

# AMERADA HESS

2004 ANNUAL REPORT



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# FINANCIAL AND OPERATING HIGHLIGHTS

Amerada Hess Corporation and Consolidated Subsidiaries

*Dollar amounts in millions, except per share data* **2004** 2003

## FINANCIAL – FOR THE YEAR

Sales and other operating revenues	<b>\$ 16,733</b>	\$14,311
Income from continuing operations	<b>\$ 970</b>	\$ 467
Net income	<b>\$ 977</b>	\$ 643
Net income per share diluted	<b>\$ 9.57</b>	\$ 7.11
Common stock dividends per share	<b>\$ 1.20</b>	\$ 1.20
Net cash provided by operating activities	<b>\$ 1,903</b>	\$ 1,581
Capital expenditures	<b>\$ 1,521</b>	\$ 1,358
Weighted average diluted shares outstanding – in thousands	<b>102,086</b>	90,342

## FINANCIAL – AT YEAR-END

Total assets	<b>\$ 16,312</b>	\$13,983
Total debt	<b>\$ 3,835</b>	\$ 3,941
Stockholders' equity	<b>\$ 5,597</b>	\$ 5,340
Debt to capitalization ratio <sup>(a)</sup>	<b>40.7%</b>	42.5%

## OPERATING – FOR THE YEAR

Production – net		
Crude oil and natural gas liquids – thousands of barrels per day		
United States	<b>56</b>	55
Foreign	<b>190</b>	204
Total	<b>246</b>	259
Natural gas – thousands of Mcf per day		
United States	<b>171</b>	253
Foreign	<b>404</b>	430
Total	<b>575</b>	683
Barrels of oil equivalent – thousands of barrels per day	<b>342</b>	373 <sup>(b)</sup>
Refining and marketing – thousands of barrels per day		
Refining crude runs – HOVENSA L.L.C. <sup>(c)</sup>	<b>242</b>	220
Refined products sold	<b>428</b>	419

(a) Total debt as a percentage of the sum of total debt and stockholders' equity.

(b) Includes production related to discontinued operations of 13 thousand barrels of oil equivalent per day.

(c) Reflects the Corporation's 50% share of HOVENSA's crude runs.

See Management's Discussion and Analysis of Results of Operations.

# TO OUR STOCKHOLDERS:



**JOHN B. HESS**  
Chairman of the Board  
and Chief Executive Officer

In 2004, we had a strong year of operating and financial results. We are pleased with the performance of our assets and proud of the accomplishments of our organization. During the year, we made significant progress in advancing our development projects, pursuing our exploration program, growing our reserves and strengthening our financial position.

Our strategy is to build a portfolio of assets that will sustain financial performance and provide long-term profitable growth for our shareholders. In executing this strategy, we will continue to concentrate on growing exploration and production and maximizing financial returns from refining and marketing. We have attractive investment opportunities that we will pursue while maintaining capital discipline and financial flexibility.

## **2004 HIGHLIGHTS**

- Net income was \$977 million, the second highest in the Corporation's history. Exploration and production earned \$755 million, while refining and marketing contributed \$451 million.
- Worldwide oil and natural gas production averaged 342,000 barrels of oil equivalent per day compared to our original forecast of 325,000 barrels of oil equivalent per day. In 2005, we project worldwide crude oil and natural gas production to average 350,000 barrels of oil equivalent per day.
- We replaced 110% of production, at a finding and development cost of approximately \$11 per barrel. Proved reserves at year-end were 1.046 billion barrels of oil equivalent and our reserve to production ratio improved to 8.2 years from 7.5 years in 2003.
- Our development projects made significant progress during the year. These projects, combined with an exciting high impact exploration and appraisal drilling program, will drive future reserve and production growth.

## **MAJOR DEVELOPMENT PROJECTS**

- In the deep water Gulf of Mexico, production from the Llano Field commenced and is currently averaging approximately 20,000 barrels of oil equivalent per day net to the Corporation.
- In Equatorial Guinea, the development plan for the Okume Complex was approved by the government. The major contracts for construction have been awarded and the development is expected to commence production in early 2007.
- In Algeria, the scope of our project to redevelop the Gassi El Agreb fields was expanded. Since 2000, we have more than doubled production from the fields, and we see additional opportunities to increase reserves and production.
- In Block A-18 in the Joint Development Area (JDA) between Malaysia and Thailand, additional gas sales were negotiated that will allow us to double our proved reserves in the JDA over the next several years and contribute significant production growth. First sales of natural gas from the JDA began in February 2005.
- In Indonesia, the Ujung Pangkah development was sanctioned. Gas sales from the Pangkah Field are expected to commence by early 2007.

### **HIGH IMPACT EXPLORATION**

Our exploration strategy continues to be successful. Encouraging drilling results in 2004 at our Shenzi discovery in the deepwater Gulf of Mexico, and the Phu Horm and Belud discoveries in Southeast Asia will provide opportunities for future reserve and production growth. In addition, our prospect inventory is strong, and we plan to drill approximately 15 high impact exploration and appraisal wells in 2005.

### **REFINING AND MARKETING**

The HOVENSA and Port Reading refineries operated near maximum capacity for most of the year, enabling them to take advantage of the strong margins experienced in 2004. Furthermore, profitability was enhanced by a significant price differential between light and heavy crude oil and HOVENSA's capability to process lower cost, heavy crude oil.

Our HESS EXPRESS retail sites are industry leaders in terms of gasoline volumes and convenience store sales per site. In 2004, the HESS retail network continued to expand, growing to 1,254 sites, further solidifying our position as the leading independent gasoline convenience store marketer on the East Coast. Our energy marketing business performed well despite warmer than normal weather. We continue to look for opportunities to grow our retail and energy marketing businesses.

### **IMPROVED FINANCIAL POSITION**

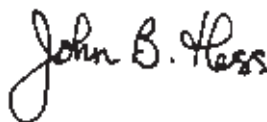
In 2004, our debt to capitalization ratio improved to 40.7% at the end of the year. With our improved balance sheet, strong cash flow and a new \$2.5 billion revolving credit facility, we have the financial flexibility to fund our attractive investment opportunities.

In May, after 14 years of distinguished service, John Y. Schreyer retired as a Director and Chief Financial Officer. We thank John for his financial leadership and commitment throughout his long association with the Corporation. We will miss his sound advice and invaluable contributions.

In June, Dr. Risa Lavizzo-Mourey was elected a new member of our Board of Directors. She is President and Chief Executive Officer of the Robert Wood Johnson Foundation and brings important experience in business and social responsibility to our Board.

Our thoughts and prayers are with those impacted by the devastating tsunami in Asia and we are deeply appreciative of the extraordinary efforts being made by the relief organizations. To assist in their work, the Corporation made a \$2 million donation to two relief agencies working in Indonesia and Thailand and has also matched employee contributions.

Our success in 2004 could not have been achieved without the hard work and dedication of our employees. We are proud and deeply appreciative of their many contributions during the past year. We also thank our Directors for their guidance and leadership and our stockholders for their support.



**JOHN B. HESS**

Chairman of the Board  
and Chief Executive Officer  
March 2, 2005

# REVIEW OF OPERATIONS

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# EXPLORATION & PRODUCTION

## PRODUCTION

In the deepwater Gulf of Mexico, the Llano Field (AHC 50%) on Garden Banks Blocks 385 and 386, commenced production in April 2004. The field is currently averaging approximately 20,000 net barrels of oil equivalent per day. Net production from the Corporation's deepwater Gulf of Mexico fields, which include Llano, Baldpate (AHC 50%), Conger (AHC 37.5%), Northwestern (AHC 50%) and Hack Wilson (AHC 33.3%), averaged approximately 38,000 barrels of oil equivalent per day in 2004.

Onshore, Amerada Hess operates the Seminole San Andres Unit (AHC 34%) in West Texas, a carbon dioxide recovery project that commenced in 1983 and is recognized as one of the most successful tertiary recovery projects in the Permian Basin. In 2004, the Corporation continued development of the residual oil zone, which is one of several opportunities that will be pursued in the area over the next several years.

In North Dakota, Amerada Hess is the leading oil producer. Production levels have been maintained over the last five years through a successful



*Production facility in North Dakota.*

program of infill and horizontal drilling within several large company-operated units, including Beaver Lodge and Tioga Madison.

In the United Kingdom, the Clair Field (AHC 9.3%) came onstream in February 2005 and is expected to average 5,500 net barrels of oil per day when it reaches plateau production.

In the Norwegian sector of the North Sea, enhanced recovery continued in the Valhall Field (AHC 28.09%), with water injection and development of the north flank area adding approximately 4,000 barrels of oil per day of net production.

In Equatorial Guinea, the Ceiba Field (AHC 85%) is currently producing 28,000 net barrels of oil per day and is expected to sustain that level over the next several years.

## DEVELOPMENT

In Block A-18 (AHC 50%) of the Joint Development Area between Malaysia and Thailand (JDA), first production was achieved in early 2005. Net production is expected to average approximately 23,000 barrels of oil equivalent per day in 2006. Additional gas sales were negotiated in December 2004, which will allow us to double our proved reserves in the JDA over the next several years and contribute significant future production growth.

In Equatorial Guinea, the development plan for our Northern Block G Fields (AHC 85%), now called the Okume Complex, was approved by the government in August 2004. The major contracts for construction have been authorized and development drilling will begin in 2006. First production from the Okume Complex is expected in early 2007 with net peak production estimated at 40,000 barrels of oil per day.



*Technical team in the United Kingdom.*

In Algeria, the Corporation's investment in the Gassi El Agreb redevelopment project, operated by SonaHess, a joint operating company of Amerada Hess and Sonatrach, has resulted in production from the fields being increased by over 100% since 2000. Net production averaged approximately 25,000 barrels of oil per day in the fourth quarter of 2004. In August 2004 the scope of the project to redevelop these fields was expanded, reflecting our success in this area.

In the United Kingdom, commercial agreements associated with the Atlantic (AHC 25%) and Cromarty (AHC 90%) gas fields were completed. First production is expected in early 2006. Combined net production from

these two fields is expected to exceed 20,000 barrels of oil equivalent per day in 2006.

In Indonesia, following a successful drilling program, the gas sales agreement for the Ujung Pangkah development (AHC 66%) was signed in the fourth quarter of 2004. Gas sales from the Pangkah Field are expected to commence in early 2007.

Phase three of the development of the giant Azeri, Chirag and Guneshli fields (AHC 2.72%) in Azerbaijan to access reserves in the deepwater Guneshli area was sanctioned in the third quarter. Net production is expected to increase from 2,000 barrels per day currently to 25,000 barrels per day in 2008.

### **EXPLORATION**

In the deepwater Gulf of Mexico, successful appraisal drilling was conducted on the Shenzi prospect (AHC 28%) on Green Canyon Block 653. The Shenzi-2 well encountered 500 feet of net pay and the Shenzi-3 well found 330 feet of net pay.

Two additional appraisal wells will be drilled in 2005, after which the project is expected to be sanctioned.

The Tubular Bells discovery well (AHC 20%) in Mississippi Canyon Block 725 is expected to be appraised in the second half of 2005.

In Northeastern Thailand, Phu Horm Block E5N (AHC 35%) has been successfully appraised and is now in the permitting process. We expect this project to be sanctioned in 2005.

In Malaysia, the Belud South-1 exploration well discovered hydrocarbons, encountering 352 feet of net pay; predominately gas. A down dip sidetrack was drilled which established oil in several sands. Further exploratory and appraisal drilling is planned during 2005.



*Appraisal drilling in Thailand.*





Drilling operations, Llano Field, Gulf of Mexico



HESS EXPRESS, Walt Disney World, Florida

# REFINING & MARKETING

## REFINING

The HOVENSA refinery in the United States Virgin Islands is one of the largest refineries in the world. It is jointly owned by the Corporation and Petroleos de Venezuela (PDVSA). The facility is competitively positioned and enjoys significant economies of scale. Its strategic location in the Caribbean allows for short crude supply lines from Venezuela as well as easy access to U.S. product markets.

The refinery, with 500,000 barrels per day of crude distillation capacity and a 150,000 barrel per day fluid catalytic cracking unit, is able to make a significant volume of high quality gasolines and distillates. In addition, the refinery has a 58,000 barrel per day delayed coking unit, which allows the refinery to process lower cost heavy crude oils. Gross crude runs at the refinery averaged 484,000 barrels per day in 2004. This high level of capacity utilization allowed HOVENSA to take advantage of the strong refining margin environment, resulting in a solid year of financial performance.

The Corporation also operates a fluid catalytic cracking unit in Port Reading, New Jersey, which produces clean-burning gasoline and heating oil for markets in the northeast. The facility averaged feedstock runs of approximately 52,000 barrels per day and benefited from strong product margins in 2004.



*Delayed Coking Unit, St. Croix, Virgin Islands.*

Both the HOVENSA and Port Reading facilities are making the necessary investments to meet U.S. low sulfur fuel requirements.

## RETAIL MARKETING

The HESS retail network continues to expand, further solidifying our position as the leading independent gasoline convenience store marketer on the East Coast. In 2004, five new retail locations were built and 12 existing retail sites were upgraded with the addition of HESS EXPRESS convenience stores. In October, we acquired an additional 20 facilities in New England and upstate New York. Rebranding of these sites to the HESS brand will be completed by the second quarter of 2005. The Corporation plans to continue this opportunistic growth through selective acquisitions and new site developments in key East Coast markets. HESS EXPRESS stores continue to outpace industry averages in gasoline volumes and convenience store sales.

The Corporation has entered into a long-term partnership agreement with Walt Disney World in Orlando, Florida. HESS has been designated “Official Fuel Supplier” of Walt Disney World and has taken over operatorship of three gasoline retail sites adjacent to major Disney attractions. Conversion of these sites to the HESS brand was completed in the first quarter of 2004 and initial sales performance from these outlets is encouraging.

## ENERGY MARKETING

The Corporation is a major supplier of natural gas, fuel oil and electricity to commercial and industrial customers located primarily on the East Coast. In addition, Hess is a supplier of natural gas to several local distribution companies in this region. We will continue to look for growth opportunities in our marketing areas.

## SUPPLY & TERMINALS

Amerada Hess operates twenty-two strategically located petroleum terminals on the East Coast of the United States that provide economical and secure supply to our marketing operations. During a series of devastating hurricanes in the fall of 2004, the Corporation maintained supply to our branded outlets and to emergency relief agencies.



Hess supported community center and school in Thailand

# CORPORATE AND SOCIAL RESPONSIBILITY

We are committed to meeting the highest standards of corporate citizenship and social responsibility. Our goal is to provide affordable energy while protecting the health and safety of our employees, safe guarding the environment and creating a sustainable positive impact in the communities where we operate.

In 2004, we continued to demonstrate our commitment through ongoing programs centered on education, health and disaster relief. We provided educational assistance by helping to rehabilitate schools and delivering necessary supplies in Asia and Africa. Working with local and international non-governmental organizations, we are also improving health care, from supporting local clinics to funding major hospital and emergency services.

The Corporation's long standing history of providing emergency relief in the aftermath of natural disasters continued in 2004. We provided critical support to international relief organizations



*Hess supported school in Equatorial Guinea.*

copied with the devastating tsunami in Asia, as well as assistance in dealing with the consequences of destructive hurricanes that impacted Florida.

In 2004, we also affirmed our support of international voluntary programs addressing the critical issues of human rights, environmental protection and respect for the rule of law.

# AMERADA HESS CORPORATION

## BOARD OF DIRECTORS

### **John B. Hess (1)**

Chairman of the Board  
and Chief Executive Officer

### **Nicholas F. Brady (1) (3) (4)**

Chairman, Choptank  
Partners, Inc.;  
Former Secretary of the  
United States Department  
of the Treasury;  
Former Chairman,  
Dillon, Read & Co., Inc.

### **J. Barclay Collins II**

Executive Vice President  
and General Counsel

### **Edith E. Holiday (2) (4)**

Corporate Director  
and Trustee;  
Former Assistant to  
the President and  
Secretary of the Cabinet;  
Former General Counsel  
United States Department  
of the Treasury

### **Thomas H. Kean (1) (3) (4)**

President, Drew University;  
Former Governor  
State of New Jersey

### **Risa Lavizzo-Mourey (2)**

President and Chief  
Executive Officer, The Robert  
Wood Johnson Foundation

### **Craig G. Matthews (2)**

Former Vice Chairman and  
Chief Operating Officer,  
KeySpan Corporation;  
Former Chief Executive Officer  
and President, NUI, Inc.

### **John J. O'Connor**

Executive Vice President;  
President, Worldwide  
Exploration & Production

### **Frank A. Olson (2) (3)**

Former Chairman of the Board  
and Chief Executive Officer,  
The Hertz Corporation

### **Ernst H. von Metzsch (3)**

Former Senior Vice President  
and Partner,  
Wellington Management  
Company

### **F. Borden Walker**

Executive Vice President;  
President, Refining and  
Marketing

### **Robert N. Wilson (1) (2) (3)**

Chairman, Caxton Health  
Holdings LLC;  
Former Senior Vice Chairman  
of the Board of Directors,  
Johnson & Johnson

(1) Member of Executive Committee

(2) Member of Audit Committee

(3) Member of Compensation  
and Management  
Development Committee

(4) Member of Corporate  
Governance and  
Nominating Committee

## CORPORATE OFFICERS

### **John B. Hess**

Chairman of the Board  
and Chief Executive Officer

### **J. Barclay Collins, II**

Executive Vice President  
and General Counsel

### **J. J. O'Connor**

Executive Vice President;  
President, Worldwide  
Exploration and Production

### **F. B. Walker**

Executive Vice President;  
President, Refining and  
Marketing

## SENIOR VICE PRESIDENTS

B.J. Bohling

E.C. Crouch

J.A. Gartman

S.M. Heck

L.H. Ornstein

H. Paver

J.P. Rielly

Chief Financial  
Officer

G.F. Sandison

J.J. Scelfo

R.P. Strode

## VICE PRESIDENTS

G.C. Barry  
Secretary

R.J. Bartzokas

G.I. Bresnick

D.K. Kirshner

R.J. Lawlor

J.J. Lynett

H.I. Small

E.S. Smith

J.C. Stein

R.J. Vogel  
Treasurer

K.B. Wilcox  
Controller

P.R. Walton

J.R. Wilson

## **COMMON STOCK**

### **Listed**

New York Stock Exchange  
(ticker symbol: AHC)

### **Transfer Agent**

The Bank of New York  
Shareholder Relations  
Department-11E  
P.O. Box 11258  
Church Street Station  
New York, New York 10286  
1-800-524-4458  
e-mail: shareowner-svcs@bankofny.com

### **Registrar**

The Bank of New York  
Shareholder Relations  
Department-11E  
P.O. Box 11258  
New York, New York 10286  
1-800-524-4458

## **7% MANDATORY CONVERTIBLE PREFERRED STOCK**

### **Listed**

New York Stock Exchange  
(ticker symbol: AHCPR)

## **CORPORATE HEADQUARTERS**

Amerada Hess Corporation  
1185 Avenue of the Americas  
New York, New York 10036  
(212) 997-8500

## **OPERATING OFFICES**

### **Exploration and Production**

Amerada Hess Corporation  
One Allen Center  
500 Dallas Street  
Houston, Texas 77002

### **Amerada Hess Limited**

33 Grosvenor Place  
London SW1X 7HY  
England

### **Refining and Marketing**

Amerada Hess Corporation  
1 Hess Plaza  
Woodbridge, New Jersey 07095

## **DOCUMENTS AVAILABLE**

Copies of the Corporation's 2004 Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and its annual proxy statement filed with the Securities and Exchange Commission, as well as the Corporation's Code of Business Conduct and Ethics, its Corporate Governance Guidelines, and charters of the Audit Committee, Compensation and Management Development Committee and Corporate Governance and Nominating Committee of the Board of Directors, are available, without charge, on our website listed below or upon written request to the Corporate Secretary, Amerada Hess Corporation, 1185 Avenue of the Americas, New York, New York 10036.  
e-mail: corporatesecretary@hess.com

The Corporation has also filed with the New York Stock Exchange ("NYSE") its annual certification that the Corporation's chief executive officer is unaware of any violation of the NYSE's corporate governance standards. The Corporation has also filed with the SEC the certifications of its chief executive officer and chief financial officer required under SEC Rule 13a-14(a) as exhibits to its 2004 Form 10-K.

## **ANNUAL MEETING**

The Annual Meeting of Stockholders will be held on Wednesday, May 4, 2005 at 2:00 P.M.,  
1 Hess Plaza,  
Woodbridge, New Jersey 07095.

## **DIVIDEND REINVESTMENT PLAN**

Information concerning the Dividend Reinvestment Plan available to holders of Amerada Hess Corporation Common Stock may be obtained by writing to The Bank of New York Dividend Reinvestment Department, P.O. Box 1958, Newark, New Jersey 07101

## **Amerada Hess Website**

[www.hess.com](http://www.hess.com)

**AMERADA HESS CORPORATION**

1185 Avenue of the Americas  
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<http://www.hess.com>