SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1995

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number: 1-8520

TERRA INDUSTRIES INC.
(Exact name of registrant as specified in its charter)

MARYLAND	52-1145429
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

TERRA CENTRE P.O. BOX 6000 600 FOURTH STREET SIOUX CITY, IOWA	51102-6000
(Address of principal executive offices)	(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (712) 277-1340

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

As of March 31, 1995, the following shares of the registrant's stock were outstanding:

Common Shares, without par value	81,017,652 shares

PART I. FINANCIAL INFORMATION

TERRA INDUSTRIES INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands)

<TABLE>
<CAPTION>

<S>	March 31, 1995 (unaudited) <C>	December 31, 1994 <C>	March 31, 1994 (unaudited) <C>
ASSETS			
Cash and short-term investments	$ 133,145	$ 158,384	$ 34,520
Accounts receivable, less allowance for doubtful accounts of $9,739, $8,224 and $7,663	213,881	157,026	176,390
Inventories	538,094	332,952	389,649
Deferred tax asset -- current	49,641	43,992	30,088
Other current assets	53,566	31,069	12,945
TOTAL CURRENT ASSETS	988,327	723,423	643,592
Equity and other investments	12,764	14,181	1,057
Property, plant and equipment, net	569,348	552,843	116,583
Deferred tax asset -- non-current	---	---	22,595
Excess of cost over net assets of acquired businesses	320,908	320,559	14,970
Partnership distribution reserve fund	18,480	18,480	---
Net assets of discontinued operations	---	---	3,722
Other assets	54,600	58,484	14,985
TOTAL ASSETS	$1,964,427	$1,687,970	$ 817,504
LIABILITIES			
Debt due within one year	$ 76,009	$ 67,658	$ 79,396
Accounts payable	301,039	181,050	251,280
Accrued and other liabilities	295,316	200,774	162,298
TOTAL CURRENT LIABILITIES	672,364	449,482	492,974
Long-term debt	512,820	511,706	45,981
Deferred income taxes	93,656	84,246	442
Other liabilities	53,316	53,477	34,497
Minority interest	182,183	170,630	---
TOTAL LIABILITIES	1,514,339	1,269,541	573,894
STOCKHOLDERS' EQUITY			
Capital stock			
Common Shares, authorized 133,500 shares; outstanding 81,018, 80,965 and 70,327 shares	133,800	133,770	123,320
Paid-in capital	630,241	630,111	523,064
Cumulative translation adjustment	(1,093)	(1,259)	(942)
Accumulated deficit	(312,860)	(344,193)	(401,832)
TOTAL STOCKHOLDERS' EQUITY	450,088	418,429	243,610
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,964,427	$1,687,970	$ 817,504

</TABLE>

See accompanying Notes to the Consolidated Financial Statements.

TERRA INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per-share amounts)
(unaudited)

<TABLE>
<CAPTION>

	Three Months Ended March 31, 1995	Three Months Ended March 31, 1994
<S>	<C>	<C>
REVENUES		
Net sales	$434,121	$255,264
Other income, net	9,219	4,240
	443,340	259,504
COSTS AND EXPENSES		
Cost of sales	304,281	223,153
Selling, general and administrative expense	56,045	43,583
Equity in loss of unconsolidated affiliates	1,197	554
Interest income	(2,666)	(856)
Interest expense	14,007	2,935
Minority interest	16,593	---
	389,457	269,369
Income (loss) from operations before income taxes	53,883	(9,865)
Income tax provision (benefit)	20,930	(3,580)
Income (loss) before extraordinary item	32,953	(6,285)
Extraordinary loss on early retirement of debt	---	(2,614)
Cumulative effect of accounting changes	---	3,376
NET INCOME (LOSS)	$ 32,953	$ (5,523)
INCOME (LOSS) PER SHARE:		
Income (loss) before extraordinary item	$ 0.41	$ (0.09)
Extraordinary loss on early retirement of debt	---	(0.04)
Cumulative effect of accounting changes	---	0.05
NET INCOME (LOSS)	$ 0.41	$ (0.08)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	81,215	69,961
CASH DIVIDENDS DECLARED PER SHARE	$ 0.02	$ 0.02

</TABLE>

See accompanying Notes to the Consolidated Financial Statements.

TERRA INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 31, 1995 AND 1994
(in thousands)
(unaudited)

	Common Shares	Paid-In Capital	Cumulative Translation Adjustment	Accumulated Deficit	Total
Balance at December 31, 1993	$122,257	$516,128	$ (488)	$(394,917)	$242,980
Stock Incentive Plan	332	1,760	---	---	2,092
Conversion of Convertible Debentures	731	5,176	---	---	5,907
Translation Adjustment	---	---	(454)	---	(454)
Dividends	---	---	---	(1,392)	(1,392)
Net loss	---	---	---	(5,523)	(5,523)
Balance at March 31, 1994	$123,320	$523,064	$ (942)	$(401,832)	$243,610

	Common Shares	Paid-In Capital	Cumulative Translation Adjustment	Accumulated Deficit	Total
Balance at December 31, 1994	$133,770	$630,111	$(1,259)	$(344,193)	$418,429
Stock Incentive Plan	30	130	---	---	160
Translation Adjustment	---	---	166	---	166
Dividends	---	---	---	(1,620)	(1,620)
Net income	---	---	---	32,953	32,953
Balance at March 31, 1995	$133,800	$630,241	$(1,093)	$(312,860)	$450,088

See accompanying Notes to the Consolidated Financial Statements.

TERRA INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended March 31, 1995	Three Months Ended March 31, 1994
OPERATING ACTIVITIES		
Net income (loss)	$ 32,953	$ (5,523)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	16,174	4,456
Income taxes	3,761	(2,759)

Cumulative effect of accounting changes	---	(3,376)
Minority interest in earnings	16,593	---
Other non-cash items	(4,060)	3,765
Changes in current assets and liabilities, excluding working capital purchased/sold:		
Accounts receivable	(59,703)	(53,478)
Inventories	(201,662)	(143,609)
Other current assets	(4,489)	(955)
Accounts payable	119,989	151,361
Accrued and other liabilities	83,071	42,870
Other	(2,744)	(489)
Net cash used in operating activities	(117)	(7,737)
INVESTING ACTIVITIES		
Acquisitions, net of cash acquired	(10,340)	(11,306)
Purchase of property, plant and equipment	(14,007)	(10,463)
Discontinued operations	(478)	(988)
Proceeds from investments	246	573
Net cash used in investing activities	(24,579)	(22,184)
FINANCING ACTIVITIES		
Net short-term borrowings	7,199	69,758
Principal payments on long-term debt	(1,403)	(67,171)
Debt issuance costs	---	(2,533)
Stock issuance/repurchase - net	155	1,131
Distribution to minority interests	(5,040)	---
Dividends	(1,620)	(1,392)
Net cash used in financing activities	(709)	(207)
Foreign exchange effect on cash and short-term investments	166	(454)
Decrease in cash and short-term investments	(25,239)	(30,582)
Cash and short-term investments at beginning of period	158,384	65,102
CASH AND SHORT-TERM INVESTMENTS AT END OF PERIOD	$ 133,145	$ 34,520

</TABLE>

See accompanying Notes to the Consolidated Financial Statements.

TERRA INDUSTRIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. The accompanying unaudited consolidated financial statements and notes thereto contain all adjustments necessary to summarize fairly the financial position of Terra Industries Inc. and all majority-owned subsidiaries (the "Corporation") and the results of the Corporation's operations for the periods presented. Because of the seasonal nature of the Corporation's operations and effects of weather-related conditions in several of its marketing areas, earnings of any single reporting period should not be considered as indicative of results for a full year. These statements should be read in conjunction with the Corporation's 1994 Annual Report to Stockholders.

2. Per-share data are based on the weighted average number of Common Shares that would become outstanding after allowing for the exercise of outstanding stock options.

3. Inventories consisted of the following:

(in thousands)	March 31, 1995	December 31, 1994	March 31, 1994
Raw materials	$ 44,855	$ 38,988	$ 21,952
Finished goods	493,239	293,964	367,697
Total	$538,094	$332,952	$389,649

4. The Corporation and certain of its subsidiaries are involved in various legal actions and claims, including environmental matters, arising during the normal course of business. Although it is not possible to predict with any certainty the outcome of such matters, it is the opinion of management that these matters will not have a material adverse effect on the results of operations, financial position or cash flows of the Corporation.

5. On October 20, 1994, the Corporation acquired Agricultural Minerals and Chemicals Inc. ("AMCI") for $400 million plus an estimated working capital adjustment of $100 million. The Consolidated Statements of Operations include the operating results of AMCI subsequent to the acquisition. AMCI, through its subsidiaries manufactured nitrogen-based fertilizers and industrial use products, and methanol. The subsidiaries controlled by the Corporation as a result of the AMCI acquisition include Terra Nitrogen Corporation ("TNC") and Beaumont Methanol, Limited Partnership ("BMLP"). TNC has a 60.2 percent ownership interest in Terra Nitrogen Company, L.P. ("TNCLP"), formerly Agricultural Minerals Company, L.P., which operates nitrogen products manufacturing facilities in Verdigris, Oklahoma and Blytheville, Arkansas through an investment in an operating partnership, Terra Nitrogen, Limited Partnership ("TNLP"), formerly Agricultural Minerals, Limited Partnership. BMLP operates a methanol production facility in Beaumont, Texas. The excess of purchase price over the fair value of net assets acquired is being amortized on a straight-line basis over 18 years which is estimated to be the average remaining useful life of the manufacturing plants acquired.

   To finance the acquisition of AMCI, the Corporation issued 9.7 million Common Shares for aggregate net proceeds of approximately $113 million, entered into credit arrangements to issue $310 million of long-term debt, and refinanced certain bank debt and credit lines of the Corporation, AMCI and AMCI's subsidiaries aggregating $260 million of which $152 million in borrowings were outstanding. The Corporation used $40 million of the new debt issue to refinance short-term bank debt. The credit agreement provides for a $175 million revolving line of credit for use by Terra International, Inc. and BMLP and a $50 million revolving line of credit for TNLP. As a result of the acquisition of AMCI, the Corporation also assumed AMCI's

   obligations under its $175 million in aggregate principal of 10.75% Senior Notes due 2003 (the "Senior Notes").

   The following table represents unaudited pro forma summary results of operations as if the acquisition of AMCI had occurred at the beginning of 1994:

(in thousands, except per-share data)	Three Months Ended March 31, 1994
Revenues	$356,088
Loss before extraordinary item	$ (2,469)
Net loss	$ (1,707)
Net loss per share	$ (0.02)

The pro forma operating results were adjusted to include depreciation of the fair value of capital assets acquired based on estimated useful lives at the acquisition date, amortization of intangibles, reduction of incentive compensation expense for plans terminated at acquisition, interest expense on the acquisition borrowings, the issuance of common stock and the effect of income taxes.

The pro forma information listed above does not purport to be indicative of the results that would have been obtained if the operations were combined during the above periods, and is not intended to be a projection of future operating results or trends.

On September 15, 1994, the Corporation acquired a 34% interest in Royster-Clark, Inc. for $12 million in cash. Royster-Clark is a 100 location distributor of crop input and protection products in the mid-Atlantic region. The Corporation accounts for its investment under the equity method and its share of Royster-Clark's results of operations are included in equity in earnings of unconsolidated affiliates.

6. BMLP entered into a methanol hedging agreement (the Methanol Hedging Agreement) effective October 1994. Pursuant to the agreement, BMLP received $4 million in cash and agreed to make payments to the extent that average methanol prices exceed the sum of $0.65 per gallon plus 0.113 times the average spot price index, in cents per MMBtu for natural gas during the periods October 20, 1994 to December 31, 1995, calendar year 1996, and calendar year 1997. The quantities subject to the agreement for each of these periods are 155.5 million, 140 million and 130 million gallons, respectively. BMLP's methanol production facility has a production capacity of 280 million gallons of methanol per year. Payments are due five days after the end of each period.

   The $4 million received pursuant to the Methanol Hedging Agreement is being recognized as income over the term of the agreement. Accruals for payments are recorded as a reduction of revenue. As of March 31, 1995, $31.3 million has been recorded as payable under the Methanol Hedging Agreement based on average prices, for the period October 20, 1994 through March 31, 1995. The actual amount that will be paid is dependent upon average methanol and natural gas prices during each of the periods. The fair value of the agreement, representing the amount that BMLP would expect to pay at March 31, 1995 to liquidate the agreement for its remaining term, is approximately $5 million based on a management estimate.

7. The Corporation's natural gas procurement policy is to fix or cap the price of approximately 40-80% of its natural gas requirements for a 12-month period through various forward pricing techniques. Depending on market conditions, the Corporation may also fix or cap the price of natural gas for longer periods of time. The Corporation has entered into forward pricing positions for the purchase of natural gas amounting to

approximately 65% of natural gas volumes for the remainder of 1995, 42% for

1996 and 22% for 1997. As a result of its policies, the Corporation has limited the potential adverse financial impact of natural gas price increases during the forward pricing period, but conversely, if natural gas prices were to fall, the Corporation will incur higher costs. Unrealized losses from forward pricing positions totaled $10 million as of March 31, 1995.

8. During March 1994, the Corporation redeemed $72.1 million of 8.5% Convertible Subordinated Debentures due 2012 at the required redemption price of 103.4% of par value. During the 20-day notice period, holders of $5.9 million chose to convert their debentures into Common Stock of the Corporation at the conversion price of $8.083 per Common Share. The Corporation issued 730,768 Common Shares and paid cash for fractional shares. The Corporation funded the redemption from available cash balances and short-term credit lines.

9. During March 1994, the Corporation entered into an agreement to sell its receivables. Under this agreement, which expires March 31, 1996, the Corporation may sell an undivided interest in a designated pool of its accounts receivable and receive up to $50 million in proceeds. Undivided interests in new receivables may be sold as collections reduce previously sold interests. The undivided interests are sold at a discount that is included in selling, general and administrative expenses in the Consolidated Statement of Operations. As of March 31, 1995, $50.0 million in proceeds had been received under this agreement.

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

RESULTS OF OPERATIONS

QUARTER ENDED MARCH 31, 1995, COMPARED WITH QUARTER ENDED MARCH 31, 1994

CONSOLIDATED RESULTS

The Corporation reported income of $33 million, or $0.41 per share, on revenues of $443.3 million for the first quarter of 1995 compared with a loss before extraordinary items of $6.3 million or $0.09 per share on revenues of $259.5 million in 1994. The 1995 results include the operations formerly owned by Agricultural Minerals and Chemicals Inc. ("AMCI"), which was acquired by the Corporation on October 20, 1994. The AMCI acquisition added approximately $144 million to net revenue and $25 million to operating income during the first quarter 1995. Excluding the impact of the acquisition, revenues increased $40 million, or 15%, over the comparable period in 1994 and operating income increased $14.2 million, primarily the result of improved selling prices for nitrogen products caused by tight supplies.

The Corporation operates in three business segments: Distribution, Nitrogen Products and Methanol. The Distribution segment includes sales of products purchased from manufacturers, including the Corporation, and resold by the Corporation. Distribution revenues are derived primarily from grower and dealer customers through sales of chemicals, fertilizers, seed and related services. The Nitrogen Products segment represents only those operations directly related to the wholesale sales of nitrogen products produced at the Corporation's ammonia manufacturing and upgrading facilities. The Methanol segment represents wholesale sales of methanol produced at the Corporation's two methanol manufacturing facilities.

Total revenues and operating income (loss) for the three-month periods ended March 31, 1995 and 1994 were as follows:

(in thousands)	1995	Pro Forma 1994	1994
REVENUES:			
Distribution	$238,454	$206,478	$206,478
Nitrogen Products	147,188	114,670	54,156
Methanol	65,874	36,096	---
Other - net	(8,176)	(1,156)	(1,130)
	$443,340	$356,088	$259,504
OPERATING INCOME (LOSS):			
Distribution	$(14,635)	$(12,899)	$(12,899)
Nitrogen Products	57,384	20,751	6,988
Methanol	39,608	8,611	---
Other expense - net	(540)	(1,916)	(1,875)
	81,817	14,547	(7,786)
Interest expense - net	(11,341)	(12,700)	(2,079)
Minority interest	(16,593)	(5,726)	---
Total from operations	$ 53,883	$ (3,879)	$ (9,865)

The pro forma results of operations have been prepared to give effect to the Corporation's (i) acquisition of AMCI, (ii) issuance of 9.7 million Common Shares, and (iii) borrowing under a new credit agreement entered into in connection with the acquisition, assuming that all such transactions had occurred on January 1, 1994. The pro forma financial data is presented for informational purposes only and are not necessarily indicative of the results that actually would have been obtained if the transactions had occurred on January 1, 1994. In addition, the pro forma results are not intended to be a projection of future operating results or trends.

DISTRIBUTION

Distribution revenues of $238.5 million during the 1995 first quarter, increased $32 million, or 15%, over 1994 results. Approximately $10 million of the growth relates to a 7.6% increase in chemical sales resulting principally from sales to new dealer affiliates and expansion into new locations. Growth in the Corporation's own brand of Riverside chemical products accounted for $5 million of the increase. Distributed fertilizer sales increased $8.5 million and seed and other sales and services increased $13.5 million as a result of expansion of the distribution network.

The operating loss for the Distribution business was $14.6 million in 1995 compared with $12.9 million in 1994. Higher volumes added $5.9 million to operating income which was more than offset by a $7.6 million increase in selling and general and administrative expenses. The increased expenses included an increase in compensation costs of $2.8 million due to additional personnel resulting from expansion activities and normal wage increases. In addition, equipment leasing, facilities costs, and operating and maintenance expenses increased $2.5 million. The Distribution segment's operations are seasonal, coincident with crop plantings, which generally results in an operating loss for the first calendar quarter.

NITROGEN PRODUCTS

Nitrogen Products revenues increased 172% to $147.2 million in 1995 from $54.2 million in 1994. The acquisition of AMCI included a 60.2% partnership interest in two ammonia production facilities located in Blytheville, Arkansas and Verdigris, Oklahoma. The Blytheville and Verdigris plants contributed $89.8 million to first quarter revenue growth. Excluding the impact of the acquisition, revenues increased $3.2 million or 5.9%. Nitrogen Products revenues for 1995 were reduced $1.7 million by the conversion of 30% of the capacity of the Woodward, Oklahoma plant from ammonia to methanol production and reduced approximately $10 million due to the loss of production at the Port Neal nitrogen manufacturing plant as a result of the December 1994 explosion. The plant is expected to be fully operational in the first half of 1996.

Operating income for the Nitrogen Products business was $57.4 million in the first quarter of 1995 compared with $7 million in the 1994 first quarter. The acquisition of AMCI contributed $37.3 million to the increase in operating income. Excluding the acquisition, operating earnings increased $13.1 million due to price increases of $12.4 million and lower natural gas costs of $4.2 million, offset by higher manufacturing costs for salaries and wages and maintenance expenses.

METHANOL

In April 1994, about 30% of the production capacity of the Woodward, Oklahoma plant was converted from the production of ammonia to methanol. Additionally, through the acquisition of AMCI in October 1994, the Corporation acquired a methanol production facility in Beaumont, Texas. The Corporation had no methanol operations in the first quarter of 1994.

Methanol revenues were $65.9 million and operating income for the Methanol business was $39.6 million in the first three months of 1995. The market price for methanol increased significantly in the second half of 1994

as a result of sharply higher production of MTBE, an oxygen and octane enhancer used in reformulated gasoline. During the first quarter of 1995, methanol prices have decreased substantially from the unprecedented high levels reached in late-1994. Average realized prices, including the effect of the methanol hedge agreement (see Note 6 to the Consolidated Financial Statements), were $0.98 in the first quarter of 1995 as compared to $1.14 in the fourth quarter of 1994. The Corporation sold 67.2 million gallons of methanol during the 1995 first quarter; the acquired Beaumont facility produced 57.8 million gallons of the total methanol sales during the period. On April 17, 1995, a scheduled maintenance turnaround was begun at the Beaumont facility. It is expected that the turnaround will be completed and the facility returned to production mid-May.

OTHER OPERATING EXPENSE - NET

Other operating expense was $0.5 million in the 1995 first quarter compared with $1.9 million in the comparable 1994 period. Other operating expense includes expenses not directly related to individual business segments, including certain insurance coverages, corporate finance fees and other costs. The decrease in 1995 is primarily the result of lower costs for general administrative functions including reduced incentive compensation expense.

INTEREST EXPENSE - NET

Interest expense, net of interest income, totaled $11.3 million in 1995 compared with $2.1 million in 1994. The increase is principally the result of higher interest expense due to the assumption of $175 million of long-term debt and the issuance of $270 million of additional debt, both in connection with the acquisition of AMCI.

INCOME TAXES

First quarter 1995 income tax expense was recorded at an effective rate of 38.8% as compared with 36.3% in the first quarter of 1994. The increased rate is the result of goodwill amortization which is not deductible for income tax purposes.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation's primary uses for cash are to fund its working capital needs, make payments on its indebtedness and other obligations, make both quarterly distributions on the acquired nitrogen business' Senior Preference Units and quarterly dividends to stockholders and make capital expenditures. Its principal sources of funds are cash flow from operations and borrowings. The Corporation believes that cash from operations and available financing sources will be sufficient to meet anticipated cash requirements for seasonal operating needs, capital expenditures and expansion strategies.

On March 27, 1995 the Corporation announced its offer to purchase the Senior Preference Units representing a 39.8% partnership interest in the Corporation's acquired nitrogen business for $30 per unit, or approximately $230 million. To fund the proposed acquisition, the Corporation would incur additional long-term debt and use available cash. The partnership's cash distribution for the quarter ended March 31, 1995 was deferred pending further discussion between the Corporation and the Special Committee of the Board of Terra Nitrogen Corporation formed to evaluate the Corporation's offer.

Cash generated from operations in the 1995 first quarter was break-even due to seasonal increases in inventory. Cash and short-term investments decreased $25.2 million principally to fund investments in plant and equipment and the expansion of the Corporation's distribution network.

Cash used for acquisitions includes a $6.1 million payment as a final valuation for working capital balances purchased in connection with the Corporation's acquisition of AMCI and $4.2 million paid to acquire new locations for the Corporation's distribution network.

The Corporation expects 1995 capital expenditures to approximate $60 million consisting of the expansion of service centers; routine replacement of equipment; and efficiency improvements at manufacturing facilities including approximately $20 million for expansion and design improvements at the Corporation's Port Neal facility.

During the quarter, the Corporation distributed $0.66 per unit, or $5 million, to minority unitholders in the acquired nitrogen business and paid the Corporation's quarterly dividend of $0.02 per share which totaled $1.6 million.

Cash generated from operations during 1995 is expected to be adequate to meet normal business requirements and pay down debt. Cash balances at March 31, 1995 were $133.1 million of which $9.6 million is used to collateralize letters of credit supporting recorded liabilities.

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The 1995 Annual Meeting of stockholders was held on May 2, 1995, in Sioux City, Iowa. At the meeting, a total of 75,341,184 votes were cast by stockholders. There were no broker nonvotes.

The following directors were elected to hold office until the next Annual Meeting or until their successors are duly elected and qualified, and received the votes set forth opposite their respective name:

NAME	FOR	WITHHELD
Edward G. Beimfohr	74,145,389	1,195,795
Carol L. Brookins	74,121,615	1,219,569
Edward M. Carson	72,419,235	2,921,949
David E. Fisher	73,644,278	1,696,906
Basil T. A. Hone	73,661,531	1,679,653
Burton M. Joyce	73,657,718	1,683,466
Anthony W. Lea	73,645,570	1,695,614
John R. Norton III	74,148,770	1,192,414
Reuben F. Richards	73,660,655	1,680,529
Henry R. Slack	73,643,875	1,697,309

In addition, the stockholders ratified the selection by the Corporation's Board of Directors of Deloitte & Touche LLP as independent accountants for the Corporation for 1995. The number of votes cast for such proposal was 74,907,289, the number against was 243,887 and the number of abstentions was 190,008.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(A) EXHIBITS

10.11 General and Administrative Services Agreement Regarding Services by Terra Industries Inc.

10.12 General and Administrative Services Agreement Regarding Services by Terra Nitrogen Corporation.

(B) REPORTS ON FORM 8-K

Current Report on Form 8-K dated March 29, 1995 reporting proposal to acquire senior preference units of Terra Nitrogen Company, L.P.

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.

TERRA INDUSTRIES INC.

Date: May 10, 1995

/s/ Francis G. Meyer

Francis G. Meyer
Vice President and Chief Financial Officer
and a duly authorized signatory

EXHIBIT 10.11

GENERAL AND ADMINISTRATIVE SERVICES AGREEMENT REGARDING SERVICES BY TERRA INDUSTRIES INC.

THIS GENERAL AND ADMINISTRATIVE SERVICES AGREEMENT (this "Agreement") is entered into effective as of January 1, 1995 (the "Effective Date") by and between TERRA INDUSTRIES INC., a Delaware corporation ("Terra"), and TERRA NITROGEN CORPORATION, a Delaware corporation (the "General Partner").

R E C I T A L S

WHEREAS, in October 1994, Terra acquired the General Partner, which owns (i) a 1.0101% general partner interest in Terra Nitrogen Company, L.P., a Delaware limited partnership (the "Partnership") and a 1% general partner interest in Terra Nitrogen, Limited Partnership, a Delaware limited partnership, all of the limited partner interests of which are held by the Partnership (such partnership and the Partnership herein referred to as the "Partnerships"), and (ii) limited partner units representing an approximate 59.2% limited partner interest in the Partnership;

WHEREAS, Senior Preference Units representing an aggregate 39.8% limited partner interest in the Partnership are publicly traded on the New York Stock Exchange;

WHEREAS, the General Partner requires certain general and administrative services in order to conduct the business of the Partnerships;

WHEREAS, Terra and/or one of its affiliates is able to provide certain of such services to the General Partner;

WHEREAS, Terra and the General Partner desire by their execution of this Agreement to evidence their understanding concerning the providing of certain services by Terra to the General Partner; and

WHEREAS, capitalized terms used herein but not defined shall have the meanings given them in the Agreement of Limited Partnership of the Partnership dated as of December 4, 1991 (the "Partnership Agreement"), as such agreement is in effect on the Effective Date to which reference is hereby made for all purposes of this Agreement.

THEREFORE, in consideration of the premises and the covenants, conditions, and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Term. Subject to the terms hereof, the term of this Agreement shall be from the Effective Date and extending for a period of one (1) year. Thereafter, the term shall be automatically extended for successive periods of one (1) year each, unless terminated by either party at the end of such one year period upon at least ninety (90) days' prior written notice to the other.

2. Services. During the term hereof, in exchange for the payment described herein, Terra agrees to provide to the General Partner and, as directed by the General Partner, either of the Partnerships, certain general and administrative services (the "Services") in accordance with the terms of this Agreement. At Terra's election, it may cause one or more of its Affiliates or third-party contractors (foreign or domestic) to provide the Services called for by this Agreement; provided, however, that Terra shall remain responsible for the provision of the Services in accordance with this Agreement. The Services provided hereunder shall be those listed on Exhibit A attached hereto.

3. Quality of Service. The parties agree that the Services described in Exhibit A attached hereto shall be of the same general quality which Terra provides to itself or to other Affiliates of Terra. If the General Partner decides to use a Service listed on Exhibit A that has been caused by Terra to be provided by a third party provider ("Outsourced") which is not an Affiliate of Terra, the parties hereto agree that such Service will be of a quality provided for in the agreement between Terra and the third-party provider. Terra alone may determine whether or not to Outsource a Service. In general, Terra will use the same standards it would use for itself or its other Affiliates in determining whether or not to Outsource a Service.

4. Payment. The General Partner, in consideration for the performance of the Services by or on behalf of Terra, agrees to reimburse Terra for (i) all reasonable and documented direct expenses actually incurred by Terra or its Affiliates relating to the Services provided hereunder to the General Partner and the Partnerships ("Direct Charges"), and (ii) a proportionate amount of all necessary and appropriate general, administrative, overhead and other indirect costs and expenses relating to the Services provided by Terra or its Affiliates to the General Partner or the Partnerships hereunder in each case pursuant to the expense allocation guidelines set out in Exhibit A attached hereto ("Indirect Charges", and together with Direct Charges, "Charges"). If the compensation for the Services does not include sales, use, excise, value added or similar taxes, and if any such taxes are imposed on the Services, the General Partner shall pay or reimburse Terra for any such taxes.

5. Invoicing.

(i) Terra shall invoice, or cause its Affiliates to invoice, the General Partner quarterly or at such other times as the parties hereto may agree from time to time for all Direct Charges and Indirect Charges with respect to the preceding period and any adjustments that may be necessary to correct prior invoices. All invoices shall reflect in reasonable detail a description of the Services performed during the preceding period and documentation available to Terra backing up invoiced charges and shall be due and payable promptly after receipt of the invoice. The General Partner shall have the right to audit the records relating to invoices from time to time during normal business hours. In the event of default in payment by the General Partner, upon thirty (30) days' written notice to the General Partner, sent by certified mail to the address specified below, Terra may terminate this Agreement as to those

Services which relate to the unpaid portion of the invoice if it has not received payment within such thirty (30) days; provided however, in the event of a dispute as to the propriety of invoiced amounts, the General Partner shall pay all undisputed amounts on each invoice, but shall be entitled to withhold payment of any amount in dispute and shall notify Terra promptly after receipt of the invoice of the disputed amount and the reasons each such charge is disputed by the General Partner. Terra shall promptly provide the General Partner with records relating to the disputed amount in order to enable the parties to resolve the dispute. So long as the parties are attempting in good faith to resolve the dispute, Terra shall not be entitled to terminate the Services related to and by reason of the disputed charge.

(ii) Any statement or payment not disputed in writing by either party within one year of the date of such statement or payment shall be considered final and no longer subject to adjustment. The General Partner shall not be obligated to pay for any Direct Charges or Indirect Charges for which statements for payment are submitted more than one year after the termination of this Agreement.

6. Role as General Partner. The General Partner acknowledges that the Services shall be provided only with respect to its role as general partner of the Partnerships. The General Partner shall not request performance of any Services for the benefit of any entity other than for itself on behalf of the Partnerships. The General Partner represents and agrees that it will use the Services only in accordance with all applicable federal, state and local laws and regulations, and in accordance with the reasonable conditions, rules, regulations and specifications which may be set forth in any manuals, materials, documents or instructions furnished from time to time by Terra to the General Partner. Terra reserves the right to take all actions, including termination of any particular Services, that Terra reasonably believes to be necessary to assure compliance with applicable laws and regulations. Terra will notify the General Partner of the reasons for any such termination of Services.

7. Limited Warranty; Limitation of Liability. Terra represents that it will provide or cause the Services to be provided to the General Partner with reasonable diligence. EXCEPT AS SET FORTH IN THE IMMEDIATELY PRECEDING SENTENCE, TERRA MAKES NO (AND HEREBY DISCLAIMS AND NEGATES ANY AND ALL) REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE SERVICES RENDERED TO OR PRODUCTS OBTAINED FOR THE GENERAL PARTNER. FURTHERMORE, THE GENERAL PARTNER MAY NOT RELY UPON ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDING THE WARRANTIES FOR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE MADE TO THE

GENERAL PARTNER OR ITS AFFILIATES BY ANY PARTY (INCLUDING AN AFFILIATE OF TERRA) PERFORMING SERVICES ON BEHALF OF TERRA OR ITS AFFILIATES HEREUNDER, UNLESS SUCH PARTY MAKES AN EXPRESS WRITTEN WARRANTY TO THE GENERAL PARTNER.

IT IS EXPRESSLY UNDERSTOOD BY THE GENERAL PARTNER AND THE GENERAL PARTNER AGREES THAT TERRA AND ITS AFFILIATES SHALL HAVE NO LIABILITY FOR THE FAILURE OF THIRD-PARTY PROVIDERS TO PERFORM ANY SERVICES HEREUNDER AND FURTHER THAT TERRA AND ITS AFFILIATES SHALL HAVE NO LIABILITY WHATSOEVER FOR THE SERVICES PROVIDED BY SUCH THIRD-PARTY PROVIDERS UNLESS SUCH SERVICES ARE PROVIDED IN A MANNER WHICH WOULD EVIDENCE GROSS NEGLIGENCE ON THE PART OF TERRA OR ITS AFFILIATES OR INTENTIONAL MISCONDUCT. THE GENERAL PARTNER AGREES THAT THE REMUNERATION TO BE PAID TO TERRA HEREUNDER FOR THE SERVICES TO BE PERFORMED REFLECT THIS LIMITATION OF LIABILITY AND DISCLAIMER OF WARRANTIES. IN NO EVENT SHALL TERRA BE LIABLE TO THE GENERAL PARTNER OR ANY OTHER PERSON OR ENTITY FOR ANY INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES RESULTING FROM ANY ERROR IN THE PERFORMANCE OF SERVICES OR FROM THE BREACH OF THIS AGREEMENT, REGARDLESS OF THE FAULT OF TERRA OR WHETHER WHOLLY, CONCURRENTLY, PARTIALLY, OR SOLELY NEGLIGENT.

8. Force Majeure. This Agreement shall not be terminated as a result of any failure of a party to perform any of its obligations hereunder if such failure is due to circumstances beyond its control (an "Event of Force Majeure"), including, but not limited to, any requisition by any government authority, act of war, strike, boycott, lockout, picketing, riot, sabotage, civil commotion, insurrection, epidemic, disease, act of God, fire, flood, accident, explosion, earthquake, storm, failure of public utilities or common carriers, mechanical failure, embargo, or prohibition imposed by any governmental body or agency having authority over the party, provided that at such time as an Event of Force Majeure no longer exists, the respective obligations of the parties hereto shall be reinstated and this Agreement shall continue in full force and effect. The party affected by an Event of Force Majeure shall give prompt notice thereof to the other party hereto and each party shall use good faith efforts to minimize the duration and consequences of, and to eliminate, any such Event of Force Majeure.

9. Severability. In the event any portion of this Agreement shall be found by a court of competent jurisdiction to be unenforceable, that portion of the Agreement will be null and void and the remainder of the Agreement will be binding on the parties as if the unenforceable provisions had never been contained herein.

10. Assignment. Except for the ability of Terra to cause one or more of the Services to be performed by one of its affiliates or a third-party provider, no party shall have the right to assign its rights or obligations under this Agreement without the consent of the other party.

11. Relationship of the Parties. In all matters relating to this Agreement, each party hereto shall be solely responsible for the acts of its employees, and employees of one party shall not be considered employees of the other party. Except as otherwise provided herein, no party shall any right,

power or authority to create any obligation, express or implied, on behalf of any other

party. Nothing in this Agreement is intended to create or constitute a joint venture or partnership between the parties hereto or persons referred to herein.

12. Entire Agreement. This Agreement constitutes the entire agreement of the parties relating to the performance of the Services. All prior or contemporaneous written or oral agreements are merged herein.

13. Choice of Law. This Agreement shall be subject to and governed by the laws of the State of Iowa, excluding any conflicts-of-law rule or principle that might refer the construction or interpretation of this Agreement to the laws of another state.

14. Confidentiality. The General Partner shall keep and hold, and shall cause its officers, employees and other agents to keep and hold, in strictest confidence, all confidential and/or proprietary information respecting, or in any way related to, Terra and/or the business, operations, financial results and affairs of Terra, whenever and however learned unless such confidential and/or proprietary information (i) becomes generally available to the public, provided this occurs by means other than the breach of this section, (ii) was available on a non-confidential basis to the General Partner prior to its disclosure by Terra or its representatives or (iii) becomes available to the General Partner on a non-confidential basis from a source other than Terra or its representatives, provided that such source is not a party to a confidentiality agreement concerning such information. The provisions of this Section 14 shall survive any expiration or earlier termination of this Agreement.

15. Amendment or Modification. This Agreement may be amended or modified from time to time only by a written amendment signed by the parties hereto.

16. Notices. Any notice, request, instruction, correspondence or other document to be given hereunder by either party to the other (herein collectively called "Notice") shall be in writing and delivered personally or mailed, postage prepaid, or by telegram or telecopier, as follows:

If to Terra:	Terra Industries Inc. Terra Centre 600 Fourth Street P.O. Box 6000 Sioux City, Iowa 51102-6000 Attention: General Counsel Telecopier: (712) 279-8719
If to the General Partner:	Terra Nitrogen Corporation 5100 East Skelly Drive Suite 800 Tulsa, Oklahoma 74135

Attention: President
Telecopier: (918) 664-3654

Notice given by personal delivery or mail shall be effective upon actual receipt by the person to whom addressed. Notice given by telegram or telecopier shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. Any party may change any address to which Notice is to be given to it by giving Notice as provided above of such change of address.

17. Further Assurances. In connection with this Agreement and all transactions contemplated by this Agreement, each party signatory hereto agrees to execute and deliver such additional documents and instruments as may be required for Terra to provide the Services hereunder and to perform such other additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions, and conditions of this Agreement.

18. No Third-Party Beneficiary. The provisions of this Agreement are enforceable solely by the parties to this Agreement, and no Person shall have the right, separate and apart from Terra and the General Partner, to enforce any provision of this Agreement or to compel any party to this Agreement to comply with the terms of this Agreement.

19. Mediation. Terra and the General Partner agree to negotiate in good faith in an effort to resolve any dispute related to this Agreement that may arise between the parties. If the dispute cannot be resolved promptly by negotiation, then either party may give the other party written notice that the dispute should be submitted to mediation. Promptly thereafter, a mutually acceptable mediator shall be chosen by the parties, who shall share the cost of mediation services equally. If the dispute has not been resolved by mediation within ninety (90) days after the date of written notice requesting mediation, then either party may initiate litigation and pursue any and all remedies at law or at equity to which such party is entitled.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed on their behalf by their duly authorized officers.

TERRA INDUSTRIES INC.

By:/S/ Robert E. Thompson

Name: Robert E. Thompson

Title: Vice President, Controller

TERRA NITROGEN CORPORATION

By: /S/ David F. Anderson

Name: David F. Anderson
Title: Vice President and Controller

EXHIBIT A

TERRA INDUSTRIES INC.
EXPENSE ALLOCATION

GENERAL

Terra Industries Inc. incurs general and administrative expenses on behalf of the Corporation and its business units - Terra Nitrogen, Limited Partnership ("TNLP"), Beaumont Methanol, Limited Partnership ("BMLP") and Terra International, Inc. ("TI"). This policy defines the manner in which expenses are assigned and charged to each business unit.

ALLOCATION OVERVIEW

Expenses incurred that are specifically identifiable are charged directly to the business unit. Expenses that are not specifically identifiable, but can be related to a specific cost causative factor (headcount, usage, number of transaction, etc.), are allocated using such causative factor depending on the nature of the expense. Other expenses with no apparent cost causative factor are allocated using a 3-factor formula (see definition below).

ALLOCATION FORMULA

The 3-factor formula uses employee headcount, gross sales dollars and assets, whereby each factor receives equal weighting in calculating the allocation percentage for the various entities. A sample Allocation Formula is presented here for illustration purposes:

<TABLE>
<CAPTION>

	Co. X	Co. Y	Co. Z	Total
<S>	<C>	<C>	<C>	<C>

Headcount	100	200	200	500
% to total	20%	40%	40%	100%
Sales dollars in millions	$6	$3	$3	$12
% to total	50%	25%	25%	100%
Assets in millions	$4	$5	$11	$20
% to total	20%	25%	55%	100%
Allocation factor (sum of %'s divided by 3)	30%	30%	40%	

</TABLE>

For definition purposes, "assets" includes the net book value of property, plant and equipment.

SPECIFIC ALLOCATIONS
- --------------------

The following is a brief description of the allocation approach used for specific types of expenses.

. Distribution Support Costs - The cost of a number of support functions which strictly support Terra's Distribution business are directly assigned to the Distribution business. These include the following:

  -- Fertilizer Supply
  -- Capital Support Administration
  -- Physical Distribution Department
  -- Crop Protection Purchasing
  -- Loss Control
  -- A/R Securitization
  -- Retail Credit

. Training & Development - General training programs that are designed and conducted for all employees are assigned based on headcount.

. Human Resources - The cost of the Human Resources department is assigned based on headcount to the extent that human resource functions support each business unit.

. Corporate Credit - The cost of the Credit General Manager is assigned based on accounts receivable.

. Internal Audit - The cost of internal audit work is assigned based on the actual cost of specific audit work performed at each business unit.

. Regulatory Affairs - The cost of environmental affairs is assigned based on the value of the fixed assets which generally give rise to the environmental issues addressed.

. Risk Management & Insurance - All insurance is paid and allocated by Terra Industries as follows:

-- Workman's compensation is allocated based on payrolls.
-- Property, general liability and excess liability are allocated based on net property, plant and equipment values.
-- Auto liability insurance is based on the number of vehicles.
-- Administrative costs are allocated based on the allocation of insurance costs.

. Aircraft - Aircraft costs are assigned based on actual usage and average actual hourly costs.

. Information Systems - Costs are assigned based on the number of transactions processed for each business unit.

. All other - All other costs are allocated based on the use of the 3-factor formula previously described. Examples of these costs include the Executive Department, Financial Reporting, Law Department and Investor Relations.

TERRA INDUSTRIES INC.
CORPORATE DEPARTMENTS
1995 ALLOCATION FACTORS

<TABLE>

<S>	<C>
Fertilizer Supply	Allocated Directly to Distribution
Capital Support Admin	Allocated Directly to Distribution
Physical Distribution Department	Allocated Directly to Distribution
Crop Protection Purchasing	Allocated Directly to Distribution
Loss Control	Allocated Directly to Distribution
A/R Securitization	Allocated Directly to Distribution
Retail Credit	Allocated Directly to Distribution
Marketing	Allocated Directly to Distribution
Training & Development	Allocated Based on Headcount
Human Resources	Allocated Based on Headcount
Corporate Credit	Allocated Based on Accounts Receivable
Internal Audit	Allocated Based on Visits
Regulatory Affairs	Allocated Based on Value of Fixed Assets
Risk Management	Allocated Based on Use
Aircraft - King Air (B200/N887T)	Allocated Based on Use
Aircraft - King Air (B200/N448T)	Allocated Based on Use
Information Systems	Allocated Based on Transactions Processed
Executive Department, Investor Relations, Financial Reporting, Law Department and all other Corporate	General Allocation*

costs
</TABLE>

* General allocations based on a three-factor formula weighted equally for headcount, book value of assets and sales.

EXHIBIT 10.12

GENERAL AND ADMINISTRATIVE SERVICES AGREEMENT REGARDING SERVICES BY TERRA NITROGEN CORPORATION

THIS GENERAL AND ADMINISTRATIVE SERVICES AGREEMENT (this "Agreement") is entered into effective as of January 1, 1995 (the "Effective Date") by and between TERRA INDUSTRIES INC., a Delaware corporation ("Terra"), and TERRA NITROGEN CORPORATION, a Delaware corporation (the "General Partner").

R E C I T A L S

WHEREAS, in October 1994, Terra acquired the General Partner, which owns (i) a 1.0101% general partner interest in Terra Nitrogen Company, L.P., a Delaware limited partnership (the "Partnership") and a 1% general partner interest in Terra Nitrogen, Limited Partnership, a Delaware limited partnership, all of the limited partner interests of which are held by the Partnership (such partnership and the Partnership herein referred to as the "Partnerships"), and (ii) limited partner units representing an approximate 59.2% limited partner interest in the Partnership;

WHEREAS, Senior Preference Units representing an aggregate 39.8% limited partner interest in the Partnership are publicly traded on the New York Stock Exchange;

WHEREAS, the business of the Partnership is similar to that of other subsidiaries of Terra, and Terra desires that the General Partner provide certain general and administrative services to Terra and certain of Terra's affiliates;

WHEREAS, the General Partner is able to provide certain of such services to Terra and its affiliates; and

WHEREAS, Terra and the General Partner desire by their execution of this Agreement to evidence their understanding concerning the providing of certain services by the General Partner to Terra and its affiliates; and

WHEREAS, capitalized terms used herein but not defined shall have the meanings given them in the Agreement of Limited Partnership of the Partnership dated as of December 4, 1991 (the "Partnership Agreement"), as such agreement is in effect on the Effective Date to which reference is hereby made for all purposes of this Agreement.

THEREFORE, in consideration of the premises and the covenants, conditions, and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Term. Subject to the terms hereof, the term of this Agreement shall be from the Effective Date and extending for a period of one (1) year. Thereafter, the term shall be automatically extended for successive periods of one (1) year each, unless terminated by either party at the end of such one year period upon at least ninety (90) days' prior written notice to the other.

2. Services. During the term hereof, in exchange for the payment described herein, the General Partner agrees to provide to Terra and, as directed by Terra, any of its Affiliates, certain general and administrative services (the "Services") in accordance with the terms of this Agreement. If necessary and appropriate, the General Partner may cause third-party contractors to provide the Services called for by this Agreement; provided, however, that the General Partners shall remain responsible for the provision of the Services in accordance with this Agreement. The Services provided hereunder shall be those listed on Exhibit A attached hereto.

3. Quality of Service. The parties agree that the Services described in Exhibit A attached hereto shall be of the same general quality which the General Partner provides to the Partnerships. If Terra decides to use a Service listed on Exhibit A that has been caused by the General Partner to be provided by a third party provider ("Outsourced") which is not an Affiliate of Terra, the parties hereto agree that such Service will be of a quality provided for in the agreement between the General Partner and the third-party provider. The General Partner alone may determine whether or not to Outsource a Service. In general, the General Partner will use the same standards it would use for itself or its other Affiliates in determining whether or not to Outsource a Service.

4. Payment. Terra, in consideration for the performance of the Services by the General Partner, agrees to reimburse the General Partner for (i) all reasonable and documented direct expenses actually incurred by the General Partner relating to the Services provided by the General Partner hereunder to Terra and its Affiliates ("Direct Charges"), and (ii) a proportionate amount of all necessary and appropriate general, administrative, overhead and other indirect costs and expenses relating to the Services provided by the General Partner to Terra and its Affiliates hereunder in each case pursuant to the expense allocation guidelines set out in Exhibit A attached hereto ("Indirect Charges," and together with Direct Charges, "Charges"). If the compensation for the Services does not include sales, use, excise, value added or similar taxes, and if any such taxes are imposed on the Services, Terra shall pay or reimburse the General Partner for any such taxes.

5. Invoicing.

(i) The General Partner shall invoice Terra quarterly or at such other times as the parties hereto may agree from time to time for all Direct Charges and Indirect Charges with respect to the preceding period and any adjustments that may be necessary to correct prior invoices. All invoices shall reflect in reasonable detail a description of the Services performed during the preceding period and documentation available to the General Partner backing up invoiced charges and shall be due and payable promptly after receipt of the invoice. Terra shall have the right to audit the records relating to invoices from time to time during normal business hours. In the event of default in payment by Terra, upon thirty (30) days' written notice to Terra, sent by certified mail to the address specified below, the

General Partner may terminate this Agreement as to those Services which relate to the unpaid portion of the invoice if it has not received payment within such thirty (30) days; provided however, in the event of a dispute as to the propriety of invoiced amounts, Terra shall pay all undisputed amounts on each invoice, but shall be entitled to withhold payment of any amount in dispute and shall notify the General Partner promptly after receipt of the invoice of the disputed amount and the reasons each such charge is disputed by Terra. The General Partner shall promptly provide Terra with records relating to the disputed amount so as to enable the parties to resolve the dispute. So long as the parties are attempting in good faith to resolve the dispute, the General Partner shall not be entitled to terminate the Services related to and by reason of the disputed charge.

(ii) Any statement or payment not disputed in writing by either party within one year of the date of such statement or payment shall be considered final and no longer subject to adjustment. Terra shall not be obligated to pay for any Direct Charges or Indirect Charges for which statements for payment are submitted more than one year after the termination of this Agreement.

6. Role of Terra. Terra shall not request performance of any Services for the benefit of any entity other than for itself or for its Affiliates. Terra represents and agrees that it will use the Services only in accordance with all applicable federal, state and local laws and regulations, and in accordance with the reasonable conditions, rules, regulations and specifications which may be set forth in any manuals, materials, documents or instructions furnished from time to time by the General Partner to Terra. The General Partner reserves the right to take all actions, including termination of any particular Services, that the General Partner reasonably believes to be necessary to assure compliance with applicable laws and regulations. The General Partner will notify Terra of the reasons for any such termination of Services.

7. Limited Warranty; Limitation of Liability. The General Partner represents that it will provide the Services to Terra with reasonable diligence.

EXCEPT AS SET FORTH IN THE IMMEDIATELY PRECEDING SENTENCE, THE GENERAL PARTNER MAKES NO (AND HEREBY DISCLAIMS AND NEGATES ANY AND ALL) REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE SERVICES RENDERED TO OR PRODUCTS OBTAINED FOR TERRA. FURTHERMORE, TERRA MAY NOT RELY UPON ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDING THE WARRANTIES FOR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE MADE TO THE GENERAL PARTNER BY ANY PARTY PERFORMING SERVICES ON BEHALF OF THE GENERAL PARTNER HEREUNDER, UNLESS SUCH PARTY MAKES AN EXPRESS WRITTEN WARRANTY TO TERRA. TERRA AGREES THAT THE REMUNERATION TO BE PAID TO THE GENERAL PARTNER HEREUNDER FOR THE SERVICES TO BE PERFORMED REFLECT THIS LIMITATION OF LIABILITY AND DISCLAIMER OF

WARRANTIES. IN NO EVENT SHALL THE GENERAL PARTNER BE LIABLE TO TERRA OR ANY OTHER PERSON OR ENTITY FOR ANY INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES RESULTING FROM ANY ERROR IN THE PERFORMANCE OF SERVICES OR FROM THE BREACH OF THIS AGREEMENT, REGARDLESS OF THE FAULT OF THE GENERAL PARTNER OR WHETHER WHOLLY, CONCURRENTLY, PARTIALLY, OR SOLELY NEGLIGENT.

8. Force Majeure. This Agreement shall not be terminated as a result of any failure of a party to perform any of its obligations hereunder if such failure is due to circumstances beyond its control (an "Event of Force Majeure"), including, but not limited to, any requisition by any government authority, act of war, strike, boycott, lockout, picketing, riot, sabotage, civil commotion, insurrection, epidemic, disease, act of God, fire, flood, accident, explosion, earthquake, storm, failure of public utilities or common carriers, mechanical failure, embargo, or prohibition imposed by any governmental body or agency having authority over the party, provided that at such time as an Event of Force Majeure no longer exists, the respective obligations of the parties hereto shall be reinstated and this Agreement shall continue in full force and effect. The party affected by an Event of Force Majeure shall give prompt notice thereof to the other party hereto and each party shall use good faith efforts to minimize the duration and consequences of, and to eliminate, any such Event of Force Majeure.

9. Severability. In the event any portion of this Agreement shall be found by a court of competent jurisdiction to be unenforceable, that portion of the Agreement will be null and void and the remainder of the Agreement will be binding on the parties as if the unenforceable provisions had never been contained herein.

10. Relationship of the Parties. In all matters relating to this Agreement, each party hereto shall be solely responsible for the acts of its employees, and employees of one party shall not be considered employees of the other party. Except as otherwise provided herein, no party shall have any right, power or authority to create any obligation, express or implied, on behalf of any other party. Nothing in this Agreement is intended to create or constitute a joint venture or partnership between the parties hereto or persons referred to herein.

11. Assignment. No party shall have the right to assign its rights or obligations under this Agreement without the consent of the other party.

12. Confidentiality. Terra shall keep and hold, and shall cause its officers, employees and other agents to keep and hold, in strictest confidence, all confidential and/or proprietary information respecting, or in any way related to, the General Partner and/or the business, operations, financial results and affairs of the General Partner, whenever and however learned unless such confidential and/or proprietary information (i) becomes generally available to the public, provided this occurs by means other than the breach of this section, (ii) was available on a non-confidential basis to Terra prior to its disclosure by the General Partner, (iii) becomes available to

Terra on a non-confidential basis from a source other than the General Partner, provided that such source is not a party to a confidentiality agreement concerning such information, or (iv) is required to be disclosed pursuant to law or regulation. The provisions of this Section 12 shall survive any expiration or earlier termination of this Agreement.

13. Entire Agreement. This Agreement constitutes the entire agreement of the parties relating to the performance of the Services. All prior or contemporaneous written or oral agreements are merged herein.

14. Choice of Law. This Agreement shall be subject to and governed by the laws of the State of Oklahoma, excluding any conflicts-of-law rule or principle that might refer the construction or interpretation of this Agreement to the laws of another state.

15. Amendment or Modification. This Agreement may be amended or modified from time to time only by a written amendment signed by the parties hereto.

16. Notices. Any notice, request, instruction, correspondence or other document to be given hereunder by either party to the other (herein collectively called "Notice") shall be in writing and delivered personally or mailed, postage prepaid, or by telegram or telecopier, as follows:

If to Terra:	Terra Industries Inc. Terra Centre 600 Fourth Street P.O. Box 6000 Sioux City, Iowa 51102-6000 Attention: General Counsel Telecopier: (712) 279-8719
If to the General Partner:	Terra Nitrogen Corporation 5100 East Skelly Drive Suite 800

Tulsa, Oklahoma 74135
Attention: President
Telecopier: (918) 664-3654

Notice given by personal delivery or mail shall be effective upon actual receipt by the person to whom addressed. Notice given by telegram or telecopier shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. Any party may change any address to which Notice is to be given to it by giving Notice as provided above of such change of address.

17. Further Assurances. In connection with this Agreement and all transactions contemplated by this Agreement, each party signatory hereto agrees to execute and deliver such additional documents and instruments as may be required for the General Partner to provide the Services hereunder and to perform such other additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions, and conditions of this Agreement.

18. No Third-Party Beneficiary. The provisions of this Agreement are enforceable solely by the parties to this Agreement, and no Person shall have the right, separate and apart from Terra and the General Partner, to enforce any provision of this Agreement or to compel any party to this Agreement to comply with the terms of this Agreement.

19. Mediation. Terra and the General Partner agree to negotiate in good faith in an effort to resolve any dispute related to this Agreement that may arise between the parties. If the dispute cannot be resolved promptly by negotiation, then either party may give the other party written notice that the dispute should be submitted to mediation. Promptly thereafter, a mutually acceptable mediator shall be chosen by the parties, who shall share the cost of mediation services equally. If the dispute has not been resolved by mediation within ninety (90) days after the date of written notice requesting mediation, then either party may initiate litigation and pursue any and all remedies at law or at equity to which such party is entitled.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be singed on their behalf by their duly authorized officers.

TERRA INDUSTRIES INC.

By: /S/ Robert E. Thompson

Name: Robert E. Thompson
Title: Vice President, Controller

TERRA NITROGEN CORPORATION

By: /S/ David F. Anderson

Name: David F. Anderson
Title: Vice President and Controller

EXHIBIT A

TERRA NITROGEN CORPORATION
EXPENSE ALLOCATION

GENERAL

Terra Nitrogen Corporation ("TNC") pays all selling, general and administrative expenses for the Division, except for those expenses directly invoiced to and paid by Beaumont Methanol, Limited Partnership ("BMLP") or Terra International, Inc. ("TI") in Sioux City. In addition, Terra Industries Inc. charges allocated overhead expenses to each entity within the Division (Terra Nitrogen Company, L.P., "TNCLP", BMLP and TI). These charges are recorded directly on each company's books with no further allocation by the Division.

ALLOCATION OVERVIEW

Expenses incurred that are specifically identifiable are charged directly to the business unit. Expenses that are not specifically identifiable, but can be related to a specific cost causative factor (headcount, usage, number of transaction, etc.), are allocated using such causative factor depending on the nature of the expense. Other expenses with no apparent cost causative factor are allocated using a 3-factor formula (see definition below).

ALLOCATION FORMULA

The 3-factor formula uses employee headcount, sales volume and assets, whereby each factor receives equal weighting in calculating the allocation percentage for the various entities. A sample Allocation Formula is presented here for illustration purposes:

<TABLE>
<CAPTION>

<S>	Co. X <C>	Co. Y <C>	Co. Z <C>	Total <C>

Headcount	100	200	200	500
% to total	20%	40%	40%	100%
Volumes (tons)	600	300	300	1,200
% to total	50%	25%	25%	100%
Assets in millions	$4	$5	$11	$20
% to total	20%	25%	55%	100%
Allocation factor (sum of %'s divided by 3)	30%	30%	40%	

</TABLE>

For definition purposes in Terra Nitrogen Corporation's Allocation Formula, "assets" includes the net book value of property, plant and equipment.

SPECIFIC ALLOCATIONS
- --------------------

The following is a brief description of the allocation approach used for specific departments or individual types of expenses incurred by TNC.

* Partnership support costs - The cost of support functions which strictly support TNCLP business are directly assigned to TNCLP. These include:

  -- Public reporting costs
  -- K-1 preparation expenses
  -- Audit fees
  -- Director's fees and expenses

* Incentive compensation expense - Directly assigned to each business unit.

* Commission on feed sales - Directly assigned.

* Human Resources department - The cost of the Human Resources department is assigned based on headcount to the extent that human resource functions support each business unit.

* Methanol Marketing department - The cost of Methanol Marketing are allocated based on methanol production volumes (tons).

* Fertilizer Marketing department - Fertilizer Marketing department costs are allocated based on volumes (tons).

* Marketing Planning & Administrative department - Marketing Planning & Administrative costs are allocated based on volumes.

* Computer Systems department - Computer department costs are allocated based on usage.

* Supply and Distribution department - Supply and Distribution costs are allocated based on freight costs.

* Depreciation and office rent expense - Allocated based on estimated usage.

* Insurance - All insurance for the Division is paid and administered by Terra Industries. Property insurance for TI plants are charged directly to the plants' production costs. Insurance costs relating to BMLP are charged by Terra Industries directly to BMLP. Costs related to TNC and TNCLP are initially charged to TNC by Terra Industries and allocated by TNC as follows:

  (Note: the following insurance charges, except for property insurance, are initially recorded on TNC's books as prepaid insurance and as the prepaid balance amortizes, the amount of the expense is charged to TNCLP's plants or TNC as discussed below. Property insurance is paid by TNCLP to TNC and the prepaid balance is recorded on TNCLP's books.)

  -- Directors & Officers' liability and fiduciary insurance are allocated to TNCLP.
  -- Workman's compensation is a component of payroll burden and is allocated to TNCLP and TNC as a percentage of salaries.
  -- Property, general liability and excess liability insurance are allocated to TNCLP and are further allocated to the individual TNCLP plants based on net property, plant and equipment values.
  -- Auto liability insurance is allocated to TNCLP's plants and TNC based on the number of vehicles.

* Fertilizer commissions - Allocated based on volumes.

* All other costs - All other costs are allocated based on the use of the 3-factor formula previously described. Examples of these costs include Executive, Controller and General Administrative Departments.

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This schedule contains summary financial information extracted from the consolidated statement of financial position of Terra Industries Inc. as of March 31, 1995 and the related consolidated statement of income for the three-month period then ended.
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