

# HESS CORPORATION

2009 Annual Report



# OUR COMPANY

---



Hess Corporation is a leading global independent energy company engaged in the exploration for and production of crude oil and natural gas, as well as in refining and in marketing refined petroleum products, natural gas and electricity. Our strategy is to build a company that will sustain profitable growth and create significant shareholder value.

We are committed to meeting the highest standards of corporate citizenship by protecting the health and safety of our employees, safeguarding the environment and making a positive impact on the communities in which we do business.

## Table of Contents

---

1	Financial Highlights	10	Marketing and Refining
2	Letter to Stockholders	14	Corporate and Social Responsibility
4	Exploration and Production	18	Board of Directors and Corporate Officers

# FINANCIAL AND OPERATING HIGHLIGHTS

Amounts in millions, except per share data	2009	2008
<b>FINANCIAL – FOR THE YEAR</b>		
Sales and other operating revenues	<b>\$ 29,614</b>	\$ 41,134
Net income attributable to Hess Corporation	<b>\$ 740</b>	\$ 2,360
Net income per share diluted	<b>\$ 2.27</b>	\$ 7.24
Common stock dividends per share	<b>\$ .40</b>	\$ .40
Net cash provided by operating activities	<b>\$ 3,046</b>	\$ 4,688
Capital and exploratory expenditures	<b>\$ 3,245</b>	\$ 4,828
Weighted average diluted shares outstanding	<b>326.0</b>	325.8
<b>FINANCIAL – AT YEAR END</b>		
Total assets	<b>\$ 29,465</b>	\$ 28,589
Total debt	<b>\$ 4,467</b>	\$ 3,955
Total equity	<b>\$ 13,528</b>	\$ 12,391
Debt to capitalization ratio <sup>(a)</sup>	<b>24.8%</b>	24.2%
Common stock price	<b>\$ 60.50</b>	\$ 53.64
<b>OPERATING – FOR THE YEAR</b>		
Production – net		
Crude oil and natural gas liquids (thousands of barrels per day)		
United States	<b>71</b>	42
International	<b>222</b>	224
Total	<b>293</b>	266
Natural gas (thousands of Mcf per day)		
United States	<b>93</b>	78
International	<b>597</b>	611
Total	<b>690</b>	689
Barrels of oil equivalent (thousands of barrels per day)		
	<b>408</b>	381
Marketing and Refining (thousands of barrels per day)		
Refining crude runs—HOVENSA L.L.C. <sup>(b)</sup>	<b>201</b>	221
Refined products sold	<b>473</b>	472

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

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

See Management's Discussion and Analysis of Results.

# LETTER TO STOCKHOLDERS

## John B. Hess

Chairman of the Board and Chief Executive Officer



In 2009, our company delivered strong financial and operational performance in a challenging economic environment and generated earnings of \$740 million, or \$2.27 per share. While our earnings were lower than the previous year, our results reflected a significant increase in production, successful cost reduction efforts and crude oil prices that rose throughout the year.

As in the past, we continued to execute our strategy to generate sustainable growth over the long term in Exploration and Production and operate Marketing and Refining for current returns and free cash flow.

Exploration and Production, which earned \$1.04 billion, had outstanding growth in production, which rose 7 percent to 408,000 barrels of oil equivalent per day. We replaced 103 percent of production at a finding, development and acquisition cost of about \$20 per barrel of oil equivalent. At year end, our proved reserves were 1.44 billion barrels of oil equivalent and our reserve life was 9.5 years.

Marketing and Refining earned \$127 million by reducing costs and increasing efficiency in a difficult economy. Refining was negatively impacted by lower margins. Energy Marketing had a strong performance with higher sales than the previous year. Retail Marketing had reduced margins and gasoline volumes, but these were partially offset by an 11 percent increase in convenience store sales.

We are fortunate to have an attractive portfolio of investment opportunities to deliver sustainable growth in our reserves and production. For 2010, our capital and exploratory budget is \$4.1 billion, with substantially all of it targeted to Exploration and Production: \$2.4 billion budgeted for production operations, \$800 million for developments and \$850 million for exploration.

We plan to invest about \$1 billion per year over the next five years in the Bakken shale play in North Dakota to boost net production from 11,000 barrels of oil equivalent per day currently to 80,000 barrels of oil equivalent per day in 2015. We also announced a strategic trade with Shell to increase our interests in the Valhall and Hod fields in Norway in exchange for Hess' share in the Clair Field in the United Kingdom and all of our interests in Gabon.

---

## EXPLORATION AND PRODUCTION

---

Higher production in 2009 was underpinned by strong volumes from the Shenzi Field in the deepwater Gulf of Mexico, a full year of Phase 2 natural gas sales at the Malaysia/Thailand JDA and overall solid operating performance.

We advanced several key developments in our global portfolio throughout the year, including the Valhall redevelopment and gas lift projects, offshore

development at Ujung Pangkah in Indonesia, front-end engineering and design for the Tioga Gas Plant expansion in North Dakota and development options for the Pony Field in the deepwater Gulf of Mexico.

In exploration, we strengthened our future growth options with continued success at our 100 percent owned WA-390-P Block offshore Australia, where in 2009 we drilled seven wells, six of which were natural gas discoveries. In offshore Libya, we successfully tested the A1 discovery well on our 100 percent owned Area 54 license and subsequently drilled and successfully tested an appraisal well.

---

## MARKETING AND REFINING

---

Our financial results in Marketing and Refining were lower in 2009 than the previous year as the weak economy had a negative impact on our business, particularly in refining, where our HOVENSA joint venture experienced losses from significantly lower distillate crack spreads and narrower light/heavy crude oil differentials.

Energy Marketing, which provides energy to more than 18,000 commercial and industrial customers in the eastern United States, generated continued growth with increased sales of natural gas, fuel oil and electricity.

Retail Marketing, which has 1,357 gasoline and convenience stores along the East Coast of the U.S., experienced a decline in fuel volumes and margins but an increase in convenience store sales, which were bolstered by the continued roll-out of Dunkin' Donuts offerings.

---

## SAFETY AND SOCIAL RESPONSIBILITY

---

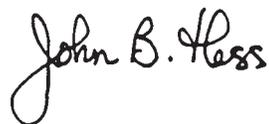
In 2009, our safety performance improved for the fifth consecutive year as we reduced our combined employee and contractor incident rate by nearly 25 percent. This progress is a result of the engagement of our entire work force and the success of our management systems.

Our company is committed to making a long-lasting positive impact on the communities where we

operate. Our educational partnership in Equatorial Guinea is helping transform primary education across the nation through model schools and teacher training, with 900 teachers enrolled in a two-year certification course graduating in early 2010. In Libya, we started work with the National Oil Corporation and Partners Harvard Medical International on a program to address the high rate of diabetes in the country, concentrating on disease prevention and treatment and the training of medical personnel. In St. Lucia, we partnered with the International Medical Corps to assess the needs of St. Jude Hospital following a devastating fire. We contributed initial emergency supplies and developed a long term plan to provide equipment and medical training.

Hess received significant recognition last year for our efforts to build a sustainable enterprise. We were honored to receive the Responsible CEO of the Year Award from CRO Magazine, achieve a grade of A+ by the Global Reporting Initiative for our annual Sustainability Report and rank in the Carbon Disclosure Project Global 500 Leadership Index.

We deeply appreciate the hard work and dedication of our employees to build a company that has the speed, agility and entrepreneurial spirit of an independent and the global reach of companies many times our size. We are grateful, as always, for the outstanding advice and guidance of our Board of Directors. We especially want to thank you, our stockholders, for your continued interest and support.



**John B. Hess**

Chairman of the Board and Chief Executive Officer

March 3, 2010

# EXPLORATION AND PRODUCTION







Okume Complex, Equatorial Guinea



---

## PRODUCTION

---

In 2009, net production averaged 408,000 barrels of oil equivalent per day, up from 381,000 barrels of oil equivalent per day in 2008. This increase resulted from the start-up of the Shenzi Field in the deepwater Gulf of Mexico, higher production at the Malaysia/Thailand Joint Development Area (JDA) and strong operating performance across the portfolio.

In the United States, the Shenzi Field (Hess 28%) achieved first production in March and ended the year strongly with net production of nearly 40,000 barrels of oil equivalent per day. The Conger Field, which is also in the deepwater Gulf of Mexico, recovered from 2008 hurricane damage and with the addition of two wells ended 2009 producing 16,000 net barrels of oil equivalent per day. During the year, we continued to build our position in the North Dakota Bakken shale play. We increased our land holdings, drilled 33 wells and raised our net production to more than 11,000 barrels of oil equivalent per day at year end.

In the Malaysia/Thailand JDA, a full year of Phase 2 natural gas sales was achieved at Block A-18 (Hess 50%). Net natural gas sales from the block reached 319 million cubic feet per day in December. In Russia, continued development drilling in conjunction with strong reservoir performance enabled production to achieve peak rates of 40,000 barrels of oil equivalent per day at year end.

In December, the company announced a strategic asset trade with Shell through which Hess will assume Shell's 28 percent interest in the Valhall Field and 25 percent interest in the satellite Hod Field in Norway. In return, Shell will assume Hess' 9 percent interest in the Clair Field in the United Kingdom and all of Hess' interests in Gabon.

---

## DEVELOPMENT

---

In North America, the company continued the development of the Residual Oil Zone at the Seminole San Andres Unit (Hess 34%) in the Permian Basin in West Texas with the expansion of the Seminole gas plant and the development of the West Bravo Dome CO<sub>2</sub> Field. The company also completed front end engineering and design (FEED) for the Tioga gas plant expansion associated with the Bakken oil shale development in the Williston Basin in North Dakota.

At the Hess operated Pony Field (Hess 100%), in the deepwater Gulf of Mexico, we completed FEED for the topsides, hull and subsea equipment and continued discussions on a joint operating agreement with the Knotty Head partnership in the adjacent block to the south. In 2010, the company plans to drill an additional appraisal well on Green Canyon Block 469 to test the eastern extent of the Pony structure.



Learning Center, Houston, Texas

In Indonesia, the company commissioned the Ujung Pangkah liquefied petroleum gas processing facility (Hess 75%) during the first quarter while progressing the offshore development via a second wellhead platform and production and utility platforms.

In the Norwegian North Sea, the company approved the Valhall Flank Gas Lift project (Hess 28%) that is advancing in parallel with the ongoing Valhall Redevelopment. The redevelopment project achieved major milestones in 2009 with installation of the new jacket and ongoing fabrication of the main deck and personnel accommodations.

---

## EXPLORATION

---

In 2009, Hess acquired new acreage in the United States, Indonesia, Australia and Norway which builds upon existing positions and adds significant exploration opportunities to the portfolio. Of particular note were the acquisition of more than 80,000 net acres in the Marcellus unconventional shale gas play in northeastern Pennsylvania and the awarding of the South Sesulu Block in Indonesia.

2009 was another active year for exploration and appraisal drilling and resulted in successful wells in Australia, Malaysia, Libya, the United Kingdom

and Peru. In Australia, the second phase of drilling on the 100 percent owned WA-390-P Block commenced with seven wells being drilled, six of which resulted in natural gas discoveries. In total, 11 exploration wells have now been drilled on the license, nine of which have discovered gas accumulations. Exploration drilling also commenced on the nearby WA-404-P Block (Hess 50%) with a gas discovery on the Martell prospect. Exploration drilling will continue in 2010 on both Australia licenses in parallel with analysis of commercialization options.

In Libya the A1-54/01 discovery on the Arous Al-Bahar prospect in 2,800 feet of water was re-entered and successfully tested utilizing the newly built Stena Forth drillship, which is under long term contract to Hess. The rig then drilled and successfully tested the down-dip appraisal well A2-54/01.

In Brazil two wells were drilled on the BM-S-22 License (Hess 40%) in 7,000 feet of water; the Azulao well resulted in the filing of a notice of discovery and the Guarani well was expensed. A third well on the license is planned in 2010.

In addition, exploitation drilling continued in 2010 with successful activity in the United Kingdom, Russia and onshore Libya.



# MARKETING AND REFINING



# HESS



4

3

2

1

HESS

HESS

HESS

TOUCH-FREE CAR WASH





---

Hess fuel oil truck, New York City

---

---

## REFINING

---

Our HOVENSA joint venture refinery in the United States Virgin Islands is one of the largest in the world. Jointly owned by Hess and Petroleos de Venezuela S.A., the facility is strategically positioned and enjoys strong economies of scale.

The refinery has 500,000 barrels per day of crude distillation capacity and a 150,000 barrel per day fluid catalytic cracking unit (FCC), which allows it to make significant volumes of high-quality gasoline and distillates. In addition, the refinery has a 58,000 barrel per day delayed coking unit, which enables the refinery to process lower-cost heavy crude oils. Gross crude runs at the refinery averaged 402,000 barrels per day in 2009 versus 441,000 barrels per day in 2008. Lower crude runs in 2009 reflected the weak margin environment and unplanned maintenance during the year.

Our Port Reading, New Jersey FCC facility located near New York Harbor produces gasoline and fuel oil primarily for markets in the Northeast United States. The facility averaged feedstock runs of about 63,000 barrels per day in 2009 versus 64,000 barrels per day in 2008.

---

## SUPPLY & TERMINALS

---

Hess operates a network of 20 refined product terminals on the East Coast of the United States, as well as an oil storage facility in St. Lucia.

Our East Coast terminals provide the company a competitive advantage in the supply of refined products to our Retail and Energy Marketing businesses. Third-party utilization of our storage tanks was high throughout the year, generating incremental revenue for the Hess terminal network.

In 2009, Hess terminals in Baltimore, Maryland and in Syracuse, New York added renewable fuels blending capability, and our marine bunker fuels business added a port location in Charleston, South Carolina.

---

## ENERGY MARKETING

---

Hess Energy Marketing is a major supplier of natural gas, fuel oil and electricity to commercial, industrial and utility customers in the Eastern United States.

In 2009, natural gas volumes increased by nearly 3 percent and electricity volumes increased by more than 36 percent compared with 2008. Strong customer relationships and multi-commodity product offerings position Hess Energy Marketing for continued growth.

---

## RETAIL MARKETING

---

Hess is the leading independent gasoline convenience store retailer on the East Coast with 1,357 Hess branded locations.

Annual convenience store revenues in 2009, excluding petroleum products, were approximately \$1.2 billion, an increase of more than 10 percent from 2008. During the year, the company acquired 11 gasoline-convenience stores in Cape Cod, increasing our market presence in Massachusetts. We expanded our Dunkin' Donuts offering to 367 Hess and WilcoHess locations by the end of 2009.

# CORPORATE AND SOCIAL RESPONSIBILITY







Clean water project, Indonesia

---

## SOCIAL RESPONSIBILITY

---

Our company is committed to meeting the global demand for energy in a manner that safeguards the health and safety of our employees, preserves the environment and makes a sustainable and positive impact on the communities where we operate.

In 2009, we improved our safety performance for the fifth consecutive year, reducing our combined employee and contractor safety incident rate by nearly 25 percent. Our safety and health management systems support our commitment to continuous improvement.

We made progress on climate change by setting a greenhouse gas intensity reduction target for 2013 that is 20 percent below the 2008 baseline for our oil and gas operations. Emission reductions are being achieved through projects in Algeria and Equatorial Guinea that enhance production while reducing the amount of gas flared. We have also instituted a company-wide energy efficiency program, obtaining 10 percent of all electricity used in our operations from renewable sources.

Our management systems establish expectations for resource conservation, pollution prevention and facility design optimization to minimize the potential environmental impacts from our activities. In 2009, the volume of oil spilled from our operations was 75 percent less than 2008.

We partner with a variety of stakeholders to advance education and health in communities where we operate. In Equatorial Guinea, we are helping transform primary education on a national scale with model schools, teacher training and materials and building renovations. Our commitment to improving education is also evident in Thailand, where we are helping schools enhance library services for their students. In Libya, the company together with the National Oil Corporation and Partners Harvard Medical International conducted a study to develop a plan for a diabetes prevention, treatment and training program. In Indonesia, community programs are providing new water wells and distribution networks for clean drinking water.

The company engages in voluntary initiatives in support of human rights, environmental protection and financial transparency. Hess has endorsed four major voluntary frameworks: The Voluntary Principles, the Universal Declaration on Human Rights, the United Nations Global Compact, and the Extractive Industries Transparency Initiative. In 2009, we performed a Human Rights Risk Assessment in Southeast Asia and conducted training to conform with the voluntary multi-stakeholder initiatives we have endorsed.

We are proud of the progress we made in 2009 and we will continue to pursue our strategy to improve our performance and develop partnerships in social responsibility.

# HESS CORPORATION

---

## BOARD OF DIRECTORS

---

### John B. Hess <sup>(1)</sup>

Chairman of the Board and  
Chief Executive Officer

### Samuel W. Bodman <sup>(3) (4)</sup>

Former Secretary of the United States  
Department of Energy;  
Former Deputy Secretary of the United  
States Department of the Treasury

### Nicholas F. Brady <sup>(1) (3) (4)</sup>

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

### Gregory Hill

Executive Vice President;  
President, Worldwide  
Exploration & Production

### Edith E. Holiday <sup>(2) (4)</sup>

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

### Thomas H. Kean <sup>(1) (3) (4)</sup>

President, THK Consulting, LLC;  
Former President, Drew University;  
Former Governor, State of New Jersey

### Risa Lavizzo-Mourey <sup>(2)</sup>

President and Chief Executive Officer,  
The Robert Wood Johnson Foundation

### Craig G. Matthews <sup>(2)</sup>

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

### John H. Mullin <sup>(2)</sup>

Chairman, Ridgeway Farm LLC;  
Former Managing Director,  
Dillon, Read & Co., Inc.

### Frank A. Olson <sup>(2) (3)</sup>

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

### Ernst H. von Metzsch <sup>(3)</sup>

Managing Member,  
Cambrian Capital, L.P.;  
Former Senior Vice President  
and Partner, Wellington  
Management Company

### F. Borden Walker

Executive Vice President;  
President, Marketing and Refining

### Robert N. Wilson <sup>(1) (2) (3)</sup>

Chairman, Still River Systems;  
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

### Gregory Hill

Executive Vice President;  
President, Worldwide  
Exploration & Production

### F. Borden Walker

Executive Vice President;  
President, Marketing and Refining

---

## SENIOR VICE PRESIDENTS

Gary A. Boubel

William T. Drennen

John A. Gartman

Timothy B. Goodell  
General Counsel

Scott M. Heck

Lawrence H. Ornstein

Howard Paver

John P. Rielly

Chief Financial Officer

Lori J. Ryerkerk

George F. Sandison

John J. Scelfo

R. Gordon Shearer

John V. Simon

Michael R. Turner

Mykel J. Ziolo

---

## VICE PRESIDENTS

George C. Barry  
Secretary

Gerald I. Bresnick

C. Martin Dunagin

David K. Kirshner

Richard J. Lawlor

Sachin J. Mehra  
Treasurer

Jon Pepper

Harold I. Small

Jonathan C. Stein

Jeffery L. Steinhorn

Darius Sweet

Kevin B. Wilcox  
Controller

Jay R. Wilson

## COMMON STOCK

---

Listed New York Stock Exchange (ticker symbol: HES)

### Transfer Agent and Registrar

BNY Mellon Shareowner Services  
480 Washington Boulevard  
Jersey City, NJ 07310-1900  
Telephone: 1-866-203-6215  
<http://www.bnymellon.com/shareowner/isd>

## DOCUMENTS AVAILABLE

---

Copies of the Corporation's 2009 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 Web site listed below or upon written request to the Corporate Secretary, Hess Corporation, 1185 Avenue of the Americas, New York, New York 10036. e-mail: [corporatesecretary@hess.com](mailto: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 not aware 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 2009 Form 10-K.

## ANNUAL MEETING

---

The Annual Meeting of Stockholders will be held on Wednesday, May 5, 2010, 1 Hess Plaza, Woodbridge, New Jersey 07095.

## DIVIDEND REINVESTMENT PLAN

---

Information concerning the Dividend Reinvestment Plan available to holders of Hess Corporation common stock may be obtained by writing to BNY Mellon Shareowner Services, Dividend Reinvestment Department, P. O. Box 358015, Pittsburgh PA 15252-8015, or by calling 1-866-203-6215

## CORPORATE HEADQUARTERS

---

Hess Corporation  
1185 Avenue of the Americas  
New York, NY 10036  
212-997-8500

## OPERATING OFFICES

---

Exploration and Production  
Hess Corporation  
One Allen Center  
500 Dallas Street  
Houston, Texas 77002

Hess Limited  
The Adelphi Building  
1-11 John Adam Street  
London WC2N 6AG  
England

Marketing and Refining  
Hess Corporation  
1 Hess Plaza  
Woodbridge, New Jersey 07095

Hess Web site  
[www.hess.com](http://www.hess.com)



The Hess Annual Report cover and editorial sections are printed on recycled paper made from fiber sourced from well-managed forests and other controlled wood sources and is independently certified to the Forest Stewardship Council (FSC) standards.

© 2010 Hess Corporation



1185 Avenue of the Americas  
New York, New York 10036

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