shares and the grants under this Section 6(h) shall terminate.

(vi) Except as expressly provided in this Section 6(h) grants made pursuant to this Section 6(h) shall be subject to the terms and conditions of the Plan; however, if there is a conflict between the terms and conditions of the Plan and this Section 6(h) then the terms and conditions of this Section 6(h) shall control. The Committee may not exercise any discretion with respect to this Section 6(h) which would be inconsistent with the intent expressed in Section 6(h)(vii).

(vii) It is intended that the Plan meet the requirements of Rule 16b-3 and that any non-employee Director who is eligible to receive a grant or to whom a grant is made pursuant to this Section 6 will not for such reason cease to be a "disinterested person" within the meaning of Rule 16b-3 with respect to the Plan and other stock related plans of the Company.

(viii) All Options under this Section 6(h) shall be evidenced by Award Agreements.

(i) General

(i) Awards May Be Granted Separately or Together. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution for any other Award granted under the Plan or any award granted under any other plan of the Company or any Affiliate. Awards granted in addition to or in tandem with other Awards or awards granted under any other plan of the Company or any Affiliate may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(ii) Forms of Payment by Company Under Awards. Subject to the terms of the Plan and of any applicable Award Agreement, payments or transfers to be made by the Company or an Affiliate upon the grant, exercise or payment of an Award may be made in such form or forms as the Committee shall determine, including, without limitation, cash, Shares, other securities, other Awards or other property, or any combination thereof, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments.

(iii) Limits on Transfer of Awards

(A) Each Award, and each right under any Award, shall be exercisable only by the Participant during the Participant's lifetime, or, if permissible under applicable law, by the Participant's guardian or

legal representative or by a transferee receiving such Award pursuant to a qualified domestic relations order (a "QDRO") as determined by the Committee.

(B) No Award and no right under any such Award may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant otherwise than by will or by the laws of descent and distribution (or, in the case of Restricted Stock, to the Company) or pursuant to a QDRO and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable

against the Company or any Affiliate.

(C) To the extent approved by the Committee and in compliance with Rule 16b-3 and the Securities Act of 1933, as amended, a Non-Qualified Stock Option may be transferred to immediate family members.

(iv) Term of Awards. The term of each Award (other than pursuant to Section 6(h)) shall be for such period as may be determined by the Committee; provided, that in no event shall the term of any Incentive Stock Option Award exceed a period of ten years from the date of its grant.

(v) Share Certificates. All certificates for Shares or other securities of the Company or any Affiliate delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the SEC, any stock exchange upon which such Shares or other securities are then listed, and any applicable Federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(vi) Consideration for Grants. Awards may be granted for no cash consideration or for such consideration as the Committee determines including, without limitation, such minimal cash consideration as may be required by applicable law.

(vii) Delivery of Shares or other Securities and Payment by Participant of Consideration. No Shares or other securities shall be delivered pursuant to any Award until payment in full of any amount required to be paid pursuant to the Plan or the applicable Award Agreement is received by the Company. Such payment may be made by such method or methods and in such form or forms as the Committee shall determine, including, without limitation, cash, Shares, other securities, other Awards or other property, withholding of Shares, cashless exercise with simultaneous sale, or any combination thereof; provided, that the combined value, as determined by the Committee, of all cash and cash equivalents and the Fair Market Value of any such Shares or other property so tendered to the Company, as of the date of such tender, is at least equal to the full amount required to be paid pursuant to the Plan or the applicable Award Agreement to the Company.

## SECTION 7. AMENDMENT AND TERMINATION

Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan:

### (a) Amendments to the Plan

The Board may amend, alter, suspend, discontinue, or terminate the Plan without the consent of any shareholder, Participant, other holder or beneficiary of an Award, or other Person; provided, however, that the provisions of Section 6(h) may not be amended more than once every six months other than to comport with changes in the Code, the Employee Retirement Income Security Act of 1974,

as amended, or the rules thereunder and; provided, further, that notwithstanding any other provision of the Plan or any Award Agreement, without the approval of the stockholders of the Company no such amendment, alteration, suspension, discontinuation, or termination shall be made that would:

(i) increase the total number of Shares available for Awards under the Plan, except as provided in Section 4(c) of the Plan;

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(ii) permit Incentive Stock Options to be granted with per Share grant, exercise or purchase prices of less than the Fair Market Value of a Share on the date of grant thereof; or

(iii) result in this Plan no longer satisfying the requirements of Rule 16b-3.

(b) Amendments to Awards

The Committee may waive any conditions or rights under, amend any terms of, or alter any Award theretofore granted (other than Awards granted pursuant to Section 6(h)), provided no change in any Award, other than pursuant to Section 7(c), shall reduce the benefit to Participant without the consent of such Participant. Notwithstanding the foregoing, with respect to any Award intended to qualify as performance-based compensation under Section 162(m) of the Code, no adjustment shall be authorized to the extent such adjustment would cause the Award to fail to so qualify.

(c) Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events

The Committee is hereby authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4(c) of the Plan) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. Notwithstanding the foregoing, with respect to any Award intended to qualify as performance-based compensation under Section 162(m) of the Code, no adjustment shall be authorized to the extent such adjustment would cause the Award to fail to so qualify.

SECTION 8. CHANGE IN CONTROL

(a) In addition to the Committee's authority set forth in Section 7(c) of the Plan, in order to maintain the Participants' rights in the event of any Change in Control, as hereinafter defined, the Committee, as constituted before

such Change in Control, is hereby authorized and directed to provide for the acceleration of any time periods relating to the exercise or realization of all Awards so that such Award may be exercised or realized in full, and has sole discretion, as to any Award, either at the time such Award is made hereunder or any time thereafter, to take any one or more of the following actions: (i) provide for the purchase of any such Award, either automatically or upon the Participant's request, for an amount of cash equal to the amount that could have been attained upon the exercise of such Award or realization of the Participant's rights had such Award been currently exercisable or payable; (ii) make such adjustment to any such Award then outstanding as the Committee deems appropriate to reflect such Change in Control; or (iii) if equitable and in the best interests of the Company and its stockholders, cause (x) any such Award then outstanding to be assumed, or new rights substituted therefor, by the acquiring or surviving corporation after such Change in Control or (y) the exercise period for any such Award then outstanding to terminate on a fixed date following such Change in Control provided the Participant receives written notice of such event and the fixed date at least twenty days prior to the effective date of such Change in Control. The Committee may, in its discretion, include such further provisions and limitations in any Award Agreement as it may deem equitable and in the best interests of the Company and its stockholders.

(b) A "Change in Control" shall be deemed to occur (i) if any person or persons or entity or entities (other than Petroleum Associates, L.P., KKR Partners II, L.P. and any entity controlling, controlled by or under common control with any such entities, separately or in the aggregate ("KKR")) acquires 75% or more of the assets of the Company or a successor of the Company or such successor's parent corporation (based upon the then current fair market value thereof) or 50% or more of the Company's then outstanding voting stock or a successor's or such successor's parent corporation's then outstanding voting securities, and, if there shall be more than one class of voting securities thereof, then of the combined voting power held by all classes of voting securities of the Company, a successor corporation or its parent corporation (whether such acquisition of stock or assets occurs pursuant to a single transaction or several related transactions or series of

transactions), (ii) upon the approval by the Company's stockholders of a plan of liquidation or dissolution of the Company or a successor of the Company or such successor's parent corporation, or (iii) upon the approval by the Company's stockholders of a merger or consolidation and such transaction was determined to be a Change in Control, which transaction and determination was approved by a majority of the Company's Board of Directors in actions taken prior to, and with respect to such transaction.

## SECTION 9. GENERAL PROVISIONS

(a) No Rights to Awards



No Employee, Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Employees, Participants, or holders or beneficiaries of Awards. The terms and conditions of Awards need not be the same with respect to each recipient.

(b) Delegation

Subject to the terms of the Plan and applicable law, the Committee may delegate to one or more officers or managers of the Company or any Affiliate, or to a committee of such officers or managers, the authority, subject to such terms and limitations as the Committee shall determine, to grant Awards to, or to cancel, modify or waive rights with respect to, or to alter, discontinue, suspend, or terminate Awards held by, Employees who are not officers or directors of the Company for purposes of Section 16 of the Exchange Act, or any successor Section thereto, or who are otherwise not subject to such Section.

(c) Withholding

The Company or any Affiliate is hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant the amount (in cash, Shares, other securities, Shares that would otherwise be issued pursuant to such Award (including automatic withholding), other Awards or other property) of any applicable taxes payable in respect of an Award, its exercise, the lapse of restrictions thereon, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(d) No Limit on Other Compensation Arrangements

Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other compensation arrangements (subject to shareholder approval of such other arrangement, if such approval is required), and such arrangements may be either generally applicable or applicable only in specific cases.

(e) No Right to Employment

The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss a Participant from employment, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

(f) Governing Law

The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Delaware and applicable Federal law.

(g) Severability

If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to

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conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

(h) Other Laws

The Committee may refuse to issue or transfer any Shares or other consideration under an Award if, acting in its sole discretion, it determines that the issuance of transfer or such Shares or such other consideration might violate any applicable law or regulation or entitle the Company to recover the same under Section 16(b) of the Exchange Act, and any payment tendered to the Company by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary. It is intended that the Plan and any grant of an Award made to a person subject to Section 16 of the Exchange Act meet all of the requirements of Rule 16b-3. If any provision of the Plan or any such Award would disqualify the Plan or such Award under, or would otherwise not comply with, Rule 16b-3, such provision or Award shall be construed or deemed amended to conform to Rule 16b-3.

(i) No Trust or Fund Created

Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

(j) No Fractional Shares

No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be cancelled, terminated, or otherwise eliminated.

(k) Headings

Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

#### SECTION 10. EFFECTIVE DATE OF THE PLAN

The Plan shall be effective as of November 28, 1994, provided the Plan is subsequently approved by the stockholders of the Company within 12 months thereafter.

#### SECTION 11. TERM OF THE PLAN

No Award shall be granted under the Plan after November 27, 2004. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award or to waive any conditions or rights under any such Award shall, extend beyond such date.

May 10, 1995

Board of Directors  
Union Texas Petroleum  
Holdings, Inc.  
1330 Post Oak Boulevard  
Houston, Texas 77056

Gentlemen:

As General Counsel of Union Texas Petroleum Holdings, Inc., a Delaware corporation (the "Company"), I have acted as counsel in connection with the Company's Registration Statement on Form S-8 (the "Registration Statement"), relating to the registration under the Securities Act of 1933, as amended, of the issuance of 4,000,000 shares of Common Stock, par value \$0.05 per share ("Common Stock"), of the Company (the "Shares") issuable upon the exercise of options granted pursuant to the Union Texas Petroleum Holdings, Inc. 1994 Incentive Plan (the "Plan").

As the basis for the opinions hereinafter expressed, I have examined, or caused attorneys under my supervision to examine, such corporate records and documents, certificates of corporate and public officials and such other instruments as I have deemed necessary for the purposes of the opinions contained herein. As to all matters of fact material to such opinions, I have relied upon the representations of officers of the Company. I have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity with the original documents of all documents submitted to me as copies.

Based upon the foregoing and having due regard for such legal considerations as I deem relevant, I am of the opinion that the Shares to be offered under the Plan have been duly authorized, and that the Shares, when properly issued under the Plan, will be validly issued, fully paid and nonassessable.

I hereby consent to the inclusion of this opinion as an exhibit to the Registration Statement and to the reference to my name under Item 5 of the Registration Statement.

Very truly yours,

Newton W. Wilson, III



## INDEPENDENT ACCOUNTANTS' AWARENESS LETTER

Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Dear Sirs:

We are aware that Union Texas Petroleum Holdings, Inc. has incorporated by reference our report dated April 20, 1995 (issued pursuant to the provisions of Statement on Auditing Standards No. 71) in this Registration Statement on Form S-8 to be filed on or about May 10, 1995. We are also aware of our responsibilities under the Securities Act of 1933.

Yours very truly,

Price Waterhouse LLP

Houston, Texas  
May 10, 1995

## CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Registration Statement on Form S-8 of our report dated January 25, 1995 appearing on page 33 of Union Texas Petroleum Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1994.

Price Waterhouse LLP

Houston, Texas

May 10, 1995