HESS CORPORATION

2006 Annual Report

FINANCIAL AND OPERATING HIGHLIGHTS

Hess Corporation and Consolidated Subsidiaries

Amounts in millions, except per share data	2006	2005
FINANCIAL — FOR THE YEAR		
Sales and other operating revenues	$ 28,067	$ 22,747
Net income	$ 1,916	$ 1,242
Net income per share diluted[a]	$ 6.07	$ 3.98
Common stock dividends per share[a]	$ .40	$ .40
Net cash provided by operating activities	$ 3,491	$ 1,840
Capital and exploratory expenditures	$ 4,056	$ 2,490
Weighted average diluted shares outstanding[a]	315.7	312.1
FINANCIAL — AT YEAR END		
Total assets	$ 22,404	$ 19,115
Total debt	$ 3,772	$ 3,785
Stockholders' equity	$ 8,111	$ 6,286
Debt to capitalization ratio[b]	31.7%	37.6%
Common stock price[a]	$ 49.57	$ 42.27
OPERATING — FOR THE YEAR		
Production – net		
Crude oil and natural gas liquids (thousands of barrels per day)		
United States	46	56
International	211	188
Total	257	244
Natural gas (thousands of Mcf per day)		
United States	110	137
International	502	407
Total	612	544
Barrels of oil equivalent (thousands of barrels per day)	359	335
Marketing and Refining (thousands of barrels per day)		
Refining crude runs – HOVENSA L.L.C.[c]	224	231
Refined products sold	459	456

(a) Amounts in 2005 restated to reflect the impact of a 3-for-1 stock split on May 31, 2006.

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

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

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

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

TO OUR STOCKHOLDERS:

We achieved record financial results in 2006. Our earnings rose to $1.9 billion, or $6.07 per share, benefiting from the strong crude oil and natural gas price environment that existed for much of the year.

Our capital and exploratory expenditures in 2006 totaled approximately $4.1 billion. We invested $3.9 billion in Exploration and Production and $169 million in Marketing and Refining. Our strong financial results enabled us to improve our debt to capitalization ratio from 37.6 percent a year ago to 31.7 percent at year end.

We continued throughout the year to make significant progress in executing our strategy to increase shareholder value over the long term. In Exploration and Production, we are making the substantial investments required to grow reserves and production on a sustainable basis. In Marketing and Refining, we are delivering strong financial performance generating near term earnings and free cash flow.

In Exploration and Production, 2006 was a year of significant activity and strong operational performance:

- Our year end proved reserves grew by 14 percent to 1.24 billion barrels of oil equivalent.
- We replaced 232 percent of production at a finding, development and acquisition cost of $12.54 per barrel, bringing our three year average to 162 percent at $12.50 per barrel.
- Our reserve life increased to 9.3 years, marking the fourth consecutive year of improvement.
- Our worldwide oil and gas production grew by 7 percent to an average of 359,000 barrels of oil equivalent per day.
- We brought four new field developments into production, including our company operated Okume Complex in Equatorial Guinea and Phu Horm Project in Thailand, both of which were completed on budget and ahead of schedule.
- We made a significant discovery at our Pony prospect in the deepwater Gulf of Mexico, which we operate with a 100 percent interest.

In Marketing and Refining, where we have a strong brand and a tightly focused regional business model, we generated solid financial performance, despite the negative impact of margin pressures and milder than normal weather. We continued the selective expansion of our Retail and Energy Marketing businesses during the year.

EXPLORATION AND PRODUCTION

We have built a strong organization with the technical capabilities that enable us to undertake the world class challenges of developing crude oil and natural gas resources around the globe. During 2006, we commenced production in four new fields: the Okume Complex in Equatorial Guinea; the Phu Horm Project in Thailand; Atlantic and Cromarty in the United Kingdom North Sea; and Azeri-Chirag-Gunashli Phase 2 in Azerbaijan.

We also sanctioned the Shenzi development located in the Green Canyon area of the deepwater Gulf of Mexico and advanced the Ujung Pangkah oil development in Indonesia and the Residual Oil Zone development at the Seminole-San Andres Unit in West Texas.

Our exploration program continued to create value. At our Pony prospect on Green Canyon Block 468 in the Gulf of Mexico, we made a significant discovery and drilled a successful appraisal sidetrack well that confirmed our pre-drill estimate of 100 to 600 million barrels of oil equivalent. A successful appraisal well was also drilled at our Tubular Bells prospect on Mississippi Canyon Blocks 682, 683 and 726, in which we have a 20 percent interest.

During the year, we also acquired new acreage in Egypt, Ghana, Norway, Ireland, Russia, Brazil and Peru. Our primary focus in exploration in 2007 will be on drilling to appraise our existing discoveries in the deepwater Gulf of Mexico and to begin evaluation of our newly acquired acreage in the North West Shelf of Australia.

We continue to upgrade our portfolio of assets. During 2006, we sold mature properties in the United States Permian Basin and Gulf Coast. With our reentry into Libya in 2006, we began to recognize reserves and production from our Waha concessions, in which we have an 8 percent interest. We completed the acquisition of a 55 percent interest in and now operate the deepwater portion of the West Mediterranean Block 1 Concession in Egypt and announced the purchase of a 28 percent interest in the Genghis Khan development in the deepwater Gulf of Mexico.

MARKETING AND REFINING

Our refineries continued to operate reliably throughout 2006, with the exception of some unplanned downtime early in the year at our HOVENSA joint venture refinery in the United States Virgin Islands. We successfully completed low sulfur fuel projects at both refineries. Our Retail Marketing business continued to experience consistent growth. For the first time, our convenience store annual revenues, excluding petroleum products, exceeded $1 billion in 2006. Energy Marketing achieved increased sales of natural gas and electricity as a result of both organic growth and selective acquisitions, building a stronger and more profitable business for the future.

We remain committed to having a positive impact on the communities where we operate. In Equatorial Guinea, we have developed and initiated a multi-year program, in partnership with the government, to support education in the country. We are funding $20 million of a $40 million project which will focus on strengthening the country's educational system for children by improving teacher training, learning initiatives and infrastructure development. In 2006, following the devastating earthquake in Java, Indonesia we provided $1 million in critical emergency support, which supplied over 200,000 people with clean drinking water and urgent medical care.

We changed our corporate name to Hess Corporation. The "Hess" brand is firmly established with our customers in the company's Marketing and Refining operations and is increasingly identified with our global Exploration and Production activities. Our new name strengthens recognition of our brand across all of our operations. Following our name change, we began trading under a new stock symbol "HES". The company also effected a three-for-one stock split.

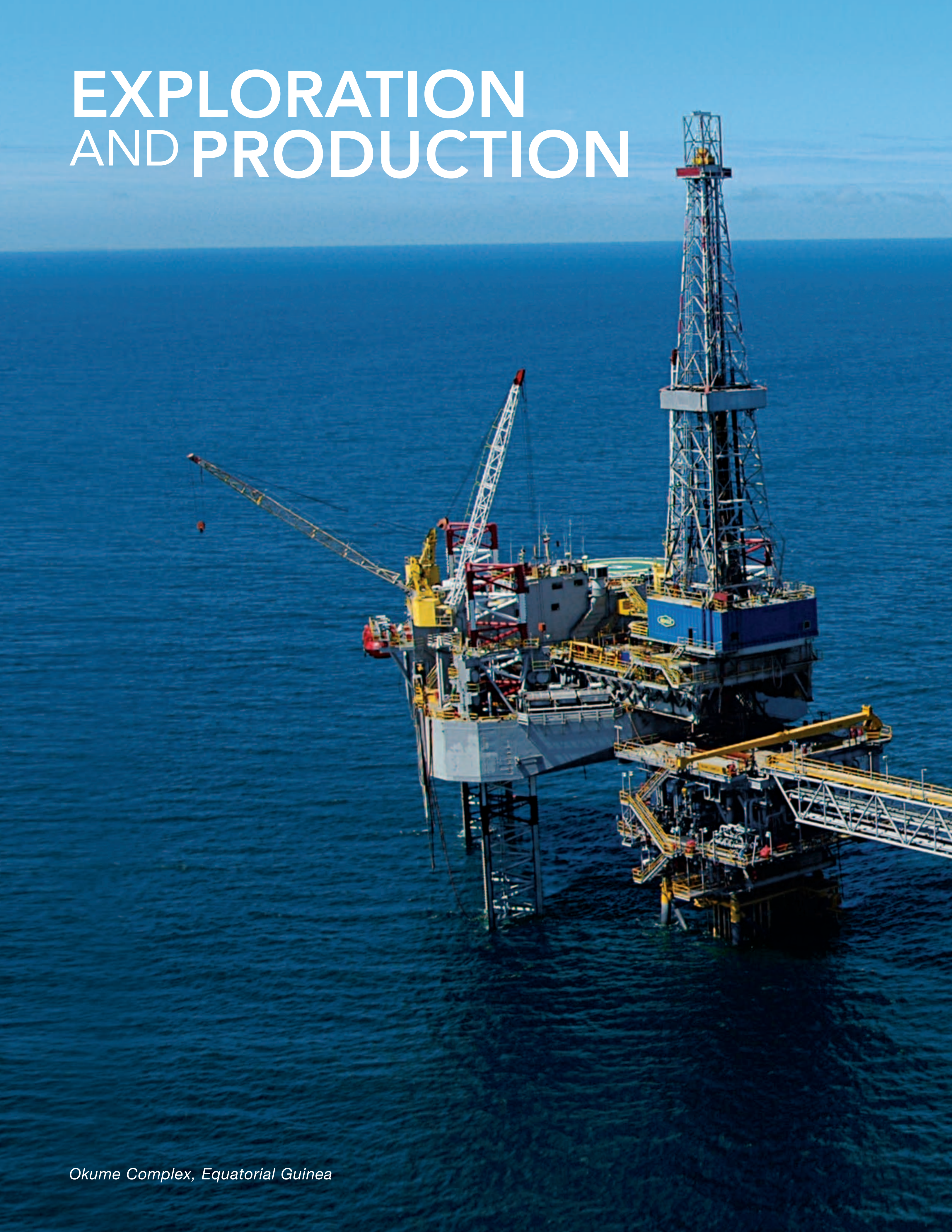
We are pleased with the performance of our assets and proud of the strength of our organization. We remain confident that the investments we are making for the future will sustain profitable growth and create significant value for our shareholders.

We deeply appreciate our employees for their hard work and dedication, our Board of Directors for their excellent leadership and wise counsel and our stockholders for their continued interest and support.

John B. Hess

JOHN B. HESS
Chairman of the Board
and Chief Executive Officer
March 1, 2007

EXPLORATION AND PRODUCTION



Okume Complex, Equatorial Guinea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PRODUCTION

In 2006, the company produced an average of 359,000 barrels of oil equivalent per day, compared to 335,000 barrels per day in 2005. The increase in production resulted primarily from the resumption of operations in the Waha concessions (Hess 8%) in Libya, initial production from the Atlantic (Hess 25%) and Cromarty (Hess 90%) Fields in the United Kingdom North Sea and a full year of production from the Phase 1 development of the Malaysia/Thailand Joint Development Area (JDA) (Hess 50%).

In Equatorial Guinea, the company operated Okume Complex (Hess 85%) commenced production during the fourth quarter, several months ahead of schedule and on budget. In 2007, we expect to complete offshore production facilities and drill additional development wells. Gross peak production of approximately 60,000 barrels of oil equivalent per day is expected to be achieved by early 2008.

In Thailand, the company operated Phu Horm Field (Hess 35%) was completed within 18 months of project sanction and commenced natural gas production from the first two wells during the fourth quarter of 2006. Additional wells will be drilled and completed in 2007. The Gas Sales Agreement for the project provides for the supply of 500 billion gross cubic feet of natural gas over 15 years.

In the United Kingdom North Sea, natural gas production from the Atlantic and Cromarty Fields started up in the second quarter of 2006. These fields produced at an average combined net rate of 95 million cubic feet per day in the second half of the year. Peak net production of 120 million cubic feet per day for the project is expected to be achieved in 2007.

In Azerbaijan, Phase 2 of the Azeri-Chirag-Gunashli Field (Hess 3%) started up in early 2006 and is expected to increase our share of production to 14,000 barrels per day in 2007. The Baku-Tbilisi-Ceyhan Pipeline (Hess 2%), which transports production from the field to an export terminal on the Mediterranean, started operation in the second quarter of the year.

We continued to upgrade our portfolio of assets. We completed the sale of certain mature oil and gas producing assets in the United States Permian Basin and Gulf Coast. Total production from these divestitures was approximately 8,000 barrels of oil equivalent per day. In late 2006, we reached an agreement to sell our interests in the Scott (Hess 21%) and Telford (Hess 17%) Fields in the United Kingdom North Sea. These fields produced approximately 9,000 barrels of oil equivalent per day. In 2006, we also resumed oil and gas operations in Libya, where we are partners in the Waha concessions. Our net share of production averaged 23,000 barrels of oil per day during the year.

In 2007, we expect worldwide production of crude oil and natural gas will be in the range of 370,000 to 380,000 barrels of oil equivalent per day, net of planned asset sales. This increase in production is primarily from the company operated Okume Complex in Equatorial Guinea and the Phu Horm Project in Thailand; a full year of production from the Atlantic and Cromarty Fields in the North Sea; initial gas production from the company operated Ujung Pangkah project (Hess 75%) in Indonesia; the newly acquired Genghis Khan Field (Hess 28%) in the deepwater Gulf of Mexico and additional natural gas production from the Malaysia/Thailand JDA.

Pony Discovery, Green Canyon Block 468, Gulf of Mexico

Phu Horm Gas Plant, Thailand

DEVELOPMENT

In the deepwater Gulf of Mexico, the Shenzi oil and gas development (Hess 28%) located in the Green Canyon area was sanctioned in the second quarter of 2006. Plans for 2007 include the drilling of additional development wells, continued construction of platform components and the installation of subsea equipment. The project is expected to produce first oil in the second half of 2009.

Late in the year, the company announced the acquisition of a 28% interest in the Genghis Khan oil and gas development located on Green Canyon Blocks 652 and 608 in the deepwater Gulf of Mexico. Genghis Khan is part of the same geologic structure as the Shenzi Field. First oil is expected in the second half of 2007.

We also continued to advance development of the company operated Residual Oil Zone project at the Seminole-San Andres Unit (Hess 34%) in West Texas. This project will utilize world class enhanced oil recovery technology to develop oil bearing zones underlying existing producing reservoirs and will significantly extend the production life of this asset.

In Indonesia, development of our company operated Ujung Pangkah project continued and we expect to commence production of natural gas in the second quarter of 2007. Plans for 2007 include the drilling of additional development wells, the completion of onshore and offshore facilities and the commencement of activities for the development of crude oil and LPG production.

Development drilling to increase the production capacity of the Malaysia/Thailand JDA project in the Gulf of Thailand also continued during 2006. The primary focus of 2007 will be on expanding facilities and development drilling associated with the commencement of early Phase 2 gas sales in late 2007, which will add approximately 200 million cubic feet per day gross to the current Phase 1 volumes of 350 million cubic feet per day. Full production from Phase 2 of 400 million cubic feet per day gross is anticipated in 2008.

EXPLORATION

Our company holds one of the largest exploration portfolios in the deepwater Gulf of Mexico with over 400 blocks covering approximately 1.5 million net acres. This area continues to be our most active for exploration.

In the first quarter of 2006, a deepwater discovery on the company operated Pony prospect (Hess 100%) in Green Canyon Block 468 encountered 475 feet of saturated sandstone in Miocene age reservoirs. A sidetrack appraisal well completed in December, located approximately 2,700 feet to the northeast of the discovery well, was also successful and confirmed our pre-drill estimate of 100 to 600 million barrels of oil equivalent. Additional appraisal drilling is planned for 2007.

On the Tubular Bells discovery (Hess 20%) in Mississippi Canyon Block 682 an appraisal well drilled in 2006 encountered hydrocarbons approximately five miles east of the initial discovery well. Two sidetrack wells to delineate the field further will be drilled in 2007.

Our international exploration portfolio continued to grow in 2006, with the acquisition of new licenses in Egypt, Ghana, Norway, Ireland, Russia, Brazil and Peru. We also acquired new seismic data in Libya, Egypt, Brazil and Norway.

In early 2007, we significantly enhanced our exploration portfolio with the addition of License WA-390-P (780,000 net acres) on the Australian North West Shelf (Hess 100%). We expect to complete 3D seismic work in 2007 on this newly acquired block and to commence exploratory drilling late in the year.

Our international drilling program in 2007 will focus on the Malaysia/Thailand JDA, the Waha concessions in Libya and the Samara Nafta joint venture in the Volga-Urals region of Russia.

MARKETING AND REFINING

HESS EXPRESS Retail Facility in Miami, Florida


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SELF SERVE
SUBS Blimpie SALADS

REFINING

Our refineries continued to operate reliably during 2006, with the exception of a short period of unplanned downtime at our HOVENSA joint venture refinery early in the year. During the year, both refineries completed low sulfur fuel projects to meet clean fuel requirements.

Our HOVENSA refinery in the United States Virgin Islands is jointly owned by the company and Petroleos de Venezuela S.A. (PDVSA) and is one of the largest refineries in the world. 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 448,000 barrels per day in 2006 versus 461,000 barrels per day in 2005. Crude runs were below 2005 levels as a result of the unscheduled downtime.

Our Port Reading, New Jersey FCC facility located in New York harbor produces gasoline and fuel oil exceeding all environmental requirements, primarily for markets in the Northeast. The facility averaged feedstock runs of about 63,000 barrels per day in 2006 versus 55,000 barrels per day in 2005.

SUPPLY & TERMINALS

We operate a network of 22 terminals on the East Coast, 11 of which are marine terminals. These terminals provide the company a competitive advantage in the supply of products to our Retail and Energy Marketing businesses. Our terminals were upgraded during 2006 to handle new ultra-low sulfur diesel throughout our system as well as ethanol blending capability in Northeast markets. During the year, we also began providing marine bunker fuels to more than 100 customers ranging from bulk carriers to cruise lines in the New York, Philadelphia, Baltimore, and Norfolk markets.

ENERGY MARKETING

Our Energy Marketing business supplies natural gas, fuel oil and electricity to commercial and industrial customers, as well as natural gas to several large utilities, on the East Coast. The strength of our natural gas and electricity market position continues to grow. In 2006, we successfully completed the acquisition of Select Energy, substantially increasing our natural gas and electricity sales in several key Northeast states.

RETAIL MARKETING

Hess is the leading independent gasoline convenience store marketer on the East Coast with 1,350 HESS branded locations. During 2006, we continued to expand our retail network and for the first time our annual convenience store revenues, excluding petroleum products, exceeded $1 billion. During the year, the company built 14 new HESS EXPRESS locations and added stores to 15 existing locations. Our WilcoHess joint venture added 22 new sites in North Carolina. We plan to continue our growth in key East Coast markets through selective acquisitions and new site development.

Delayed Coking Unit, St. Croix, United States Virgin Islands

CORPORATE AND SOCIAL RESPONSIBILITY

Hess sponsored school in Phu Horm, Thailand

The company is committed to safeguarding the health and safety of our employees, protecting the environment and providing sustainable social and economic benefits to the communities where we operate. We have comprehensive policies and programs to provide guidance and evaluate our performance throughout the company.

In 2006, we achieved our best ever recorded safety performance. Despite the increased level of activity required to execute our strategy of growing reserves and production, we have reduced our injury rate by over 50% since 2000.

Building on our 2005 success in meeting our long-term company-wide targets for reducing air emissions beyond what is legally required, we continued to reduce these emissions in 2006. In addition, we completed a revised reporting methodology and inventory of our greenhouse gases and are developing programs to further mitigate these emissions.

Our partnership with the communities where we operate continued to grow in 2006. In Equatorial Guinea, we developed and initiated a multi-year program, in partnership with the government, to support education in the country. Hess will contribute $20 million of a $40 million program over the next five years to help strengthen the nationwide educational system for children. The project will focus on improving teacher training, developing new learning initiatives and improving school infrastructure. We also provided education, health and community development assistance in Algeria, Azerbaijan, Gabon, Indonesia, Thailand and the United States. In all, the company contributed approximately $6 million during the year in direct benefits in the form of education, health and sanitary improvement projects.

Following the devastating earthquake in Java, Indonesia in 2006, we provided $1 million in critical emergency support which resulted in over 200,000 people receiving clean drinking water and urgent medical care.

Primary School Classroom in Equatorial Guinea

The company continues to support global voluntary initiatives in support of human rights, environmental protection and financial transparency. In 2006, we published our ninth consecutive Environment, Health Safety and Social Responsibility Annual Report which details our commitment and performance in these areas.

HESS CORPORATION

BOARD OF DIRECTORS

John B. Hess [1]
Chairman of the Board
and Chief Executive Officer

Nicholas F. Brady [1] [3] [4]
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Executive Vice President;
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and Refining

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(2) Member of Audit Committee
(3) Member of Compensation and Management Development Committee
(4) Member of Corporate Governance and Nominating Committee

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Chairman of the Board
and Chief Executive Officer

J. Barclay Collins, II
Executive Vice President
and General Counsel

John J. O'Connor
Executive Vice President;
President, Worldwide
Exploration and Production

F. Borden Walker
Executive Vice President;
President, Marketing
and Refining

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S.M. Heck

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H.I. Small

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Treasurer

P.R. Walton

K.B. Wilcox
Controller

J.R. Wilson

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