

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
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FILER

PENNZOIL CO /DE/

CIK: **77320** | IRS No.: **741597290** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-05591** | Film No.: **95536375**
SIC: **2911** Petroleum refining

Mailing Address

*PENNZOIL PLACE
P O BOX 2967
HOUSTON TX 77252-2967*

Business Address

*PENNZOIL PL
P O BOX 2967
HOUSTON TX 77252-2967
7135464000*

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D. C. 20549

FORM 10-Q
Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the Quarter Ended March 31, 1995 Commission File No. 1-5591

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

Delaware 74-1597290
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

Pennzoil Place, P.O. Box 2967
Houston, Texas 77252-2967
(Address of principal executive offices)

Registrant's telephone number, including area code:
(713) 546-4000

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 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 . No .

Number of shares outstanding of each class of common stock, as of latest practicable date, April 28, 1995:

Common stock, par value \$0.83-1/3 per share, 46,209,249 shares.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

<TABLE>

PENNZOIL COMPANY
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

<CAPTION>

Three Months Ended March 31	
1995	1994
-----	-----
(Expressed in thousands except per share amounts)	

<S>	<C>	<C>
REVENUES	\$ 635,340	\$ 622,076
COSTS AND EXPENSES		
Cost of sales	368,832	371,639
Selling, general and administrative expenses	99,457	89,980
Depreciation, depletion and amortization	92,611	75,450
Exploration expenses	9,072	9,683
Taxes, other than income	14,731	17,069
Interest charges, net	48,479	41,589
	-----	-----
INCOME BEFORE INCOME TAX	2,158	16,666
Income tax provision (benefit)	(585)	5,928
	-----	-----
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	2,743	10,738
Cumulative effect of change in accounting principle (See Note 2)	-	(4,948)
	-----	-----
NET INCOME	\$ 2,743	\$ 5,790
	=====	=====
EARNINGS (LOSS) PER SHARE		
Income before cumulative effect of change in accounting principle	\$ 0.06	\$ 0.24
Cumulative effect of change in accounting principle	-	(0.11)
	-----	-----
TOTAL	\$ 0.06	\$ 0.13
	=====	=====
DIVIDENDS PER COMMON SHARE	\$ 0.75	\$ 0.75
	=====	=====
AVERAGE SHARES OUTSTANDING	46,158	45,934
	=====	=====
NUMBER OF SHARES OUTSTANDING	46,193	45,964
	=====	=====

<FN>
See Notes to Condensed Consolidated Financial Statements.
</FN>
</TABLE>

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PART I. FINANCIAL INFORMATION - continued

<TABLE>	PENNZOIL COMPANY	
	CONDENSED CONSOLIDATED BALANCE SHEET	
	(UNAUDITED)	
<CAPTION>	March 31,	December 31,
	1995	1994
	-----	-----
	(Expressed in thousands)	
<S>	<C>	<C>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 23,513	\$ 24,884
Receivables	449,455	460,248
Inventories		
Crude oil, natural gas and sulphur	20,456	38,239
Motor oil and refined products	122,133	126,019
Deferred income tax	18,872	19,735
Other current assets	48,556	59,127
	-----	-----
Total current assets	682,985	728,252
Property, plant and equipment, net	2,771,631	2,828,843

Marketable securities and other investments	864,627	833,400
Other assets	386,266	325,315
	-----	-----
TOTAL ASSETS	\$ 4,705,509	\$ 4,715,810
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 1,774	\$ 1,760
Notes payable	546,303	337,212
Accounts payable and accrued liabilities	238,043	252,575
Interest accrued	48,850	33,066
Other current liabilities	46,244	52,048
	-----	-----
Total current liabilities	881,214	676,661
Long-term debt	1,970,833	2,174,921
Deferred income tax	380,049	371,644
Other liabilities	281,167	288,320
	-----	-----
TOTAL LIABILITIES	3,513,263	3,511,546
	-----	-----
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
	1,192,246	1,204,264
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 4,705,509	\$ 4,715,810
	=====	=====

<FN>

See Notes to Condensed Consolidated Financial Statements.

</FN>

</TABLE>

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PART I. FINANCIAL INFORMATION - continued

<TABLE>

PENNZOIL COMPANY
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

<CAPTION>

	Three Months Ended March 31	
	1995	1994
	-----	-----
	(Expressed in thousands)	
	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,743	\$ 5,790
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	92,611	75,450
Dry holes and impairments	2,484	4,977
Deferred income tax	(910)	(576)
Non-cash and other nonoperating items	(377)	11,443
Cumulative effect of change in accounting principle	-	4,948
Change in operating assets and liabilities	10,961	(90,056)
	-----	-----
Net cash provided by operating activities	107,512	11,976
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(93,700)	(129,808)
Purchases of marketable securities and other investments	(147,844)	(203,998)
Proceeds from sales of marketable securities and other investments	145,312	98,984
Proceeds from sales of assets	37,448	977
Other investing activities	(22,413)	6,324
	-----	-----

Net cash used in investing activities	(81,197)	(227,521)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (repayment) of short-term debt, net	209,091	(32,314)
Debt and capital lease obligation repayments	(207,151)	(55,900)
Proceeds from issuance of debt	5,000	139,963
Dividends paid	(34,626)	(34,456)
Other financing activities	-	255
	-----	-----
Net cash provided by (used in) financing activities	(27,686)	17,548
	-----	-----
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,371)	(197,997)
CASH AND CASH EQUIVALENTS, beginning of period	24,884	262,275
	-----	-----
CASH AND CASH EQUIVALENTS, end of period	\$ 23,513	\$ 64,278
	=====	=====

<FN>

See Notes to Condensed Consolidated Financial Statements.

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</TABLE>

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PART I. FINANCIAL INFORMATION - continued

PENNZOIL COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(1) General -

The condensed consolidated financial statements included herein have been prepared by Pennzoil Company ("Pennzoil") without audit and should be read in conjunction with the financial statements and the notes thereto included in Pennzoil's latest annual report. The foregoing financial statements include only normal recurring accruals and all adjustments which Pennzoil considers necessary for a fair presentation.

(2) Employers' Accounting for Postemployment Benefits -

Effective January 1, 1994, Pennzoil changed its method of accounting for postemployment benefit costs by adopting the requirements of Statement of Financial Accounting Standards ("SFAS") No.112, "Employers' Accounting for Postemployment Benefits", and recorded a charge of \$4.9 million (\$7.6 million before tax), or \$.11 per share, as of that date to reflect the cumulative effect of the change in accounting principle for periods prior to 1994.

(3) Accounting for the Impairment of Long-Lived Assets -

In March 1995 the Financial Accounting Standards Board issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," which is intended to establish more consistent accounting standards for measuring the recoverability of long-lived assets. In certain instances, the statement specifies that the carrying values of assets be written down to fair values, which, for Pennzoil, could result in write-downs that were previously not required under its existing impairment policy. Such charges would result primarily from the more detailed impairment review procedures that would be required on Pennzoil's proved oil and gas properties. Under the new standard, assets to be reviewed for impairment are required to be grouped at the lowest level for which there are identifiable cash flows

that are largely independent of the cash flows of other groups. Under current policy, oil and gas assets reviewed for impairment are grouped at a higher level. While the potential impact of the new standard cannot be fully assessed at this time, Pennzoil believes that the adoption of this statement could result in a substantial charge to operating earnings and a corresponding write-down of Pennzoil's fixed assets, primarily those related to oil and gas producing activities. Pennzoil must adopt the new statement no later than for its quarter ending March 31, 1996.

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PART I. FINANCIAL INFORMATION - continued

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Net income for the quarter ended March 31, 1995 was \$2.7 million, or \$.06 per share, compared to \$5.8 million, or \$.13 per share, for the same period in 1994. Effective January 1, 1994, Pennzoil changed its method of accounting for postemployment benefit costs by adopting the requirements of Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits." As a result, Pennzoil recorded a charge of \$4.9 million, or \$.11 per share, as of January 1, 1994, to reflect the cumulative effect of change in accounting principle for periods prior to 1994. Excluding this charge, income for the quarter ended March 31, 1995 decreased \$8.0 million, or \$.18 per share from the comparable period in 1994. The decrease in earnings for the first quarter of 1995, compared to the prior year, was primarily attributable to lower results from the oil and gas and motor oil and refined products segments. These decreases were partially offset by higher other income, primarily due to a franchise tax refund.

Oil and Gas

Operating income from this segment was \$12.9 million for the quarter ended March 31, 1995, compared with \$37.6 million for the same period in 1994. The decrease in operating income was primarily due to lower natural gas prices and higher depreciation, depletion and amortization ("DD&A") expense. The higher DD&A expense experienced in the first quarter of 1995 was attributable to an increase in natural gas and liquids volumes and higher DD&A rates. The higher DD&A rates resulted, in part, from a settlement with the Internal Revenue Service in October 1994, which increased the carrying value of certain oil and gas properties. Reference is made to Note 8 of Notes to Consolidated Financial Statements in Pennzoil's Annual Report on Form 10-K for the year ended December 31, 1994. Partially offsetting these decreases were higher liquids and natural gas volumes, higher liquids prices and lower operating expenses. The increases in liquids and natural gas volumes for the three months ended March 31, 1995 were partially due to the acquisition of Co-enerco Resources Ltd. in June 1994. Operating costs per barrel of oil equivalent produced, excluding DD&A and exploration expense, decreased 15% compared to the same period in 1994.

Natural gas volumes produced for sale during the three months ending March 31, 1995 were 682.3 MMcf per day compared to 659.5 MMcf per day during the three months ending March 31, 1994. Liquids production volumes were 73.3 Mbbls per day for the three months ending March 31, 1995 compared to 63.4 Mbbls per day for the three months ended March 31, 1994.

In March 1995, Pennzoil and Brooklyn Union Gas Co. announced the formation of a new gas marketing venture by their subsidiaries, Pennzoil Gas Marketing Company and BRING Gas Services Corp. The 50-50 gas marketing venture is known as PennUnion Energy Services, L.L.C. ("PennUnion"). Pennzoil contributed \$3.7

million to the venture in March 1995 and has committed a substantial majority of its natural gas production from the continental U.S. to be marketed by PennUnion.

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PART I. FINANCIAL INFORMATION - continued

In March 1995 the Financial Accounting Standards Board issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," which is intended to establish more consistent accounting standards for measuring the recoverability of long-lived assets. In certain instances, the statement specifies that the carrying values of assets be written down to fair values, which, for Pennzoil, could result in write-downs that were previously not required under its existing impairment policy. Such charges would result primarily from the more detailed impairment review procedures that would be required on Pennzoil's proved oil and gas properties. Under the new standard, assets to be reviewed for impairment are required to be grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups. Under current policy, oil and gas assets reviewed for impairment are grouped at a higher level. While the potential impact of the new standard cannot be fully assessed at this time, Pennzoil believes that the adoption of this statement could result in a substantial charge to operating earnings and a corresponding write-down of Pennzoil's fixed assets, primarily those related to oil and gas producing activities. Pennzoil must adopt the new statement no later than for its quarter ending March 31, 1996.

Motor Oil & Refined Products

Operating income from this segment was \$14.3 million for the quarter ended March 31, 1995, a decrease of \$11.5 million from the same period in 1994. The decrease in operating income was primarily attributable to lower refinery, specialty and all other product margins. Also contributing to lower earnings were higher selling expenses and a \$4.0 million litigation settlement charge. These decreases were partially offset by higher domestic motor oil volumes and margins and higher international, specialty and all other product sales volumes.

Franchise Operations

The franchise operations segment recorded an operating loss of \$.2 million for the quarter ended March 31, 1995, compared with a loss of \$.7 million for the same period in 1994. In the first quarter of 1995, the franchise operations segment recorded lower operating expenses and higher royalty income. Results for the first quarter of 1995 include a \$6.0 million litigation settlement charge. The 1994 first quarter results include a charge for various self-insured claims. Excluding these nonrecurring charges, general and administrative expenses declined in 1995 while company center revenues increased.

Domestic systemwide sales reported by Jiffy Lube centers for the first quarter of 1995 increased \$15.0 million, or approximately 11%, to \$152.5 million, compared with the first quarter of 1994. Average ticket prices increased to \$34.30 for the quarter ended March 31, 1995, compared with \$33.65 for the first quarter of 1994. Total vehicles serviced increased 6.3% for the first quarter in 1995. There were 1,137 domestic lube centers (including 426 Jiffy Lube company-operated centers) open as of March 31, 1995.

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PART I. FINANCIAL INFORMATION - continued

Jiffy Lube currently operates six fast-oil change operations in Sears Auto Centers in Kentucky and New Jersey as part of a test which began in mid-1994. In March 1995, Jiffy Lube and the Sears Merchandise Group ("Sears") agreed to open as many as 456 fast-oil change units in Sears Auto Centers over the next three years. The new agreement calls for Jiffy Lube to open as many as 234 company-owned units and 222 franchise units. Under the agreement, Jiffy Lube remodels, equips and operates service areas within the Sears Auto Centers while Sears continues to utilize the remaining bays for its operations. As a first step, Sears and Jiffy Lube have agreed to set up 145 company-owned units and will continue to review the market and work toward agreement on the final plans for the remaining 311 units by later this year.

Sulphur

In October 1994, Pennzoil entered into an agreement with Freeport-McMoRan Resource Partners, Limited Partnership ("Freeport-McMoRan") providing for the sale of substantially all the domestic assets of Pennzoil's sulphur segment to Freeport-McMoRan. The transaction was completed in January 1995. Pennzoil continues to own and operate its Antwerp, Belgium sulphur terminal and the related international sulphur business. Beginning in January 1995, the results of such operations are included in other segment operating income.

Other

Other operating income for the quarter ended March 31, 1995 was \$41.1 million, compared with \$16.9 million for the same period in 1994. The increase was due to a favorable resolution of a Texas franchise tax issue, which resulted in Pennzoil receiving a \$23.2 million refund. In addition, Pennzoil will receive approximately \$1.5 million in interest associated with the franchise tax refund.

Net interest expense for the quarter ended March 31, 1995 increased \$6.9 million from the same period in 1994, primarily due to increased borrowings at higher rates.

Capital Resources and Liquidity

As of March 31, 1995, Pennzoil had cash and cash equivalents of \$23.5 million. During the three months ended March 31, 1995, Pennzoil's cash and cash equivalents decreased \$1.4 million. Cash flows from operating activities totaled \$107.5 million during the first quarter of 1995.

Pennzoil's other income includes dividend income of \$8.4 million in each of the quarters ended March 31, 1995 and 1994, respectively, from its investment in common stock of Chevron Corporation.

In February 1995, Pennzoil's Board of Directors increased the limit on the aggregate amount of commercial paper that Pennzoil may issue under its domestic commercial paper program and/or its Euro-commercial paper program from \$250.0 million to \$500.0 million. Borrowings under Pennzoil's commercial paper facilities totaled \$428.0 million and \$243.9 million at March 31, 1995 and December 31, 1994, respectively. The cash provided by the increase in borrowings under Pennzoil's commercial paper facilities was used primarily to pay off \$205.0 million in borrowings under an unsecured revolving credit facility with a group of banks.

In April 1995, Pennzoil received a cash tax refund of \$116.9 million from the Internal Revenue Service, which was used to reduce borrowings under its commercial paper facilities.

The following tables show revenues and operating income by segment, other components of income and operating data.

<CAPTION>

	Three Months Ended March 31	
	1995	1994
	(Dollar amounts expressed in thousands)	
<S>	<C>	<C>
REVENUES		
Oil and Gas	\$ 189,176	\$ 203,964
Motor Oil & Refined Products	378,283	357,405
Franchise Operations	67,120	62,218
Sulphur	-	15,931
Other	42,032	21,535
Intersegment sales	(41,271)	(38,977)
	-----	-----
Total revenues	\$ 635,340	\$ 622,076
	-----	-----
OPERATING INCOME (LOSS)		
Oil and Gas	\$ 12,908	\$ 37,586
Motor Oil & Refined Products	14,265	25,758
Franchise Operations	(148)	(737)
Sulphur	-	(3,730)
Other	41,058	16,942
	-----	-----
Total operating income	68,083	75,819
Corporate administrative expenses	17,446	17,564
Interest charges, net	48,479	41,589
	-----	-----
Income before income taxes	2,158	16,666
Income tax provision (benefit)	(585)	5,928
	-----	-----
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	2,743	10,738
Cumulative effect of change in accounting principle	-	(4,948)
	-----	-----
NET INCOME	\$ 2,743	\$ 5,790
	=====	=====
RATIO OF EARNINGS TO FIXED CHARGES	1.02	1.29
	=====	=====

</TABLE>

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PART I. FINANCIAL INFORMATION - continued

<TABLE>

(UNAUDITED)

<CAPTION>

	Three Months Ended March 31	
	1995	1994
<S>	<C>	<C>
OPERATING DATA		
	-----	-----

OIL AND GAS

Net production

Crude oil, condensate and natural gas liquids (barrels per day)	73,326	63,404
Natural gas produced for sale (Mcf per day)	682,273	659,523

Weighted average prices

Crude oil, condensate and natural gas liquids (per barrel)	\$ 14.34	\$ 11.92
Natural gas (per Mcf)	\$ 1.40	\$ 2.24

MOTOR OIL & REFINED PRODUCTS

Sales (barrels per day)

Gasoline and naphtha	21,492	24,837
Distillates and gas oils	28,487	29,296
Lubricating oil and other specialty products	23,756	22,870
Residual fuel oils	4,098	3,230

Total sales (barrels per day)

77,833	80,233
=====	=====

Raw materials processed (barrels per day)

55,548 56,662

Refining capacity (barrels per day) <F1>

62,700 70,700

FRANCHISE OPERATIONS

Domestic systemwide sales (in thousands)	\$ 152,534	\$ 137,492
Same center sales (in thousands)	\$ 144,159	\$ 135,812
Centers open (U.S.)	1,137	1,079

<FN>

<F1> As of September 1994, Pennzoil stopped processing crude oil at its refinery in Roosevelt, Utah. The Roosevelt Refinery had a refining capacity of 8,000 barrels per day.

</FN>

</TABLE>

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PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits -

3 Restated Certificate of Incorporation of Pennzoil Company dated May 3, 1995.

12 Computation of Ratio of Earnings to Fixed Charges for the three months ended March 31, 1995 and 1994.

27 Financial Data Schedule

(b) Reports -

No reports on Form 8-K were filed during the quarter for which this report was filed.

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SIGNATURE

Pursuant to the requirements 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.

PENNZOIL COMPANY
Registrant

S/N Mark A. Malinski
Mark A. Malinski
Group Vice President -
Accounting

May 10, 1995

RESTATED CERTIFICATE OF INCORPORATION
OF
PENNZOIL COMPANY

Under Sections 242 and 245 of the
Delaware General Corporation Law

PENNZOIL COMPANY, a corporation organized and existing under and by virtue of the Delaware General Corporation Law, hereby certifies that:

(1) The name of the corporation is Pennzoil Company. The corporation was, by a Certificate of Agreement of Consolidation between United Gas Corporation, a corporation organized and existing under the laws of the State of Delaware, and Pennzoil Company, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, formed under the name "Pennzoil United, Inc." Such Certificate of Agreement of Consolidation was filed by the Secretary of State of the State of Delaware on the 22nd day of March, 1968.

(2) This Restated Certificate of Incorporation restates and further amends the Restated Certificate of Incorporation of the corporation. The amendments effected by this Restated Certificate of Incorporation include, but are not limited to, amendments (i) to increase the number of authorized shares of the corporation's common stock, par value \$0.83-1/3 per share, to 100,000,000 and (ii) to eliminate obsolete and unnecessary provisions.

(3) The restatement of and further amendments to the Restated Certificate of Incorporation of the Corporation have been duly adopted by vote of the stockholders in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware.

(4) The text of the Restated Certificate of Incorporation of the Pennzoil Company, as heretofore amended and supplemented, is hereby restated and further amended hereby to read in its entirety as follows:

RESTATED CERTIFICATE OF INCORPORATION

of

PENNZOIL COMPANY

First: The name of the corporation is Pennzoil Company.

Second: The address of its registered office in the State of Delaware is 1209 Orange Street in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

Third: The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

Fourth: The total number of shares of all classes of stock which the corporation shall have authority to issue is 137,610,644, divided into classes as follows:

9,747,720 shares shall be Preferred Stock, par value \$1.00 per share ("Preferred Stock");

27,862,924 shares shall be Preference Common Stock, par value \$0.83-1/3 per share ("Preference Common Stock"); and

100,000,000 shares shall be Common Stock, par value \$0.83-1/3 per share ("Common Stock").

Shares of any class of stock of the corporation may be issued for such consideration and for such corporate purposes as the Board of Directors may from time to time determine.

The following is a statement of the powers, preferences and rights, and the qualifications, limitations or restrictions, of the Preferred Stock, Preference Common Stock and Common Stock.

Section I. Preferred Stock

Shares of Preferred Stock shall be issuable in one or more series with such voting powers, full or limited, or no voting powers, and such designations, powers, preferences and relative, participating, optional, redemption, conversion, exchange and other rights, and qualifications, limitations or restrictions thereof, as are stated and expressed herein, and, to the extent not stated and expressed herein, as shall be fixed by the Board of Directors pursuant to the authority to do so, which is hereby expressly vested in it, and stated and expressed in a resolution or resolutions adopted by the Board of Directors providing for the issuance of the Preferred Stock of such series.

In accordance with this Section I of Article Fourth, the

Board of Directors has designated shares of Preferred Stock with the voting powers, preferences, rights, qualifications, limitations and restrictions as set forth on Exhibit A hereto.

Section II. Preference Common Stock

Shares of Preference Common Stock shall be issuable in one or more series with such designations, powers, preferences and relative, participating, optional, redemption, conversion, exchange and other rights, and qualifications, limitations or restrictions thereof, as are stated and expressed herein, and, to the extent not stated and expressed herein, as shall be fixed by the Board of Directors pursuant to the authority to do so, which is hereby expressly vested in it, and stated and expressed in a resolution or resolutions adopted by the Board of Directors providing for the issuance of the Preference Common Stock of such series.

Subject to the prior rights of the holders of Preferred Stock as may be set forth in a resolution or resolutions of the Board of Directors providing for the issuance of any series of Preferred Stock, the holders of Preference Common Stock, in preference to the holders of Common Stock, shall be entitled to receive if, as and when declared by the Board of Directors, out of the assets of the corporation which are by law available for the payment of dividends, dividends at but not exceeding the rate set forth in a resolution or resolutions of the Board of Directors providing for the issuance of any series of Preference Common Stock.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the corporation, then, before any distribution may be made to the holders of Common Stock, the holders of Preference Common Stock (subject to the prior rights of holders of Preferred Stock as may be set forth in a resolution or resolutions of the Board of Directors providing for the issuance of any series of Preferred Stock) shall be entitled to be paid an amount equal to the accrued and unpaid dividends thereon to the date of payment thereof. After payment or provision for payment of the debts and other liabilities of the corporation and any accrued and unpaid dividends due the holders of Preference Common Stock (subject to the prior rights of holders of Preferred Stock as may be set forth in a resolution or resolutions of the Board of Directors providing for the issuance of any series of Preferred Stock), the holders of Preference Common Stock and Common Stock shall be entitled to share ratably in the remaining assets of the corporation. Neither the merger or consolidation of the corporation into or with another corporation nor the merger or consolidation of any other corporation into or with the corporation shall be deemed to be a liquidation, dissolution or

winding up of the corporation within the meaning of this paragraph, but the sale, lease or conveyance of all or substantially all of the assets of the corporation shall be deemed to be a liquidation, dissolution or winding up of the corporation within the meaning of this paragraph.

In addition to any other voting powers of the holders of Preference Common Stock as may be provided by law, (i) without the affirmative vote of the holders of at least a majority of the total number of shares of Preference Common Stock at the time outstanding, the corporation shall not merge or consolidate with or into any other corporation or sell or otherwise dispose of all or substantially all of its assets (provided, however, that no such vote shall be required in connection with a merger into the corporation of a subsidiary at least 90% of the outstanding shares of each class of stock of which is owned by the corporation), (ii) without the affirmative vote of the holders of at least two-thirds of the total number of shares of Preference Common Stock at the time outstanding, the corporation shall not voluntarily liquidate, dissolve or wind up the affairs of the corporation, (iii) without the affirmative vote of the holders of at least two-thirds of the total number of shares of Preference Common Stock at the time outstanding, the corporation shall not amend, alter or repeal any of the rights, preferences or powers of the holders of Preference Common Stock so as to affect adversely any such rights, preferences or powers (provided, however, that if such amendment, alteration or repeal affects adversely the rights, preferences or powers of one or more, but not all, series of Preference Common Stock at the time outstanding, only the affirmative vote of the holders of at least two-thirds of the total number of outstanding shares of all series so affected shall be required; and provided, further, that an amendment to increase or decrease the authorized number of shares of Preference Common Stock or to create or authorize, or increase or decrease the amount of, any class of stock ranking prior to or on a parity with the outstanding shares of Preference Common Stock as to dividends shall not be deemed to affect adversely the rights, preferences or powers of the holders of Preference Common Stock or any series thereof) and (iv) without the affirmative vote of the holders of at least two-thirds of the total number of shares of Preference Common Stock at the time outstanding, the corporation shall not create or authorize any shares of any class of stock ranking prior to the Preference Common Stock as to dividends or assets (other than Preferred Stock) or issue any shares of any such prior ranking stock (other than Preferred Stock) more than 12 months after the date as of which the corporation was empowered to create or authorize such prior ranking stock.

Section III. Common Stock

After the requirements with respect to any preferential dividends upon the Preferred Stock and Preference Common Stock have been met, the holders of the Common Stock shall be entitled to receive such dividends as may be declared from time to time by the Board of Directors.

Section IV. Provisions Applicable to Capital Stock

1. Voting Rights. Each share of Common Stock and each share of Preference Common Stock shall entitle the holder thereof to one vote for each share held and, except as otherwise provided herein or by law, the Common Stock and the Preference Common Stock (and any other stock of the corporation at the time entitled to vote) shall vote together as one class. At all elections of directors, each holder of record of shares of Common Stock and/or Preference Common Stock shall be entitled to as many votes as shall equal the number of such shares of Common Stock and/or Preference Common Stock so held multiplied by the number of directors to be elected, and such holder may cast all of such votes for a single director, or may distribute them among the number to be voted for, or for any two or more of them, as such holder may see fit.

2. Regarding Pre-emptive Rights. No stockholder of the corporation shall by reason of his holding shares of any class of stock have any pre-emptive or preferential right to subscribe for, purchase or otherwise acquire or receive any shares of any class of stock issued by the corporation, whether now or hereafter authorized, or any shares of any class of stock of the corporation now or hereafter acquired by the corporation as treasury stock and subsequently reissued or sold or otherwise disposed of, or any notes, debentures, bonds or other securities convertible into or carrying options or warrants to purchase shares of any class of stock, whether now or hereafter authorized, whether or not the issuance of any such shares, or such notes, debentures, bonds or other securities, would adversely affect the dividend or voting rights of such stockholder; and the Board of Directors may issue shares of any class of stock of the corporation, or any notes, debentures, bonds or other securities convertible into or carrying options or warrants to purchase shares of any class of stock, without offering any such shares of any class, either in whole or in part, to the existing stockholders of any class.

Fifth: 1. All corporate powers shall be exercised by the Board of Directors except as otherwise provided by law or by the Certificate of Incorporation.

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized:

(a) Except as may be otherwise provided in the By-laws, to make, alter, amend and repeal the By-laws of the corporation, subject always to the power of the stockholders to change such action.

(b) To fix in or pursuant to the By-laws from time to time the number of Directors of the corporation, none of whom need be stockholders.

(c) To fix, determine and vary from time to time the amount to be maintained as surplus of the corporation and the amount or amounts to be set apart as working capital of the corporation.

(d) To authorize and cause to be executed mortgages and liens upon the real and personal property of the corporation.

(e) To set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purposes and/or to abolish any such reserve in the manner in which it was created.

(f) To designate, by resolution or resolutions passed by a majority of the whole Board, one or more committees, each committee to consist of two or more of the Directors of the corporation, which, to the extent provided in said resolution or resolutions or in the By-laws of the corporation, shall have and may exercise the power of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be stated in the By-laws of the corporation or as may be determined from time to time by resolutions adopted by the Board of Directors.

2. The number of Directors which shall constitute the whole Board of Directors of the corporation shall be not less than 3 nor more than 18 as specified from time to time in the By-laws of the corporation, except in the case of an increase in the number of directors by reason of any default provisions adopted pursuant to Article Fourth. The Board of Directors shall be divided into three classes, Class I, Class II and Class III. Such classes shall be as nearly equal in number of directors as possible. Each Director shall serve for a term ending on the third annual meeting following the annual meeting at which such Director was elected. The foregoing notwithstanding, each Director shall serve until his successor shall have been duly elected and qualified, unless he shall resign, become disqualified, disabled or shall otherwise be removed.

At each annual election, the Directors chosen to succeed those whose terms then expire shall be of the same class as the Directors they succeed, unless, by reason of any intervening changes in the authorized number of Directors, the Board shall designate one or more directorships whose term then expires as directorships of another class in order more nearly to achieve equality of number of Directors among the classes.

Notwithstanding the provision that the three classes shall be as nearly equal in number of Directors as possible, in the event of any change in the authorized number of Directors, each Director then continuing to serve as such shall nevertheless continue as a Director of the class of which he is a member until the expiration of his current term, or his prior death, resignation or removal. If any newly created directorship may, consistent with the provision that the three classes shall be as nearly equal in number of Directors as possible, be allocated to one or two or more classes, the Board shall allocate it to that of the available classes whose terms of office are due to expire at the earliest date following such allocation.

3. No Director of the corporation shall be removed from his office as a Director by vote or other action of stockholders or otherwise except for cause.

4. Except as provided in or pursuant to Article Fourth hereof, newly created directorships resulting from any increase in the number of Directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled by the affirmative vote of a majority of the remaining Directors then in office, even though less than a quorum of the Board of Directors. Any Director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of Directors in which the new directorship was created or the vacancy occurred and until such Director's successor shall have been elected and qualified. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

5. No contract or other transaction between the corporation and any other corporation shall be affected or invalidated by the fact that one or more of the Directors of the corporation are interested in, or is a director or directors or officer or officers of such other corporation, and no contract or other transaction between the corporation and any other person or firm shall be affected or invalidated by the fact that one or more of the Directors of the corporation is a party to, or are parties to, or interested in, such contract or transaction; provided that in each such case the nature and extent of the interest of such

Director or Directors in such contract or other transaction and/or the fact that such Director or Directors is or are a director or directors or officer or officers of such other corporation is known to the Board of Directors or is disclosed at the meeting of the Board of Directors at which such contract or other transaction is authorized.

Sixth: 1. Except as set forth in Paragraph 4 of this Article Sixth, the affirmative vote or consent of the holders of 80% of all stock of this corporation entitled to vote in elections of directors (excluding stock entitled so to be exercised only upon the happening of some contingency unless such contingency shall have occurred and is continuing), considered for the purposes of this Article Sixth as one class and hereinafter in this Article Sixth embraced in the term "voting stock", shall be required:

(i) for a merger or consolidation of the corporation with or into any other corporation, or

(ii) for any sale or lease of all or any substantial part of the assets of the corporation to any other corporation, person or other entity, or

(iii) any sale or lease to the corporation or any subsidiary thereof of any assets (except assets having an aggregate fair market value of less than \$5,000,000) in exchange for voting stock (or securities convertible into or exchangeable for voting stock or options, warrants or rights to purchase voting stock or securities convertible into voting stock) of the corporation or any subsidiary of the corporation by any other corporation, person or entity,

if as of the record date for the determination of stockholders entitled to notice thereof and to vote thereon or consent thereto, or as of the time the Board of Directors shall have approved a memorandum of understanding, or the corporation shall have entered into any agreement, with respect to any such transaction for which the vote or consent of the holders of no class or series of stock of the corporation is otherwise required by law, the Certificate of Incorporation or any other contract or agreement, such other corporation, person or entity which is party to such a transaction is the beneficial owner, directly or indirectly, of 5% or more of the outstanding shares of any class or series of voting stock of the corporation. There shall also be required for any such transaction for which such affirmative vote or consent shall be required by this Paragraph 1 the affirmative vote or consent of the holders of a majority of all voting stock of this corporation, exclusive of all voting stock of this corporation of which such other corporation, person or entity which is party to such transaction is, directly or indirectly, the beneficial owner. Each such affirmative vote or

consent shall be in addition to the vote or consent of the holders of any class or series of stock of the corporation otherwise required by law or the Certificate of Incorporation or the resolution or resolutions providing for the issuance of such class or series which have been adopted by the Board of Directors or any agreement between the corporation and any national securities exchange.

2. For purposes of this Article Sixth any corporation, person or other entity shall be deemed to be the beneficial owner of any shares of stock of the corporation:

(i) which it owns directly, whether or not of record,
or

(ii) which it has the right to acquire pursuant to any agreement or understanding or upon exercise of conversion rights, exchange rights, warrants or options or otherwise,
or

(iii) which are beneficially owned, directly or indirectly (including shares deemed to be owned through application of clause (ii) above), by any "affiliate" or "associate" as those terms are defined in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934 as in effect on March 1, 1975, or

(iv) which are beneficially owned, directly or indirectly (including shares deemed owned through application of clause (ii) above), by any other corporation, person or entity with which it or its "affiliate" or "associate" has any agreement or arrangement or understanding for the purpose of acquiring, holding, voting or disposing of stock of the corporation.

For the purposes of this Article Sixth, the outstanding shares of any class or series of stock of the corporation shall include shares deemed owned through the application of clauses (2)(ii), (iii) and (iv) above, but shall not include any other shares which may be issuable pursuant to any agreement or upon exercise of conversion rights, warrants, options or otherwise. As used in this Article Sixth, the term "subsidiary" shall mean a corporation a majority of the voting power of the capital stock (that is, voting power entitled to be exercised in the election of directors, but excluding voting power entitled so to be exercised only upon the happening of some contingency unless such contingency shall have occurred and is continuing) of which shall be owned by the corporation or by one or more subsidiaries or by the corporation and one or more subsidiaries.

3. The Board of Directors shall have the power and duty to determine for the purposes of this Article Sixth on the basis of information known to this corporation whether

(i) such other corporation, person or other entity beneficially owns 5% or more of the outstanding shares of any class or series of voting stock of the corporation,

(ii) a corporation, person or entity is an "affiliate" or "associate" (as defined in Paragraph 2 above) of another,

(iii) the assets being acquired by the corporation, or any subsidiary thereof, have an aggregate fair market value of less than \$5,000,000, and

(iv) the memorandum of understanding referred to in Paragraph 4 below is substantially consistent with the transaction covered thereby.

Any such determination shall be conclusive and binding for all purposes of this Article Sixth.

4. The provisions of Paragraph 1 of this Article Sixth shall not apply to:

(i) any merger or consolidation of this corporation with any corporation, or any sale or lease to this corporation or any subsidiary thereof of any assets of, or any sale or lease by this corporation or any subsidiary thereof of any of its assets to, any corporation, person or entity, if the Board of Directors of this corporation has approved a memorandum of understanding with such other corporation, person or entity with respect to such transaction prior to the time that such other corporation, person or entity shall have become a beneficial owner of 5% or more of the outstanding shares of any class or series of voting stock of the corporation; or

(ii) any merger or consolidation of this corporation with, or any sale or lease to this corporation or any subsidiary thereof of any assets of, or any sale or lease by this corporation or any subsidiary thereof of any of its assets to, any corporation 40% or more of the outstanding voting stock of which is beneficially owned, directly or indirectly, by this corporation.

5. The corporation shall have the right, subject to any express provisions or restrictions contained in the Certificate of Incorporation or the By-laws, from time to time to amend the Certificate of Incorporation or any provision thereof in any manner now or hereafter provided by law, and all rights and

powers at any time conferred upon the Directors or stockholders of the corporation by the Certificate of Incorporation or any amendment thereof are subject to such right of the corporation.

6. Notwithstanding any other provision of this Certificate of Incorporation or the By-laws (and in addition to any other vote that may be required by law, this Certificate of Incorporation or the By-laws), there shall be required to amend, alter, change or repeal, directly or indirectly, this Article Sixth the affirmative vote or consent of (i) the holders of 80% of all voting stock of the corporation (considered for this purpose as one class) and (ii) the holders of a majority of all voting stock of the corporation (considered for this purpose as one class), exclusive of all voting stock of the corporation beneficially owned, directly or indirectly, by any corporation, person or entity which is, as of the record date for the determination of stockholders entitled to notice of such amendment, alteration, change or repeal and to vote thereon or consent thereto, the beneficial owner of 5% or more of the outstanding shares of any class or series of voting stock of the corporation.

Seventh: No action required to be taken or which may be taken at any annual or special meeting of stockholders of the corporation may be taken without a meeting, and the power of stockholders to consent in writing to the taking of any action is specifically denied.

Eighth: No director of the corporation shall be personally liable to the corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director involving any act or omission of any such director occurring on or after April 30, 1987; provided, however, that the foregoing provision shall not eliminate or limit the liability of a director (a) for any breach of such director's duty of loyalty to the corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law, (c) under Title 8, Section 174 of the General Corporation Law of the State of Delaware or (d) for any transaction from which such director derived an improper personal benefit. Any repeal or modification of this Article Eighth by the stockholders of the corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director of the corporation existing at the time of such repeal or modification.

(5) This Certificate shall become effective upon the filing hereof in the office of the Secretary of State of the State of Delaware.

IN WITNESS WHEREOF, Pennzoil Company has caused this Restated Certificate of Incorporation to be signed by its authorized officer this 3rd day of May, 1995.

PENNZOIL COMPANY

By:

S/N David P. Alderson, II
David P. Alderson, II
Group Vice President - Finance

CERTIFICATE OF DESIGNATION

of

SERIES A JUNIOR PARTICIPATING PREFERRED STOCK

of

PENNZOIL COMPANY

Pursuant to Section 151 of the General Corporation Law
of the State of Delaware

PENNZOIL COMPANY, a corporation organized and existing under the General Corporation Law of the State of Delaware, in accordance with the provisions of Section 103 thereof, DOES HEREBY CERTIFY:

That pursuant to the authority vested in the Board of Directors in accordance with the provisions of the Restated Certificate of Incorporation of the said Corporation, the said Board of Directors on October 28, 1994 adopted the following resolution creating a series of 750,000 shares of Preferred Stock designated as "Series A Junior Participating Preferred Stock":

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of the Restated Certificate of Incorporation, a series of Preferred Stock, par value \$1.00 per share, of the Corporation be and hereby is created, and that the designation and number of shares thereof and the voting and other powers, preferences and relative, participating, optional or other rights of the shares of such series and the qualifications, limitations and restrictions thereof are as follows:

Series A Junior Participating Preferred Stock

1. Designation and Amount. There shall be a series of Preferred Stock that shall be designated as "Series A Junior Participating Preferred Stock," and the number of shares constituting such series shall be 750,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, however, that no decrease shall reduce the number of shares of Series A Junior Participating Preferred Stock to less than the number of shares then issued and outstanding plus the number of shares issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Corporation.

2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Junior Participating Preferred Stock with respect to dividends, the holders of shares of Series A Junior Participating Preferred Stock, in preference to the holders of shares of any class or series of stock of the Corporation ranking junior to the Series A Junior Participating Preferred Stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the 15th day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$2.00 or (b) the Adjustment Number (as defined below) times the aggregate per share amount of all cash dividends, and the Adjustment Number times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value \$0.83-1/3 per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Junior Participating Preferred Stock. The "Adjustment Number" shall initially be 100. In the event the Corporation shall at any time after October 28, 1994 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment

Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Junior Participating Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$2.00 per share on the Series A Junior Participating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Junior Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

3. Voting Rights. The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

(A) Each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to a number of votes equal to the Adjustment Number on all matters submitted to a vote of

the stockholders of the Corporation. At all elections of directors at which the Series A Junior Participating Preferred Stock shall vote together with the Common Stock (and any other capital stock of the Corporation at the time entitled thereto), each share of Series A Participating Preferred Stock shall entitle the holder thereof to as many votes as shall equal the Adjustment Number multiplied by the number of directors to be elected, and such holder may cast all of such votes for a single director, or may distribute them among the number to be voted for, or for any two or more of them, as such holder may see fit.

(B) Except as otherwise provided herein, in the Restated Certificate of Incorporation or by law, the holders of shares of Series A Junior Participating Preferred Stock, the holders of shares of Preference Common Stock, par value \$0.83-1/3 per share, of the Corporation ("Preference Common Stock") and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C)(i) If at any time dividends on any Series A Junior Participating Preferred Stock shall be in arrears in an amount equal to six quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") that shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Junior Participating Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, (1) the number of Directors shall be increased by two, effective as of the time of election of such Directors as herein provided, and (2) the holders of Preferred Stock (including holders of the Series A Junior Participating Preferred Stock) upon which these or like voting rights have been conferred and are exercisable (the "Voting Preferred Stock") with dividends in arrears in an amount equal to six quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect such two Directors.

(ii) During any default period, such voting right of the holders of Series A Junior Participating Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that such voting right shall not be exercised unless the holders of at least one-third in number of the shares of Voting Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Voting Preferred Stock of such voting right.

(iii) Unless the holders of Voting Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than ten percent of the total number of shares of Voting Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Voting Preferred Stock, which meeting shall thereupon be called by the Chairman of the Board, the President, a Vice President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Voting Preferred Stock are entitled to vote pursuant to this paragraph (C)(iii) shall be given to each holder of record of Voting Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or, in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than ten percent of the total number of shares of Voting Preferred Stock outstanding. Notwithstanding the provisions of this paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) In any default period and after the holders of Voting Preferred Stock shall have exercised their right to elect Directors voting as a class, (x) the Directors so elected by the holders of Voting Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class or classes of stock which elected the Director whose office shall have become vacant. References in this paragraph (C) to Directors elected by the holders of a particular class or classes of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Voting Preferred Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Voting Preferred Stock as a class shall terminate and (z) the number of Directors shall be such number as may be provided for in the Restated Certificate of Incorporation or By-Laws irrespective of any increase made pursuant to the provisions of paragraph (C) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the Restated Certificate of Incorporation or By-Laws).

Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(D) Except as set forth herein, holders of Series A Junior Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled; or

(iii) redeem or purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock, or any shares of stock ranking on a parity with the Series A Junior Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of Series A Junior Participating Preferred Stock, or to such holders and holders of any such shares ranking on a parity therewith, upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration

any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

5. Reacquired Shares. Any shares of Series A Junior Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to any conditions and restrictions on issuance set forth herein.

6. Liquidation, Dissolution or Winding Up. (A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Common Stock and Preference Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) the Adjustment Number. Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of (1) Series A Junior Participating Preferred Stock and (2) Common Stock and Preference Common Stock, respectively, (a) holders of Series A Junior Participating Preferred Stock and (b) holders of shares of Common Stock and Preference Common Stock shall, subject to the prior rights of all other series of Preferred Stock, if any, ranking prior thereto, receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to (x) the Series A Junior Participating Preferred Stock and (y) the Common Stock and Preference Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, that rank on a parity with the Series A Junior Participating Preferred Stock, then such

remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock and Preference Common Stock.

(C) Neither the merger or consolidation of the Corporation into or with another corporation nor the merger or consolidation of any other corporation into or with the Corporation shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 6, but the sale, lease or conveyance of all or substantially all the Corporation's assets shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 6.

7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share equal to the Adjustment Number times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged.

8. Redemption. (A) The Corporation, at its option, may redeem shares of the Series A Junior Participating Preferred Stock in whole at any time and in part from time to time, at a redemption price equal to the Adjustment Number times the current per share market price (as such term is hereinafter defined) of the Common Stock on the date of the mailing of the notice of redemption, together with unpaid accumulated dividends to the date of such redemption. The "current per share market price" on any date shall be deemed to be the average of the closing price per share of such Common Stock for the ten consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date; provided, however, that in the event that the current per share market price of the Common Stock is determined during a period following the announcement of (i) a dividend or distribution on the Common Stock other than a regular quarterly cash dividend or (ii) any subdivision, combination or reclassification of such Common Stock and the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, shall not have occurred prior to the commencement of such ten Trading Day period, then, and in each such case, the current per share market

price shall be properly adjusted to take into account ex-dividend trading. The closing price for each day shall be the last sales price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange, or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading, or, if the Common Stock is not listed or admitted to trading on any national securities exchange but sales price information is reported for such security, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ") or such other self-regulatory organization or registered securities information processor (as such terms are used under the Securities Exchange Act of 1934, as amended) that then reports information concerning the Common Stock, or, if sales price information is not so reported, the average of the high bid and low asked prices in the over-the-counter market on such day, as reported by NASDAQ or such other entity, or, if on any such date the Common Stock is not quoted by any such entity, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock selected by the Board of Directors of the Corporation. If on any such date no such market maker is making a market in the Common Stock, the fair value of the Common Stock on such date as determined in good faith by the Board of Directors of the Corporation shall be used. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Common Stock is listed or admitted to trading is open for the transaction of business, or, if the Common Stock is not listed or admitted to trading on any national securities exchange but is quoted by NASDAQ, a day on which NASDAQ reports trades, or, if the Common Stock is not so quoted, a Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in the State of New York are not authorized or obligated by law or executive order to close.

(B) In the event that fewer than all the outstanding shares of the Series A Junior Participating Preferred Stock are to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors and the shares to be redeemed shall be determined by lot or pro rata as may be determined by the Board of Directors or by any other method that may be determined by the Board of Directors in its sole discretion to be equitable.

(C) Notice of any such redemption shall be given by mailing to the holders of the shares of Series A Junior Participating Preferred Stock to be redeemed a notice of such redemption, first class postage prepaid, not later than the fifteenth day and not

earlier than the sixtieth day before the date fixed for redemption, at their last address as the same shall appear upon the books of the Corporation. Each such notice shall state: (i) the redemption date; (ii) the number of shares to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the close of business on such redemption date. Any notice that is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the stockholder received such notice, and failure duly to give such notice by mail, or any defect in such notice, to any holder of Series A Junior Participating Preferred Stock shall not affect the validity of the proceedings for the redemption of any other shares of Series A Junior Participating Preferred Stock that are to be redeemed. On or after the date fixed for redemption as stated in such notice, each holder of the shares called for redemption shall surrender the certificate evidencing such shares to the Corporation at the place designated in such notice and shall thereupon be entitled to receive payment of the redemption price. If fewer than all the shares represented by any such surrendered certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

(D) The shares of Series A Junior Participating Preferred Stock shall not be subject to the operation of any purchase, retirement or sinking fund.

9. Ranking. The Series A Junior Participating Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise, and shall rank senior to the Common Stock and Preference Common Stock as to such matters.

10. Amendment. At any time that any shares of Series A Junior Participating Preferred Stock are outstanding, the Restated Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.

11. Fractional Shares. Series A Junior Participating Preferred Stock may be issued in fractions of a share that shall entitle the holder, in proportion to such holder's fractional

shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Junior Participating Preferred Stock.

<TABLE>

EXHIBIT 12

PENNZOIL COMPANY AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

<CAPTION>

	For the three months ended March 31,	
	1995	1994
	(Dollar amounts expressed in thousands)	
	<C>	<C>
Income before cumulative effect of change in accounting principle	\$ 2,743	\$ 10,738
Income tax provision (benefit)		
Federal and foreign	(1,325)	4,422
State	740	1,506
Total income tax provision (benefit)	(585)	5,928
Interest charges	54,494	47,318
Income before income tax provision (benefit) and interest charges	\$ 56,652	\$ 63,984
Fixed charges	\$ 55,557	\$ 49,493
Ratio of earnings to fixed charges	1.02	1.29

<CAPTION>

DETAIL OF INTEREST AND FIXED CHARGES

	For the three months ended March 31,	
	1995	1994
	(Expressed in thousands)	
	<C>	<C>
Interest charges per Consolidated Statement of Income which includes amortization of debt discount, expense and premium	\$ 49,542	\$ 43,764
Add: portion of rental expense representative of interest factor <F1>	6,015	5,729
Total fixed charges	\$ 55,557	\$ 49,493
Less: interest capitalized per Consolidated Statement of Income	1,063	2,175
Total interest charges	\$ 54,494	\$ 47,318

<FN>

<F1> Interest factor based on management's estimates and approximates one-third of rental expense.

</FN>

</TABLE>

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D. C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the Quarter Ended March 31, 1995 Commission File No. 1-5591

PENNZOIL COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

74-1597290

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

Pennzoil Place, P.O. Box 2967
Houston, Texas 77252-2967
(Address of principal executive offices)

EXHIBIT

PENNZOIL COMPANY AND SUBSIDIARIES
INDEX TO EXHIBITS

Exhibit No.
- - - - -

- 3 Restated Certificate of Incorporation of Pennzoil Company dated May 3, 1995.
- 12 Computation of Ratio of Earnings to Fixed Charges for the three months ended March 31, 1995 and 1994.
- 27 Financial Data Schedule

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