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 December 31, 1993

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 1-2918

ASHLAND OIL, INC.
(Exact name of registrant as specified in its charter)

Kentucky (State or other jurisdiction of incorporation or organization)	61-0122250 (I.R.S. Employer Identification No.)
1000 Ashland Drive, Russell, Kentucky (Address of principal executive offices)	41169 (Zip Code)
P. O. Box 391, Ashland, Kentucky (Mailing Address)	41114 (Zip Code)

Registrant's telephone number, including area code (606)329-3333

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

At January 31, 1994, there were 60,252,127 shares of Registrant's Common Stock outstanding. One-half of one Right to purchase one-tenth of a share of Cumulative Preferred Stock, Series of 1987 accompanies each outstanding share of Registrant's Common Stock.

PART I - FINANCIAL INFORMATION

ASHLAND OIL, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

(In thousands except per share data)	Three months ended December 31 1993	1992
REVENUES		
Sales and operating revenues (including excise taxes)	$ 2,571,576	$ 2,554,856
Other	6,435	17,090
	2,578,011	2,571,946
COSTS AND EXPENSES		
Cost of sales and operating expenses	1,914,262	2,032,454
Excise taxes on products and merchandise	205,830	162,686
Selling, general and administrative expenses	246,569	229,546
Depreciation, depletion and amortization	72,419	74,214
General corporate expenses	18,832	15,870
	2,457,912	2,514,770

OPERATING INCOME	120,099	57,176
OTHER INCOME (EXPENSE)		
Interest income	455	304
Interest expense	(29,316)	(31,953)
Equity income (loss)	(6,379)	8,741
INCOME BEFORE INCOME TAXES	84,859	34,268
Income taxes	26,480	9,520
NET INCOME	$ 58,379	$ 24,748
EARNINGS PER SHARE - Note E		
Primary	$ .90	$ .41
Assuming full dilution	$ .83	$ .41
DIVIDENDS PAID PER COMMON SHARE	$ .25	$ .25

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND OIL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)	December 31 1993	September 30 1993	December 31 1992
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 63,078	$ 40,984	$ 61,612
Accounts receivable	1,124,144	1,198,643	1,045,696
Allowance for doubtful accounts	(20,947)	(20,318)	(16,909)
Construction completed and in progress	26,689	50,972	16,599
Inventories - Note B	561,087	552,406	644,855
Deferred income taxes	71,601	78,243	87,303
Other current assets	68,337	72,071	65,094
	1,893,989	1,973,001	1,904,250
INVESTMENTS AND OTHER ASSETS			
Investments in and advances to unconsolidated affiliates	270,683	279,978	277,203
Investments of captive insurance companies	190,474	184,689	181,736
Cost in excess of net assets of companies acquired	64,229	64,650	67,796
Other noncurrent assets	288,017	279,634	272,726
	813,403	808,951	799,461
PROPERTY, PLANT AND EQUIPMENT			
Cost	5,757,269	5,704,852	5,558,715
Accumulated depreciation, depletion and amortization	(2,994,661)	(2,934,987)	(2,824,967)
	2,762,608	2,769,865	2,733,748
	$ 5,470,000	$ 5,551,817	$ 5,437,459
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Debt due within one year	$ 126,747	$ 158,862	$ 123,566
Trade and other payables	1,314,636	1,418,491	1,508,708
Income taxes	38,153	41,560	54,788
	1,479,536	1,618,913	1,687,062
NONCURRENT LIABILITIES			
Long-term debt (less current portion)	1,383,619	1,399,458	1,592,575
Accrued pension and other postretirement benefits	514,933	510,662	530,133
Reserves of captive insurance companies	186,025	173,039	172,141
Deferred income taxes	44,012	43,857	45,296
Other long-term liabilities and deferred credits	366,552	351,094	324,566
Commitments and contingencies - Note C			
	2,495,141	2,478,110	2,664,711
STOCKHOLDERS' EQUITY			
Convertible preferred stock	293,179	293,179	-
Common stockholders' equity	1,202,144	1,161,615	1,085,686
	1,495,323	1,454,794	1,085,686
	$ 5,470,000	$ 5,551,817	$ 5,437,459

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND OIL, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED COMMON STOCKHOLDERS' EQUITY

(In thousands)	Common stock	Paid-in capital	Retained earnings	Deferred translation adjustments and other	Loan to leveraged employee stock ownership plan (LESOP)	Prepaid contribution to LESOP	Total
BALANCE AT OCTOBER 1, 1992	$ 59,948	$146,418	$ 930,990	$ 6,586	$ (34,519)	$(23,386)	$1,086,037
Net income			24,748				24,748
Dividends on common stock			(14,710)			(278)	(14,988)
Issued common stock under stock incentive plans	9	106					115
Other changes				(10,226)			(10,226)
BALANCE AT DECEMBER 31, 1992	$ 59,957	$146,524	$ 941,028	$ (3,640)	$ (34,519)	$(23,664)	$1,085,686
BALANCE AT OCTOBER 1, 1993	$ 60,022	$142,481	$1,008,264	$ (9,801)	$ (33,457)	$ (5,894)	$1,161,615
Net income			58,379				58,379
Dividends on common stock			(14,881)			(141)	(15,022)
Dividends on preferred stock			(4,688)				(4,688)
Issued common stock under stock incentive plans	102	2,388					2,490
Other changes		(16)		(912)	298		(630)
BALANCE AT DECEMBER 31, 1993	$ 60,124	$144,853	$1,047,074	$(10,713)	$ (33,159)	$ (6,035)	$1,202,144

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND OIL, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

(In thousands)	Three months ended December 31 1993	1992
CASH FLOWS FROM OPERATIONS		
Net income	$ 58,379	$ 24,748
Expense (income) not affecting cash		
Depreciation, depletion and amortization (1)	75,408	76,922
Deferred income taxes	6,790	10,810
Undistributed earnings of unconsolidated affiliates	8,430	(6,156)
Loss (gain) on sale of operations - net of current income taxes	3,125	(1,499)
Other noncash items	25,401	(4,200)
Change in operating assets and liabilities (2)	(14,042)	21,956
	163,491	122,581
CASH FLOWS FROM FINANCING		
Proceeds from issuance of long-term debt	-	255,000
Proceeds from issuance of capital stock	2,490	115
Repayment of long-term debt	(35,885)	(89,312)
Decrease in short-term debt	(12,069)	(200,495)
Dividends paid	(19,710)	(14,988)
	(65,174)	(49,680)
CASH FLOWS FROM INVESTMENT		
Additions to property, plant and equipment	(73,921)	(99,132)
Purchase of operations - net of cash acquired	(4,876)	(1,470)
Proceeds from sale of operations	4,592	40,597
Disposals of property, plant and equipment	3,341	7,386
Investment purchases (3)	(73,287)	(106,427)
Investment sales and maturities (3)	67,928	94,473
	(76,223)	(64,573)
INCREASE IN CASH AND CASH EQUIVALENTS	22,094	8,328
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	40,984	53,284
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 63,078	$ 61,612

(1) Includes amounts charged to general corporate expenses.
(2) Excludes changes resulting from operations acquired or sold.
(3) Represents primarily investment transactions of captive insurance companies.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

NOTE A - GENERAL

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and Securities and Exchange Commission regulations, but are subject to any year-end audit adjustments which may be necessary. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These financial statements should be read in conjunction with Ashland's Annual Report on Form 10-K for the fiscal year ended September 30, 1993, as amended by Form 10-K/A, Amendment No. 1 filed December 2, 1993 (hereinafter referred to as "Form 10-K"). Results of operations for the period ended December 31, 1993, are not necessarily indicative of results to be expected for the year ending September 30, 1994.

NOTE B - INVENTORIES

(In thousands)	December 31 1993	September 30 1993	December 31 1992
Crude oil	$ 228,875	$ 273,189	$ 374,726
Petroleum products	241,611	257,726	278,875
Chemicals and other products	349,084	336,494	352,655
Materials and supplies	43,823	44,570	43,809
Excess of replacement costs over LIFO carrying values	(302,306)	(359,573)	(405,210)
	$ 561,087	$ 552,406	$ 644,855

NOTE C - LITIGATION, CLAIMS AND CONTINGENCIES

Federal, state and local statutes and regulations relating to the protection of the environment and the health and safety of employees and other individuals have a significant impact on the conduct of Ashland's businesses. For information regarding environmental and health and safety expenditures and reserves, see the "Miscellaneous - Governmental Regulation and Action - Environmental Protection" section of Ashland's Form 10-K.

Environmental reserves are subject to considerable uncertainties which affect Ashland's ability to estimate its share of the ultimate costs of remediation efforts. Such uncertainties involve the nature and extent of contamination at each site, the extent of required cleanup efforts, varying costs of alternate cleanup methods, changes in environmental remediation requirements, the potential effect of technological improvements, the number and financial strength of other potentially responsible parties at multi-party sites, and the identification of new environmental sites. As a result, charges to income for environmental liabilities could have a material effect on results of operations in a particular quarter or fiscal year as assessments and remediation efforts proceed or as new claims arise. However, such charges are not expected to have a material adverse effect on Ashland's consolidated financial position.

NOTE C - LITIGATION, CLAIMS AND CONTINGENCIES (continued)

Ashland has numerous insurance policies from insurers that provide coverage at various levels for environmental liabilities. Ashland is currently involved in negotiations concerning the amount of insurance coverage for environmental costs under certain of these policies. In addition, certain costs of remediation efforts related to underground storage tanks are eligible for reimbursement from state administered funds. Probable recoveries related to costs incurred in prior years or expected to be incurred in future years are included in other noncurrent assets.

Ashland has indemnified the purchaser of Riley Consolidated, an engineering company sold in 1990, against losses related to certain custom boilers built by Riley and other matters. Ashland is continuing its efforts to resolve remaining issues related to this indemnity. Future charges could be incurred under this indemnity, but any amounts are uncertain at this time.

In addition, Ashland and its subsidiaries are parties to numerous claims and lawsuits (some of which are for substantial amounts) with respect to product liability and commercial and other matters. While these claims and actions are being contested, the outcome of individual matters is not predictable with assurance. Although any actual liability is not determinable as of December 31, 1993, Ashland believes that any liability resulting from these matters involving Ashland and its subsidiaries, after taking into consideration Ashland's insurance coverages and amounts already provided for, should not have a material adverse effect on Ashland's consolidated financial position.

NOTE D - ACQUISITIONS AND DIVESTITURES

During the quarter ended December 31, 1993, Ashland acquired an asphalt terminal in Lexington, Kentucky and a specialty chemicals business. These acquisitions were accounted for as purchases. Also during the period, Ashland completed the sale of its Illinois Basin crude oil gathering and trucking operations. These acquisitions and divestitures did not have a significant impact on Ashland's consolidated financial statements.

A definitive agreement has been signed to sell most of APAC's Arizona operations to Kiewit Construction Group, Inc., a subsidiary of Peter Kiewit Sons, Inc., a construction company based in Omaha, Nebraska. The transaction is expected to close in the March quarter and will substantially complete the company's previously announced asset divestiture program.

NOTE E - COMPUTATION OF EARNINGS PER SHARE

(In thousands except per share data)	Three months ended December 31 1993	1992
PRIMARY EARNINGS PER SHARE		
Income available to common shares		
Net income	$ 58,379	$ 24,748
Ashland Coal, Inc. (ACI) equity income (net of income taxes)	-	(4,853)
Ashland's share of ACI primary earnings per share (net of income taxes)	-	4,409
Dividends on convertible preferred stock	(4,688)	-
	$ 53,691	$ 24,304
Average common shares and equivalents outstanding		
Average common shares outstanding	60,086	59,951
Common shares issuable upon exercise of stock options	452	97
Share adjustment for prepaid contribution to LESOP	(563)	(1,112)
	59,975	58,936
Earnings per share	$ .90	$ .41

	1993	1992
EARNINGS PER SHARE ASSUMING FULL DILUTION		
Income available to common shares		
Net income	$ 58,379	$ 24,748
ACI equity income (net of income taxes)	-	(4,853)
Ashland's share of ACI earnings per share assuming full dilution (net of income taxes)	-	4,089
Interest on convertible debentures (net of income taxes)	1,465	-
	$ 59,844	$ 23,984
Average common shares and equivalents outstanding		
Average common shares outstanding	60,086	59,951
Common shares issuable upon		
Exercise of stock options	468	125
Conversion of debentures	2,773	-
Conversion of preferred stock	9,276	-
Share adjustment for prepaid contribution to LESOP	(563)	(1,112)
	72,040	58,964
Earnings per share	$ .83	$ .41

ASHLAND OIL, INC. AND SUBSIDIARIES
INFORMATION BY INDUSTRY SEGMENT

(Dollars in thousands except as noted)	Three months ended December 31 1993	1992
SALES AND OPERATING REVENUES		
Petroleum	$ 1,165,820	$ 1,218,288
SuperAmerica	423,817	482,369
Valvoline	271,812	205,476
Chemical	643,152	617,256
Construction	316,052	274,685
Exploration	51,579	76,494
Intersegment sales	(300,656)	(319,712)
	$ 2,571,576	$ 2,554,856
OPERATING INCOME		
Petroleum	$ 44,682	$ (7,853)
SuperAmerica	21,375	18,023
Valvoline	14,740	13,219
Total Refining and Marketing Group	80,797	23,389
Chemical	28,300	18,511
Construction	19,916	10,508
Exploration	9,918	20,638
General corporate expenses	(18,832)	(15,870)
	$ 120,099	$ 57,176
EQUITY INCOME (LOSS)		
Arch Mineral Corporation	$ (7,392)	$ 1,900
Ashland Coal, Inc.	(707)	5,258
Other	1,720	1,583
	$ (6,379)	$ 8,741
OPERATING INFORMATION		
Petroleum		
Product sales (barrels per day) (1)	377,036	336,749
Refining inputs (barrels per day) (2)	359,450	326,542
Value of products manufactured per barrel	$ 20.79	$ 23.80
Input cost per barrel	15.79	20.39
Refining margin per barrel	$ 5.00	$ 3.41
SuperAmerica		
Product sales (barrels per day)	71,855	79,239
Merchandise sales	$ 123,444	$ 143,996
Valvoline product sales (barrels per day) (1)	16,513	14,797
Construction backlog		
At end of period	$ 502,515	$ 565,835
Increase (decrease) during period	$ (41,924)	$ 14,391
Exploration		
Net daily production		
Natural gas (thousands of cubic feet) (1)	100,239	99,313
Nigerian crude oil (barrels)	19,472	23,477
Sales price		
Natural gas (per thousand cubic feet)	$ 2.56	$ 3.06
Nigerian crude oil (per barrel)	$ 15.14	$ 18.92
Arch Mineral Corporation (3)		
Tons sold (thousands)	3,830	5,461
Sales price per ton	$ 24.08	$ 25.52
Ashland Coal, Inc. (3)		
Tons sold (thousands)	3,430	5,356
Sales price per ton	$ 31.89	$ 29.77

(1) Includes intersegment sales.
(2) Includes crude oil and other purchased feedstocks.
(3) Amounts are reported on a 100% basis for these affiliated companies accounted for on the equity method.

RESULTS OF OPERATIONS

Ashland recorded net income of $58 million for the first quarter of fiscal 1994, compared to net income of $25 million for the first quarter of fiscal 1993. The current quarter's earnings represent Ashland's best December quarter since 1988 and the third-best first quarter in the company's history. Operating income for the current quarter totaled $120 million, compared to $57 million for last year's first quarter. The improvement reflected a strong performance from Ashland Petroleum and record results from SuperAmerica and Valvoline. Operating income from Chemical and Construction was also above that of a year ago, while Exploration showed a decline. In addition, Ashland's coal investments reported equity losses compared to income in last year's first quarter.

In an effort to improve Ashland's competitive position, an employee-driven process, known as Advantage Ashland, was initiated in July 1993, to evaluate overhead costs companywide. The first phase of this program, which focused on the Corporate staff, was completed in November and annualized savings of nearly $9 million dollars were identified. The second phase, which is focusing on the operating divisions, is currently underway and should be completed by June 1994. The third and final phase will examine Ashland Services Company.

PETROLEUM

Operating income for Ashland Petroleum totaled $45 million for the three months ended December 31, 1993, compared to an operating loss of $8 million for the same period last year. An increase in refining margins (the difference between the value of products manufactured and input cost) and higher product sales volumes were the key reasons for this quarter's improvement in earnings. The refining margin was $5.00 per barrel for the first quarter of fiscal 1994, compared to $3.41 in last year's first quarter, benefiting from very favorable distillate prices early in the quarter and from lower crude oil costs. Ashland Petroleum was able to capitalize on market conditions in October as a result of its recent capital spending program that enabled the refineries to produce low-sulfur diesel fuel. However, near the end of the quarter, wholesale product prices dropped faster than crude prices, resulting in weaker wholesale margins.

Ashland Petroleum made substantial progress toward its long-term goal of improving profits and reducing costs by $1 per barrel of daily refining capacity by the end of fiscal 1994. Refining margins are currently at profitable levels, crude costs continue to be low, and distillate demand is strong due in part to the severe winter. However, for the March 1994 quarter, refinery inputs will be curtailed by planned maintenance at the Catlettsburg, Kentucky refinery late in the quarter.

SUPERAMERICA

For the three months ended December 31, 1993, SuperAmerica achieved a record quarterly income of $21 million, compared to last year's first quarter profit of $18 million. Exceptionally strong gasoline margins and an improvement in merchandise gross profit more than offset a decline in sales volumes due to the sale of 80 stores in non-strategic marketing areas during fiscal 1993. At December 31, 1993, 591 SuperAmerica stores were operating, compared to 644 stores at December 31, 1992.

VALVOLINE

For the three months ended December 31, 1993, Valvoline set a new first quarter earnings record with operating income of $15 million, compared to the previous record of $13 million established last year. The increase in earnings reflected higher branded U.S. motor oil sales volumes and record earnings from Valvoline Instant Oil Change (VIOC). An increase in the number of company-operated quick-lube outlets from 319 at December 31, 1992, to 346 at December 31, 1993, combined with higher average car counts and ticket prices, contributed to VIOC's profit improvement.

CHEMICAL

For the three months ended December 31, 1993, Ashland Chemical's operating income totaled $28 million, compared to $19 million for the same period last year, reflecting a stronger U.S. economy. Operating income from the distribution group was the highest of any quarter on record as sales volumes in thermoplastics distribution increased 18% from last year and chemical distribution sales and margins improved. The specialty chemicals group recorded its best first quarter results ever, with all businesses reporting improved sales volume. Also, income from the petrochemical group was well above the same quarter in the prior year as methanol margins improved.

CONSTRUCTION

Operating income from the APAC construction operations for the three months ended December 31, 1993, amounted to $20 million this year, compared to $11 million last year. Construction operations benefited from improved margins, more favorable operating conditions, and a better quality backlog. Earnings improved from all operating regions as revenues were the highest in company history for a December quarter. Backlog at December 31, 1993, totaled $503 million, compared to $566 million at December 31, 1992.

A definitive agreement has been signed to sell most of APAC's Arizona operations to Kiewit Construction Group, Inc., a subsidiary of Peter Kiewit Sons, Inc., a construction company based in Omaha, Nebraska. The transaction is expected to close in the March quarter.

EXPLORATION

For the first quarter of fiscal 1994, Ashland Exploration's operating income totaled $10 million, compared to $21 million for the same period last year. Domestic operating income decreased $12 million principally due to a 16% decline in natural gas prices. Prior year results also included the favorable impact of a contract settlement. Earnings from foreign operations increased this year despite the ongoing decline in Nigerian crude oil production. This year's operating results reflect a $2 million decline in exploration expense, as the prior year period included seismic acquisition activity on two offshore blocks in Nigeria.

GENERAL CORPORATE EXPENSES

For the first quarter of fiscal 1994, general corporate expenses totaled $19 million, compared to expenses of $16 million for the quarter ended December 31, 1992. Results for the prior year included income from a receipt related to the previous sale of an engineering company concerning an earnout arrangement and other matters, partially offset by an increase in expenses resulting from debt prepayments.

OTHER INCOME (EXPENSE)

Interest expense for the quarter ended December 31, 1993, declined when compared to the same period for the prior year, reflecting a decline in total debt outstanding. During fiscal 1993, funds provided from long-term borrowings and the issuance of convertible preferred stock were used to retire long-term debt, based on scheduled maturities or opportunities for lower interest rates.

Ashland recorded an equity loss from Arch Mineral of $7 million for the current quarter, compared to equity income of $2 million for the three months ended December 31, 1992. The decline in earnings was due to the unfavorable variances in sales volumes and operating costs attributed primarily to the United Mine Workers of America (UMWA) strike, partially offset by favorable adjustments to black lung liabilities, as a result of revised actuarial valuations.

Results for Ashland Coal declined for the quarter ended December 31, 1993, producing an equity loss of $1 million, compared to equity income of $5 million for the same period last year. The negative effect of the UMWA strike, coupled with damage (now repaired) to a coal silo at Mingo Logan Coal Company, reduced Ashland Coal's earnings for the quarter.

Since the prolonged UMWA strike was settled in mid-December, both Arch Mineral and Ashland Coal now expect an improvement in earnings over the December quarter. During the fourth quarter of fiscal 1993, Arch Mineral and Ashland Coal began preliminary discussions about a possible business combination. These discussions have continued, but there is no assurance that such a combination will occur.

FINANCIAL POSITION

LIQUIDITY

Ashland's financial position has enabled it to continue investment grade ratings on its indebtedness and obtain capital for its financing needs. Ashland's senior debt ratings are Baa1 from Moody's and BBB from Standard & Poor's. Ashland has revolving credit agreements providing for up to $350 million in borrowings, none of which were in use at December 31, 1993.

During the current quarter, Ashland filed a shelf registration statement to allow for offerings of an additional $250 million in medium-term notes. Ashland had previously filed shelf registration statements for $750 million of which $698 million had been sold. Consequently, at December 31, 1993, Ashland could issue an additional $302 million in medium-term notes should future opportunities or needs arise. Ashland also has access to commercial paper markets and various uncommitted lines of credit, and had short-term notes and commercial paper of $64 million outstanding at December 31, 1993. Certain debt agreements contain covenants restricting the amount by which Ashland can increase its indebtedness. Under these covenants, Ashland's indebtedness could have been increased by up to $619 million at December 31, 1993.

Cash and cash equivalents at December 31, 1993, were $63 million, compared to $41 million at September 30, 1993. Cash flows from operations, a major source of Ashland's liquidity, amounted to $163 million for the three months ended December 31, 1993, compared to $123 million for the three months ended December 31, 1992. This increase was attributed primarily to higher earnings this year.

Working capital at December 31, 1993, was $414 million, compared to $354 million at September 30, 1993. Liquid assets (cash, cash equivalents and accounts receivable) as a percent of current liabilities amounted to 79% at December 31, 1993, compared to 75% at September 30, 1993. Ashland's working capital is significantly affected by its use of the LIFO method of inventory valuation, which valued such inventories at $302 million below their replacement costs at December 31, 1993.

CAPITAL RESOURCES

For the three months ended December 31, 1993, property additions amounted to $74 million, compared to $99 million for the same period last year, reflecting the expected reduction of Ashland Petroleum's capital expenditures in fiscal 1994 as a result of the completion of various refinery units in 1993. Property additions (including exploration costs and geophysical expenses) and cash dividends for the remainder of 1994 are estimated at $319 million and $59 million, respectively. Ashland anticipates meeting its 1994 capital requirements for property additions and dividends primarily from internally generated funds and divestitures of assets. However, external financing may be necessary to provide funds for the remaining contractual maturities of $52 million for long-term debt, for acquisitions or for common stock purchases.

As previously mentioned, a definitive agreement has been signed to sell most of APAC's Arizona operations to Kiewit Construction Group, Inc. The transaction is expected to close in the March quarter and will substantially complete the company's previously announced asset divestiture program. Proceeds generated from the divestiture will be used to reduce debt or fund capital requirements for property additions and dividends, as needed.

At December 31, 1993, up to 3.5 million additional shares of common stock can be purchased from time to time in open market transactions under Ashland's repurchase program. The number of shares ultimately purchased and the prices Ashland will pay for its stock are subject to periodic review by management. No shares have been purchased under this program since 1991.

Ashland's capitalization at December 31, 1993, consists of debt due within one year (4%), long-term debt (45%), deferred income taxes (1%), convertible preferred stock (10%), and common stockholders' equity (40%). Reflecting an improvement in the balance sheet, total debt as a percent of total capitalization dropped below 50%, having been in excess of 60% as recently as a year ago. At December 31, 1993, long-term debt included $85 million of floating-rate debt, and the interest rates on an additional $405 million of fixed-rate debt were converted to floating rates through interest rate swaps. As a result, interest costs will fluctuate with short-term interest rates in 1994 on over 30% of Ashland's long-term debt.

ENVIRONMENTAL MATTERS

Federal, state and local statutes and regulations relating to the protection of the environment and the health and safety of employees and other individuals have resulted in higher operating costs and capital investments by the industries in which Ashland operates. Because of the continuing trend toward greater environmental awareness and increasingly stringent environmental regulations, Ashland believes that expenditures for compliance with environmental, health and safety regulations will continue to have a significant impact on the conduct of its businesses. Although it cannot predict accurately how these developments will affect future operations and earnings, Ashland does not believe its costs will vary significantly from those of its competitors in the petroleum and chemical industries.

Environmental reserves are subject to considerable uncertainties which affect Ashland's ability to estimate its share of the ultimate costs of remediation efforts. Such uncertainties involve the nature and extent of contamination at each site, the extent of required cleanup efforts, varying costs of alternate cleanup methods, changes in environmental remediation requirements, the potential effect of technological improvements, the number and financial strength of other potentially responsible parties at multi-party sites, and the identification of new environmental sites. As a result, charges to income for environmental liabilities could have a material effect on results of operations in a particular quarter or fiscal year as assessments and remediation efforts proceed or as new claims arise. However, such charges are not expected to have a material adverse effect on Ashland's consolidated financial position, cash flow or liquidity.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Environmental Proceedings - (1) As of December 31, 1993, Ashland was subject to 64 notices received from the United States Environmental Protection Agency ("USEPA") identifying Ashland as a "potentially responsible party" ("PRP") under the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA") and the Superfund Amendment and Reauthorization Act ("SARA") for potential joint and several liability for cleanup costs in connection with alleged releases of hazardous substances from various waste treatment or disposal sites. These sites are currently subject to ongoing investigation and remedial activities, overseen by the USEPA in accordance with procedures established under CERCLA and SARA regulations, in which Ashland is participating as a member of various PRP groups. Generally, the relief sought by the USEPA includes remediation of contaminated soil and groundwater, reimbursement for the costs of site cleanup or oversight expended by the USEPA, and long-term monitoring of environmental conditions at the sites. Ashland also periodically receives notices from state environmental agencies pursuant to similar state legislation. Ashland carefully monitors the investigatory and remedial activity at each of the sites. Based on its experience with site remediation, its familiarity with current environmental laws and regulations, its analysis of the specific hazardous substances at issue, the existence of other financially viable PRPs and its current estimates of investigatory, clean-up and monitoring costs at each site, Ashland believes that its liability at these sites, either individually or in the aggregate, will not exceed established reserves by a material amount. Estimated costs for these matters are recognized in accordance with generally accepted accounting principles governing probability and the ability to reasonably estimate future costs.

(2) On March 26, 1993, Ashland received a Notice of Violation and Opportunity to Show Cause ("Show Cause Notice") from the USEPA. The Show Cause Notice alleges violations of Section 304 of the Emergency Planning and Community Right-to-Know Act of 1986 ("EPCRA") in that while Ashland notified the Kentucky Division for Air Quality, it allegedly, on various occasions, failed to notify certain other appropriate agencies about releases of a regulated substance in amounts greater than the reportable quantity from its Catlettsburg refinery. Ashland and the USEPA are engaged in settlement discussions, but no final settlement has been reached.

El Paso Dispute - On March 11, 1993, a complaint was filed by El Paso Refinery, L.P., against Scurlock Permian Corporation ("SPC"), a wholly owned subsidiary of Ashland, in the District Court of El Paso County, Texas. El Paso Refinery, L.P., is currently in Chapter 7 bankruptcy. Plaintiff alleges that SPC wrongfully breached certain duties under a contract to supply crude oil. Plaintiff further alleges violations of Texas usury law, common law fraud and duress and seeks substantial damages. In an apparent companion case filed the same day by individual plaintiffs (two officers of El Paso Refining, Inc., the general partner of El Paso Refinery, L.P.), damages are sought against SPC and others based upon the execution by plaintiffs of promissory notes in connection with the financing of the refinery. Ashland and SPC believe these complaints to be without merit and intend to defend them vigorously. SPC is a creditor in the El Paso bankruptcy proceeding and had filed a proof of claim for approximately $39,000,000 against the bankrupt estate. As of February 4, 1994, SPC had received approximately $16,900,000 from the liquidation of collateral. Ashland believes its current reserves are adequate to cover any shortfall that could be sustained in the bankruptcy proceeding.

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

(a) Ashland's Annual Meeting of Shareholders was held on January 27, 1994, at the Ashland Petroleum Executive Office Building, Ashland Drive, Russell, Kentucky at 10:30 a.m.

(b) Ashland's shareholders at said meeting elected 6 directors:

	Votes	
	Affirmative	Negative
Paul W. Chellgren	53,223,625	671,957
Ralph E. Gomory	52,994,584	900,998
Patrick F. Noonan	53,239,235	656,347

Jane C. Pfeiffer	53,210,227	685,355
Michael D. Rose	53,233,676	661,906
Dr. Robert B. Stobaugh	53,229,117	666,465

Directors who continued in office: Jack S. Blanton, Thomas E. Bolger, Samuel C. Butler, Frank C. Carlucci, James B. Farley, Edmund B. Fitzgerald, John R. Hall, James R. Rinehart, William L. Rouse, and James W. Vandeveer.

(c) Ashland's shareholders at said meeting approved the Ashland Oil, Inc. Deferred Compensation and Stock Incentive Plan for Non-Employee Directors (the "Plan") by a vote of 43,758,014 affirmative to 9,449,794 negative and 691,976 abstention votes. A copy of the Plan is attached as Exhibit 10.18.

(d) Ashland's shareholders at said meeting ratified the appointment of Ernst & Young as independent auditors for fiscal year 1994 by a vote of 53,222,932 affirmative to 446,172 negative and 230,797 abstention votes.

(e) Although not presented at said meeting, the results of voting on a shareholder proposal for the Board of Directors to take steps necessary to require that at future elections of directors all directors be elected annually were 31,486,703 negative to 18,647,405 affirmative and 1,410,651 abstention and 2,349,565 broker non-votes.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.18 Copy of Ashland Oil, Inc. Deferred Compensation and Stock Incentive Plan for Non-Employee Directors.

(b) Reports on Form 8-K

None

SIGNATURES

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.

Ashland Oil, Inc.
(Registrant)

Date: February 10, 1994

/s/ Kenneth L. Aulen

Kenneth L. Aulen
Administrative Vice President
and Controller (Chief
Accounting Officer)

Date: February 10, 1994

/s/ Thomas L. Feazell

Thomas L. Feazell
Senior Vice President,
General Counsel and Secretary

Exhibit 10.18

ASHLAND OIL, INC.
DEFERRED COMPENSATION AND
STOCK INCENTIVE PLAN FOR NON-EMPLOYEE DIRECTORS

ARTICLE I. GENERAL PROVISIONS

1. PURPOSE

The purpose of this Ashland Oil, Inc. Deferred Compensation and Stock Incentive Plan For Non-Employee Directors (the "Plan") is to provide each Director with an opportunity to defer some or all of the Director's Fees as a means of saving for retirement or other purposes. In addition, the Plan provides Directors with the ability to increase their proprietary interest in the Company's long-term prospects by permitting Directors to receive all or a portion of their Fees in Ashland Common Stock and providing for the grant of options to purchase Ashland Common Stock to Directors.

2. DEFINITIONS

The following definitions shall be applicable throughout the Plan:

(a) "Accounting Date" means each December 31, March 31, June 30 and September 30.

(b) "Act" means the Securities Act of 1933, as amended from time to time.

(c) "Agreement" means a written agreement setting forth the terms of an Option.

(d) "Beneficiary" means the person(s) who, upon the death of a Participant, shall have acquired by will, laws of descent and distribution or by other legal proceedings, the right to receive the benefits specified under this Plan in the event of a Director's death.

(e) "Board" means the Board of Directors of Ashland Oil, Inc.

(f) "Cash Account" means an account by that name established pursuant to Article III, Section 1.

(g) "Change in Control" shall be deemed to occur (1) upon the approval of the shareholders of the Company (or if such approval is not required, upon the approval of the Board) of (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of Common Stock would be converted into cash, securities or other property other than a merger in which the holders of Common Stock immediately prior to the merger will have the same proportionate ownership of Common Stock of the surviving corporation immediately after the merger, (B) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company, or (C) adoption of any plan or proposal for the liquidation or dissolution of the Company, (2) when any "person" (as defined in Section 13(d) of the Exchange Act), other than the Company or any subsidiary or employee benefit plan or trust maintained by the Company, shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 20% of the Common Stock outstanding at the time, without the prior approval of the Board, or (3) if at any time during a period of two consecutive years, individuals who at the beginning of such period constituted the Board shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by the Company's shareholders of each new director during such two-year period was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such two-year period.

(h) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(i) "Committee" means the Personnel and Compensation Committee of the Board.

(j) "Common Stock" means the common stock, $1.00 par value, of Ashland Oil, Inc.

(k) "Company" means Ashland Oil, Inc., its divisions and subsidiaries.

(l) "Director" means any non-employee director of the Company.

(m) "Election" means a Participant's delivery of a written notice of election to the Secretary of the Company electing to defer payment of his or her Fees or to receive such Fees in the form of Common Stock.

(n) Exchange Act" means the Securities Exchange Act of 1934, as amended.

(o) "Exercise Price" means with respect to each share of Common Stock subject to an Option, the price at which such share may be purchased from the Company pursuant to the exercise of such Option.

(p) "Fair Market Value" means, as of any specified date (or, if a weekend or holiday, the next preceding business day), the closing price of a share of Common Stock, as reported on the Composite Tape.

(q) "Fees" mean the annual retainer and meeting fees, as well as any per diem compensation for special assignments, earned by a Director for his or her service as a member of the Board during a calendar year or portion thereof

(r) "Nonqualified Stock Option" means any Option that does not comply with the provisions of Section 422 of the Code.

(s) "Option" means the right to purchase Common Stock as provided in Article IV.

(t) "Participant" means a Director who has elected to defer payment of all or a portion of his or her Fees and/or to receive all or a specified portion of his or her Fees in shares of Common Stock.

(u) "Payment Commencement Date" means the date payments of amounts deferred begin pursuant to Article III, Section 6.

(v) "Personal Representative" means the person or persons who, upon the disability or incompetence of a Director, shall have acquired on behalf of the Director, by legal proceeding or otherwise, the right to receive the benefits specified in this Plan.

(w) "Plan" means this Ashland Oil, Inc. Deferred Compensation and Stock Incentive Plan For Non-Employee Directors.

(x) "Prime Rate of Interest" means the rate of interest quoted by Citibank, N.A. as its prime commercial lending rate on each Accounting Date.

(y) "Stock Account" means an account by that name established pursuant to Article III, Section 1.

(z) "Stock Unit(s)" means the share equivalents credited to a Participant's Stock Account pursuant to Article III, Sections 1 and 2.

(aa) "Termination" means retirement from the Board or termination of service as a Director for any other reason.

3. SHARES; ADJUSTMENTS IN EVENT OF CHANGES IN CAPITALIZATION

(a) Shares Authorized for Issuance. There shall be reserved for issuance under the Plan 500,000 shares of Common Stock, subject to adjustment pursuant to subsection (b) below; provided, however, that of such shares, only 150,000 shares shall be available for issuance in connection with the award of Options. Such shares shall be authorized but unissued shares of Common Stock. If any Option shall expire without having been exercised in full, the shares subject to the unexercised portion of such Option shall again be available for the purposes of the Plan.

(b) Adjustments in Certain Events. In the event of any change in the outstanding Common Stock of the Company by reason of any stock split, stock dividend, recapitalization, merger, consolidation, reorganization, combination, or exchange of shares, split-up, split-off, spin-off, liquidation or other similar change in capitalization, or any distribution to common shareholders other than cash dividends, the number or kind of shares that may be issued under the Plan shall be automatically adjusted so that the proportionate interest of the Directors shall be maintained as before the occurrence of such event. Such adjustment shall be conclusive and binding for all purposes of the Plan.

4. ELIGIBILITY

Any non-employee Director of the Company shall be eligible to participate in the Plan.

5. ADMINISTRATION

Full power and authority to construe, interpret and administer the Plan shall be vested in the Committee. Decisions of the Committee shall be final, conclusive and binding upon all parties. Day-to-day administration of the Plan shall be the responsibility of the Company's Corporate Human Resources Department. This Department may authorize new or modify existing forms for use under this Plan so long as any such modified or new forms are not inconsistent with the terms of the Plan.

ARTICLE II. COMMON STOCK PROVISION

Each Director may elect to receive all or a portion of his or her Fees in shares of Common Stock by making an Election pursuant to Article III, Section 4. Shares shall be issued to the Director at the end of each quarter beginning in the quarter the Election is effective. The number of shares of Common Stock so issued shall be equal to the amount of Fees which otherwise would have been payable to such Director during the quarter divided by the Fair Market Value on the last day of such quarter. Only whole number of shares of Common Stock will be issued, with any fractional shares to be paid in cash.

ARTICLE III. DEFERRED COMPENSATION

1. PARTICIPANT ACCOUNTS

(a) A Director who has elected to defer all or a portion of his or her Fees by filing an Election as provided in Section 4 of this Article may further elect to have such deferred amounts credited to a Cash Account, a Stock Account, or a combination of both such Accounts. The Company shall maintain such Accounts in the name of the Director.

(b) The Cash Account of a Director shall be credited on each Accounting Date with the dollar amount of such deferred compensation otherwise payable to the Director during the quarterly period ending on the Accounting Date and as to which a cash deferral election has been made. The Cash Account shall be adjusted and increased on each Accounting Date as if interest were credited thereon, based on the Prime Rate of Interest on such Accounting Date.

(c) The Stock Account of a Director shall be credited on each Accounting Date with Stock Units equal to the number of shares of Common Stock (including fractions of a share) that could have been purchased with the amount of such deferred Fees as to which a stock deferral election has been made at the Fair Market Value on the Accounting Date. As of the date of any dividend distribution date for the Common Stock, the Director's Stock Account shall be credited with additional Stock Units equal to the number of shares of Common Stock (including fractions of a share) that could have been purchased, at the Fair Market Value on such date, with the amount which would have been paid as dividends on that number of shares (including fractions of a share) of Common Stock which is equal to the number of Stock Units then credited to the Director's Stock Account.

2. FINANCIAL HARDSHIP

Upon the written request of a Director or a Director's legal representative and a finding that continued deferral will result in financial hardship to the Director, the Committee (in its sole discretion) may authorize (a) the payment of all or a part of a Director's account(s) in a single installment prior to his or her ceasing to be a Director, or (b) the acceleration of payment of any multiple installments hereof; provided, however, that if, in the sole discretion of the Committee, a six-month delay in any distribution pursuant to this Section 2 of this Article shall be necessary to avoid liability of the Director under Section 16 of the Act, any such distribution shall be so postponed.

3. INITIAL CONVERSION

A Director may make a special one-time election on or before December 31, 1993 to convert (effective as of June 30, 1994) all or any portion of (i) his or her Cash Account to his or her Stock Account, or (ii) his or her Stock Account to his or her Cash Account. The number of Stock Units to be credited to such Director's Stock Account in the event of a conversion under (i) shall be obtained by dividing the portion of the cash balance credited to his or her Cash Account as specified in his or her election by the Fair Market Value of Ashland Common Stock on June 30, 1994. The amount to be credited to such Director's Cash Account in the event of a conversion under (ii) shall be determined by multiplying the number of Stock Units specified in his or her election by the Fair Market Value on June 30, 1994. No further conversions of Accounts may occur after June 30, 1994 except as provided in Section 4(b) of this Article.

4. MANNER OF ELECTION

(a) Any Director wishing to participate in the Plan must deliver to the Secretary of the Company a written notice, (i) electing to defer to a period following his or her Termination payment of all or a portion (in 25% increments) of his or her Fees, and/or (ii) to receive all or a portion (in 25% increments) of his or her Fees in shares of Common Stock (an "Election"). The Election must be filed on or before September 30 in order to be effective for Fees earned in the immediately succeeding calendar year. Notwithstanding the foregoing, a Director may choose to participate in the Plan beginning in 1994 by filing an Election to so participate on or before December 31, 1993 (the "1994 Election"). Pursuant to the 1994 Election, if a Director chooses to defer payment of any portion of his or her Fees into the Stock Account, such Fees will be deemed deferred into the Cash Account until June 30, 1994 at which time such deferred Fees (together with accrued earnings thereon) will be automatically transferred to the Stock Account. The number of Stock Units to be credited to such Director's Stock Account upon the transfer of such amount shall be obtained by dividing such amount by the Fair Market Value of Ashland Common Stock on June 30, 1994. In addition, if a Director chooses to receive all or a portion of Fees in shares of Common Stock, such 1994 Election will not take effect until June 30, 1994.

(b) With respect to Directors' Fees payable for all or any portion of a calendar year after such person's initial election to the office of Director of the Company, any such person wishing to participate in the Plan may file a proper Election within 30 days after such election to office. Any such Election shall be effective upon filing or as soon as possible thereafter with respect to such Fees. Notwithstanding the foregoing, if a Director chooses to defer payment of any portion of his or her Fees into the Stock Account, such Fees will be deemed deferred into the Cash Account until six months after the date the Election is first effective at which time such deferred Fees (together with accrued earnings thereon) will be automatically transferred to the Stock Account. The number of Stock Units to be credited to such Director's Stock Account upon the transfer of such amount shall be obtained by dividing such amount by the Fair Market Value of Ashland Common Stock on the first business day immediately preceding the date of transfer. In addition, if a Director chooses to receive all or a portion of Fees in shares of Common Stock, such Election will take effect only with respect to the payment of Fees six months after the date of the Election and thereafter.

(c) An effective Election may not be revoked or modified (except as to changes in the designation of Beneficiary and as otherwise stated herein) with respect to Fees payable for a calendar year or portion of a calendar year for which such Election is effective. Such Election, unless terminated or modified as described below, shall apply to Fees payable with respect to each subsequent calendar year. An effective election may be terminated or modified for any subsequent calendar year by the filing of an Election, on or before September 30 of the preceding calendar year for which such modification or termination is to be effective. A Participant will be allowed to change the Election as to the applicable payment period for all amounts deferred pursuant to such Election one time, subject to approval by the Committee. Such change must be made no later than eighteen months prior to such Participant's voluntary Termination or normal retirement from the Board at age 70. If the Participant making such change is a member of the Committee, such Participant shall abstain from the Committee's decision to approve or disapprove such change.

5. MANNER OF PAYMENT UPON TERMINATION

In accordance with the Director's Election and subject to Committee approval upon payout, amounts credited to a Director's Cash and/or Stock Account will be paid in a lump sum or in the form of annual or quarterly installments in shares of Common Stock or cash, or a combination of both to the Director following his or her Termination or, in the event of his or her death, to a Beneficiary. If a Director elects to receive payment in annual installments, the payment period shall not exceed twenty (20) years following the date of the Director's Termination.

The amount of any cash distribution to be made in installments with respect to the Cash Account will be determined by multiplying (i) the current cash balance in such Cash Account by (ii) a fraction, the numerator of which is one and the denominator of which is the number of installments in which distributions remain to be made (including the current distribution). The amount of any cash distribution to be made in installments with respect to Stock Units will be determined by (i) multiplying the number of Stock Units attributable to such installment (determined as hereinafter provided) by (ii) the closing price of the Common Stock on each Accounting Date immediately prior to the date on which such installment is to be paid. The number of Stock Units attributable to an installment shall be determined by multiplying (i) the current number of Stock Units in such Stock Account by (ii) a fraction, the numerator of which is one and the denominator of which is the number of installments in which distributions remain to be made (including the current distribution).

The amount of any stock distribution to be made in installments with respect to the Stock Account shall be determined by multiplying (i) the current number Stock Units in such Stock Account by (ii) a fraction, the numerator of which is one and the denominator of which is the number of installments in which distributions remain to be made (including the current distribution). The amount of any stock distribution to be made in installments with respect to the Cash Account shall be determined by dividing the amount of cash attributable to such installment (determined as hereinafter provided) by the closing price of the Common Stock on each Accounting Date immediately prior to the date on which such installment is to be paid. The amount of cash attributable to an installment shall be determined by multiplying (i) the current cash balance in such Cash Account by (ii) a fraction, the numerator of which is one and the denominator of which is the number of installments in which distributions remain to be made (including the current distribution).

6. PAYMENT COMMENCEMENT DATE

Payments of amounts deferred pursuant to a valid Election shall commence after a Director's Termination (i) with respect to a lump sum, on the January 2 of the year selected by a Director in his or her Election, (ii) with respect to annual installments, on the January 2 of the first year of deferred payment selected by a Director in his or her Election, and (iii) with respect to quarterly installments, on the first business day of the first calendar quarter of deferred payment selected by a Director in his or her Election. If a Director dies prior to the first deferred payment specified in an Election, payments shall commence to the Employee's Beneficiary on the first payment date so specified.

7. CHANGE IN CONTROL

Notwithstanding any provision of this Plan to the contrary, in the event of a "Change in Control" (as defined in Section 2(g) of Article I), each Director in the Plan shall receive an automatic lump sum cash distribution of all amounts accrued in the Director's Cash and/or Stock Account(s) (including interest at the Prime Rate of Interest through the business day immediately preceding the date of distribution) not later than fifteen (15) days after the date of the "Change in Control." For this purpose, the balance in the Stock Account shall be determined by multiplying the number of Stock Units by the higher of (a) the highest closing price of a share of Common Stock during the period commencing 30 days prior to such Change in Control or (b) if the Change in Control of the Company occurs as a result of a tender or exchange offer or consummation of a corporate transaction, then the highest price paid per share of Common Stock pursuant thereto. Any consideration other than cash forming a part or all of the consideration for Common Stock to be paid pursuant to the applicable transaction shall be valued at the valuation price thereon determined by the Board.

In addition, the Company shall reimburse a Director for the legal fees and expenses incurred if the Director is required to seek to obtain or enforce any right to distribution. In the event that it is determined that such Director is properly entitled to a cash distribution hereunder, such Director shall also be entitled to interest thereon at the Prime Rate of Interest from the date such distribution should have been made to and including the date it is made. Notwithstanding any provision of this Plan to the contrary, Article I, Section 2(g) and Section 7 of this Article may not be amended after a "Change in Control" occurs without the written consent of a majority in number of Directors.

ARTICLE IV. OPTIONS

1. OPTION GRANT

On the first business day following the Company's Annual Meeting of Shareholders in 1994 and each year thereafter until 2004, or, if no such meeting is held, on January 31 or the first business day thereafter, and each year thereafter (such day hereinafter referred to as the "Effective Date"), each person who is a Director of the Company on the Effective Date shall be automatically granted an Option to purchase 1,000 shares of Common Stock if, but only if, the return on average common stockholders' equity of the Company for the immediately preceding fiscal year as set forth in the Company's Annual Report to Shareholders is equal to or greater than 10%.

2. OPTION TERMS

Options granted under the Plan shall be subject to the following terms and conditions:

(a) Option Designation and Agreement. Any Option granted under the Plan shall be granted as a Nonqualified Stock Option. Each Option shall be evidenced by an Agreement between the recipient and the Company containing the terms and conditions of the Option.

(b) Option Price. The Exercise Price of Common Stock issued pursuant to each Option shall be equal to the Fair Market Value of the Common Stock on the Effective Date.

(c) Term of Option. No Option shall be exercisable more than ten years after the date the Option is granted.

(d) Vesting. Options granted under the Plan shall vest six months after the date of grant.

(e) Exercise. Options, to the extent they are vested, may be exercised in whole or in part at any time during the option period; provided, however, that an Option may not be exercised at any time for fewer than 50 shares (or the total remaining shares covered by the Option if fewer than 50 shares) during the term of the Option. The specified number of shares will be issued upon receipt by the Company of (i) notice from the optionee of exercise of an Option, and (ii) payment to the Company (as provided in (f) below), of the Exercise Price for the number of shares with respect to which the Option is exercised. Each such notice and payment shall be delivered or mailed by postpaid mail, addressed to the Treasurer of the Company at Ashland Oil, Inc., 1000 Ashland Drive, Russell, Kentucky, 41169, or such other place as the Company may designate from time to time.

(f) Payment for Shares. The Exercise Price for the Common Stock shall be paid in full when the Option is exercised. The Exercise Price may be paid in whole or in part (i) in cash, (ii) in whole shares of Common Stock owned by the Director six months or longer and evidenced by negotiable certificates, valued at their Fair Market Value on the date of exercise, or (iii) by a combination of such methods of payment. In addition, a Director may exercise the Option by effecting a "cashless exercise" of the Option; that is providing assurance from a broker registered under the Exchange Act, of the delivery of the proceeds of an imminent sale of the stock to be issued pursuant to the exercise of such Option, such sale to be made at the direction of the Director.

(g) Termination . If a Director's service on the Board terminates by reason of (i) normal retirement from the Board at age 70, (ii) the death or total and permanent disability within the meaning of Section 22 (e) (3) of the Code of such Director, (iii) a Change of Control of the Company, or (iv) voluntary early retirement to take a position in governmental service, any Option held by such Director may thereafter be exercised by the Director, or in the event of death by his or her Beneficiary, to the extent it was vested and exercisable at the time of termination (i) for a period equal to the number of years of completed Board service as of the date of termination of the Director on whose behalf the Option is exercised, or (ii) until the expiration of the stated term of such Option, whichever period is the shorter. In the event of termination for any reason other than those set forth above, any Option held by such Director may thereafter be exercised by the Director to the extent it was vested and exercisable at the time of termination (i) for a period of one year from the date of such termination or (ii) until the expiration of the stated term of such Option, whichever period is the shorter.

(h) Term. No Option shall be granted pursuant to the Plan on or after the tenth anniversary of the date of shareholder approval, but Option awards granted prior to such tenth anniversary may extend beyond that date until the expiration of their terms.

ARTICLE V. MISCELLANEOUS PROVISIONS

1. BENEFICIARY DESIGNATION

A Director may designate any person to whom payments are to be made if the Director dies before receiving payment of all amounts due hereunder. A designation of Beneficiary will be effective only after the signed Election is filed with the Secretary of the Company while the Director is alive and will cancel all designations of a Beneficiary signed and filed earlier. If the Director fails to designate a Beneficiary as provided above, remaining unpaid amounts shall be paid in one lump sum to the estate of such Director. If all Beneficiaries of the Director die before the Director or before complete payment of all amounts due hereunder, the remaining unpaid amounts shall be paid in one lump sum to the estate of the last to die of such Beneficiaries.

2. INALIENABILITY OF BENEFITS

The interests of the Directors and their Beneficiaries under the Plan may not in any way be voluntarily or involuntarily transferred, alienated or assigned, nor be subject to attachment, execution, garnishment or other such equitable or legal process. Any Option shall be exercisable, during a Director's lifetime, only by him or her or his or her Personal Representative.

3. GOVERNING LAW

The provisions of this Plan shall be interpreted and construed in accordance with the laws of the Commonwealth of Kentucky.

4. AMENDMENTS

The Committee may amend, alter or terminate this Plan at any time without the prior approval of the Directors; provided, however, that the Committee may not, without approval by the shareholders:

(a) materially increase the number of securities that may be issued under the Plan (except as provided in Article I, Section 3),

(b) materially modify the requirements as to eligibility for participation in the Plan,

(c) otherwise materially increase the benefits accruing to participants under the Plan, or

(d) amend any provision relating to the amount, price, timing or vesting of the Options, other than to comport with changes in the Code or the rules and regulations promulgated thereunder.

5. COMPLIANCE WITH RULE 16b-3

It is the intention of the Company that the Plan comply in all respects with Rule 16b-3 promulgated under Section 16(b) of the Exchange Act and that Plan participants remain disinterested persons ("Disinterested Persons") for purposes of administering other employee benefit plans of the Company and having such other plans be exempt from Section 16(b) of the Exchange Act. Therefore, if any Plan provision is found not to be in compliance with Rule 16b-3 or if any Plan provision would disqualify Plan participants from remaining Disinterested Persons, that provision shall be deemed amended so that the Plan does so comply and the Plan participants remain disinterested, to the extent permitted by law and deemed advisable by the Committee, and in all events the Plan shall be construed in favor of its meeting the requirements of Rule 16b-3.

6. EFFECTIVE DATE

The Plan shall be submitted to the shareholders of the Company for their approval and adoption on January 27, 1994, or such other date fixed for the next meeting of shareholders or any adjournment or postponement thereof. If approved and adopted by the shareholders, the Plan will become effective as of November 4, 1993.