



# 21Q

TO FIRST  
QUARTILE

E&P'S JOURNEY  
TO FIRST QUARTILE  
2003 - 2007



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In 2002, Hess E&P raised the bar to a new standard and established an ambition to become one of the best-performing companies in its peer group. It would take clear direction and the right mix of people to get the right result - measurable performance in the top 25 percent of companies. The Journey to First Quartile was borne.

In 2005, leadership published its first progress report for employees. Two years later, a second edition provided another snapshot along the journey, which continues today. This special book is a compilation of both publications organized in time sequence.

August 2007

I want to congratulate everyone in E&P for making excellent progress on the journey **To First Quartile**. You should be proud of what you have accomplished in delivering on your commitments.

We have the opportunity now to break into the first quartile of performance among our peers and build long-term, sustainable growth. I'm confident that we have the leadership team and the workforce to make that aspiration a reality.

I urge you to take full advantage of the many opportunities you have at Hess to learn, develop and grow personally and professionally. If we are to continually improve as a company, it is essential that everyone pursues objectives that align with organizational goals, participates in regular performance reviews, and follows a formal development plan.

Thank you for helping make Hess a special place and for your commitment to ensuring an even brighter future.

*J. A. Hess*



August 2007

We first published this defining booklet two years ago before we eliminated “Amerada” from our name, to put the journey **To First Quartile** into perspective. Now is an ideal time to step back and take another snapshot of the progress we are making.

It’s important that each of us understands the big picture: our aspirations, our game plan, and how we are faring. Whether you are new to Hess or a veteran of the Hess team, investing a few minutes to read this booklet will be time well spent.

We have again organized the content into three sections – People, Portfolio and Performance – to reflect the keys to success we identified at the start in 2002. Our focus is on presenting you with facts, not commentary.

We have come a long way in a relatively short period of time. My sense is that, overall, we have earned a place in the second quartile and are making outstanding progress on all measures.

The challenge now is to maintain the positive momentum. Let’s re-commit to our company’s Values and embed the Hess Habits in all that we do. They appropriately set the beliefs and behaviors that will enable us to succeed.

I am proud of what we have achieved and excited about building an even brighter future together.

Thanks for helping propel Hess E&P **To First Quartile** performance!





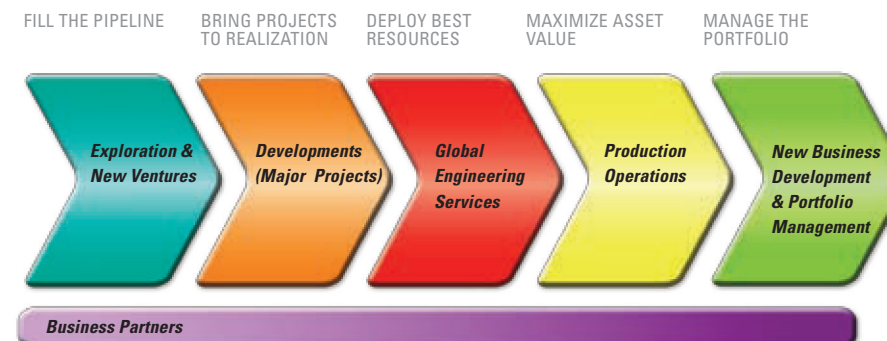
BEGINNING THE JOURNEY  
(2003-2005)

## E&P GOALS & STRATEGY

In 2002, we established a set of over-arching goals and a clear strategy to achieve them. They have not changed since.

- 1 Grow the reserve base by 5% to 8% per year
  - ▶ Through the drill bit (exploration)
  - ▶ Selective acquisitions and trades
  
- 2 Extend the life of the portfolio
  - ▶ Grow production by 3% to 5% per year
  - ▶ Achieve a Reserves to Production (R:P) ratio of 10 by 2009

## E&P VALUE CHAIN



Early in 2005, we realigned our business structure to more closely align with the E&P value chain. We have purposely evolved into a single, global organization so that we optimize E&P overall.

Increasingly, our processes are becoming more global, and collaboration and teamwork between groups and across geographies is becoming more prevalent. We formed four global networks that will soon become effective virtual teams, sharing, planning, and standardizing naturally in the course of conducting business.

The new structure reinforces these behaviors in all that we do.

**E&P VALUE CHAIN**

We have distilled down to a few words the essence of each work group's contribution to the success of overall E&P.

**New Business Development & Portfolio Management**

Acquire resources that add net 400 million barrels of oil equivalent of proved reserves in the next few years, and increase the Reserves to Production Ratio to 10 over time.

**Exploration & New Ventures**

Find high-impact prospects in the best plays, in the best basins around the world.

**Developments (Major Projects)**

Create, win agreement for, and execute development plans that optimize each unique asset.

**Production**

Operate each day at optimal performance to get the most from our assets, safely and in an environmentally sound manner.

**Global Engineering Services\***

Promote the innovative and practical application of engineering technology, and provide an independent viewpoint on reserves, production forecasts and major capex decisions.

**Business Partners**

Enable us to achieve our business goals by leveraging relevant expertise: EHS&S, Finance, Human Resources, IS, Legal, and Supply Chain.

\* Note: This group has since been made part of a global technology organization

## OUR PEOPLE

We have worked diligently over the last several years to create a culture in which our people are empowered and equipped to deliver a challenging E&P strategy.

Every major work group is striving to operate at first quartile in their area of expertise.

### THE E&P LEADERSHIP TEAM (EPLT)

**John Scelfo** is a member of the Hess Leadership Team (HLT) and oversees the company's Treasury activities. He also leads E&P's business planning and strategy initiatives, and oversees its procurement function. Prior to joining Hess in 2003, John spent 20 years with Mobil where he was CFO of various businesses and led integration teams as part of the merger with Exxon. He was also Executive Vice President for Sirius Satellite Radio where he led a major restructuring of the company, and regional CFO in Singapore for Dell Computer. John holds a bachelor's degree in Industrial and Labor Relations, and an MBA, both from Cornell University.

**Clyde Crouch** has more than 30 years of industry experience in the U.S. with Tenneco and Amerada Hess. He has served in a number of production and operations leadership roles since joining the company in 1989, and was appointed to his current position as head of the division's Engineering Services group two years ago. Clyde holds bachelor's and master's degrees in Petroleum Engineering from Marietta College and Louisiana State University, respectively.

*Note: Clyde has since retired from the company.*

**Howard Paver** leads E&P's New Business Development and Portfolio Management. He has 30 years of industry experience and has lived and worked in the UK, US, France, Austria, Africa and the Middle East. Before joining Hess in 2000, he spent most of his career with Mobil and BHP in a variety of engineering, production operations, exploration and business development roles. Howard holds a Chemical Engineering degree from Cambridge University and a master's degree in Petroleum Engineering from Imperial College in London.

**Bob Strode** leads Exploration & New Ventures for E&P. He joined Hess in 2000 to lead U.S. Exploration and Production, and later became head of Production and Development in the Americas and West Africa. Previously, he spent 20 years with ARCO and its various subsidiaries, where he led exploration efforts in the Gulf of Mexico, Alaska, North Africa and N.W. Europe. Bob holds a bachelor's degree in Geophysical Engineering from the Colorado School of Mines.

*Note: Bob has since retired from Hess and Bill Drennen has joined us from ExxonMobil to take on this role.*

(l to r) Mykel Ziolo, VP, Human Resources;  
John Scelfo, SVP, Corporate Planning;  
Clyde Crouch, SVP, Global Engineering Services;  
Keith Hunter, SVP, Developments;  
George Sandison, SVP, Production;  
Bob Strode, SVP, Exploration & New Ventures;  
John O'Connor, President;  
Scott Heck, SVP, Production; and  
Howard Paver, SVP, Business Development and  
Portfolio Management (seated).





## OUR PEOPLE

### THE E&P LEADERSHIP TEAM (EPLT)

In addition to his leadership of Amerada Hess Worldwide E&P, **John O'Connor** serves as an Executive Vice President, a member of the Hess Leadership Team (HLT), and a member of the company's Board of Directors. Prior to joining Hess in 2001, he was President of Worldwide E&P for Texaco and before that CEO of BHP Petroleum in Melbourne, Australia. Earlier in his 35-year plus career in the industry, he held numerous positions of increasing responsibility with Mobil and eventually led part of its worldwide E&P business. John graduated from University College in Dublin, Ireland, with bachelor's and master's degrees in mechanical engineering.

**Scott Heck** co-leads Production Operations for E&P from a base in Houston. His focus is on assets in the Americas and West Africa. He has more than 25 years of industry experience, beginning his career with Tenneco as a production/reservoir engineer, and later joining ARCO as a

senior O/A engineer. Scott has been with Hess for 16 years in reservoir engineering and production in the Gulf of Mexico and West Africa. He holds a bachelor's degree in Petroleum Engineering from Marietta College.

Note: Scott has since taken on a new role as SVP, Technology, and John Simon is now SVP, Production.

**Mykel Ziolo** leads Human Resources (HR) and administration of major offices. He has more than 20 years of experience leading HR functions in the natural resources sector. He was Global Head of HR for Intergen and spent 15 years with BHP. Mykel has lived and worked in Europe, S. America, W. Africa, Asia, Australia and the U.S. He holds a bachelor's degree in Electronics from Melbourne University and post-graduate degrees in Education from Monash University and Business (Organization Development) from Sturt University.

Note: Mykel has since taken on a new role as SVP, Organization Effectiveness & Strategic Staffing, and Geoff Tranfield is now HR VP.

**George Sandison** co-leads Production Operations for E&P from a base in London. His focus is on assets in Europe, Eurasia, North Africa, and S.E. Asia. He has more than 27 years of industry experience, beginning his career as a petroleum engineer in the North Sea for Texaco. He went on to work with Texaco in a variety of management positions in Morgan City, New Orleans, New York, Kuwait and Houston. George joined Hess in 2003 and has led the Drilling, Procurement and Houston-based Production Operations organizations. He holds a Civil Engineering degree from Aberdeen University.

**Keith Hunter** leads E&P's Developments group. He is a 30-year veteran of the oil and gas industry, having managed large capital projects, run production operations, led a technology practice, and served on executive committees. He joined Hess in 2003 from BHP where he led project development and operations in Algeria, Trinidad and deepwater Gulf of Mexico. Previous work experience with BHP, Britoil and Total Oil Marine saw him in project engineer, start-up and commissioning superintendent, and project manager roles in Scotland, Australia, Singapore, Japan and Korea. Keith earned a Mechanical Engineering degree from Glasgow University in Scotland and a master's degree in Engineering from the University of Birmingham in England.

## OUR PEOPLE

We have also taken a number of actions to enhance the workplace, including making work hours more flexible and instituting business casual dress. Performance reviews and personal development plans are now expected of everyone. Communications are more free-flowing and vital. And our total compensation and benefits package remains among the very best in the industry.

We have created unprecedented opportunity for personal and career development. More than 120 employees have been promoted and/or transferred to new jobs over the last year alone, a significant number to different locations or countries. Many others have been asked to take on short-term assignments that are deepening their knowledge and building new skills. This trend will continue, as will the hiring of professionals from outside the company who have complementary skills, experience and perspective we need to bring a number of promising developments on stream in the years ahead.



## OUR PORTFOLIO

We took tough, yet necessary action to infuse our portfolio with longer-lived assets in promising regions of the world, and to decrease our

reliance on more mature areas like the North Sea and shallow water Gulf of Mexico.

The lists below show our portfolio of major assets in 2002 and in 2005. We completely divested some and swapped interests in others to either increase or decrease our stake.

### MAJOR ASSETS 2002

<b>ECA/Juno (N. Sea)</b>	<b>Everest-Lomond (N. Sea)</b>
<b>Gulf Coast—Shelf</b>	<b>Jambi Merang (S.E. Asia)</b>
<b>FFF/Angus (N. Sea)</b>	<b>Halley (N. Sea)</b>
<b>Gulf of Mexico—Coast</b>	<b>Maclure (N. Sea)</b>
<b>Ceiba (Equatorial Guinea)</b>	<b>Schiehallion (N. Sea)</b>
<b>Arbroath Montrose (N. Sea)</b>	<b>N. Dakota</b>
<b>Natuna (S.E. Asia)</b>	<b>Pailin (S.E. Asia)</b>
<b>ACG (Azerbaijan)</b>	<b>Gulf of Mexico—Deepwater</b>
<b>IVRR (N. Sea)</b>	<b>S. Arne (N. Sea)</b>
<b>Scott (N. Sea)</b>	<b>Gabon</b>
<b>GEA (Algeria)</b>	<b>Valhall (Norway)</b>
<b>Colombia</b>	<b>Bacton (N. Sea)</b>
<b>Jabung (S.E. Asia)</b>	<b>Bittern (N. Sea)</b>
<b>Beryl (N. Sea)</b>	<b>Snohvit (Norway)</b>
<b>Snorre (Norway)</b>	
<b>Hudson (N. Sea)</b>	
<b>Permian (W. Texas)</b>	



<b>Name</b>	<i>Asset sold or traded</i>	<b>Name</b>	<i>New Asset</i>
▼	<i>Decreased interest in asset</i>		
▲	<i>Increased interest in asset</i>		

### MAJOR ASSETS 2005

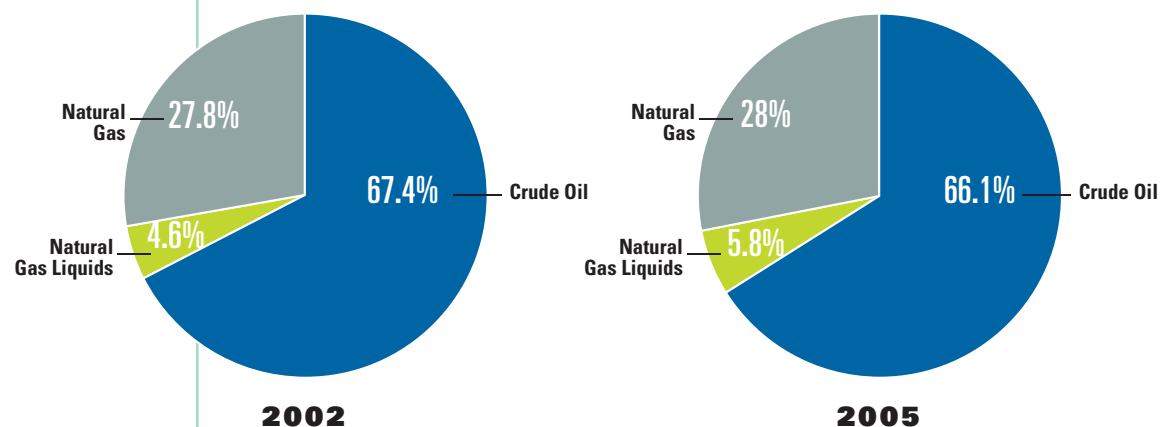
<b>ECA/Juno (N. Sea)</b>	<b>Everest-Lomond (N. Sea)</b>	<b>JDA (Malaysia-Thailand)</b>
<b>Gulf Coast—Shelf</b>	<b>Jambi Merang (S.E. Asia) ▲</b>	<b>Clair (N. Sea)</b>
<b>FFF/Angus (N. Sea)</b>	<b>Halley (N. Sea)</b>	<b>Llano (GoM-Deepwater)</b>
<b>Gulf of Mexico—Coast</b>	<b>Maclure (N. Sea)</b>	<b>Atlantic-Cromarty (N. Sea)</b>
<b>Ceiba (Equatorial Guinea)</b>	<b>Schiehallion (N. Sea)</b>	<b>Samara-Nafta (Russia)</b>
<b>Arbroath Montrose (N. Sea)</b>	<b>N. Dakota</b>	<b>Okume (Equatorial Guinea)</b>
<b>Natuna (S.E. Asia)</b>	<b>Pailin (S.E. Asia)</b>	<b>Phu Horm (Thailand)</b>
<b>ACG (Azerbaijan)</b>	<b>Gulf of Mexico—Deepwater</b>	<b>Pangkah (Indonesia)</b>
<b>IVRR (N. Sea)</b>	<b>S. Arne (N. Sea)</b>	<b>West Med (Egypt)</b>
<b>Scott (N. Sea) ▼</b>	<b>Gabon</b>	
<b>GEA (Algeria)</b>	<b>Valhall (Norway)</b>	
<b>Colombia</b>	<b>Bacton (N. Sea)</b>	
<b>Jabung (S.E. Asia)</b>	<b>Bittern (N. Sea)</b>	
<b>Beryl (N. Sea)</b>	<b>Snohvit (Norway)</b>	
<b>Snorre (Norway)</b>		
<b>Hudson (N. Sea)</b>		
<b>Permian (W. Texas) ▼</b>		

OUR PORTFOLIO

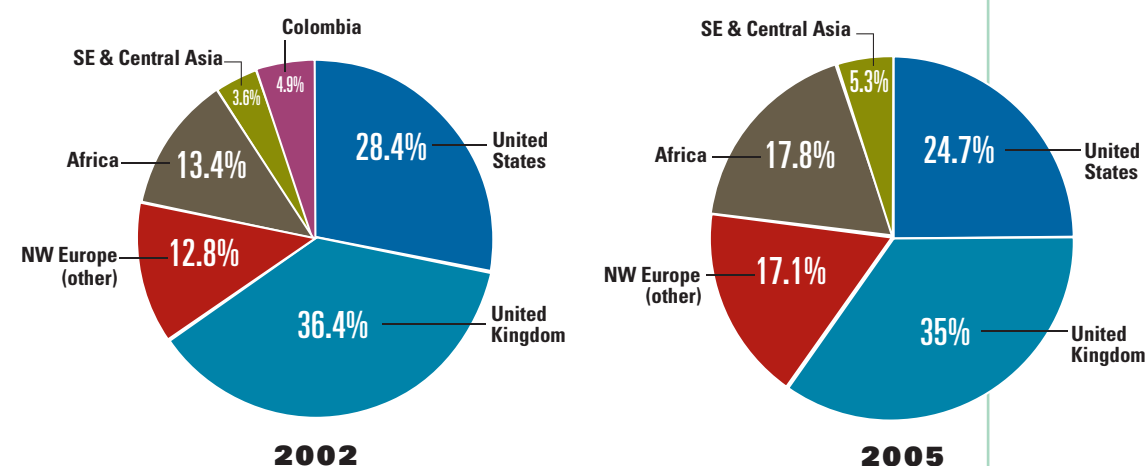
We have maintained a good balance between oil and natural gas to take advantage of these expanding markets. We are growing rapidly in Algeria, Equatorial Guinea,

Norway, Denmark, Indonesia and Thailand, and relying less on traditional areas like the U.S. and the U.K.

PRODUCTION MIX (MBOE)



GEOGRAPHIC SPREAD (MBOE)



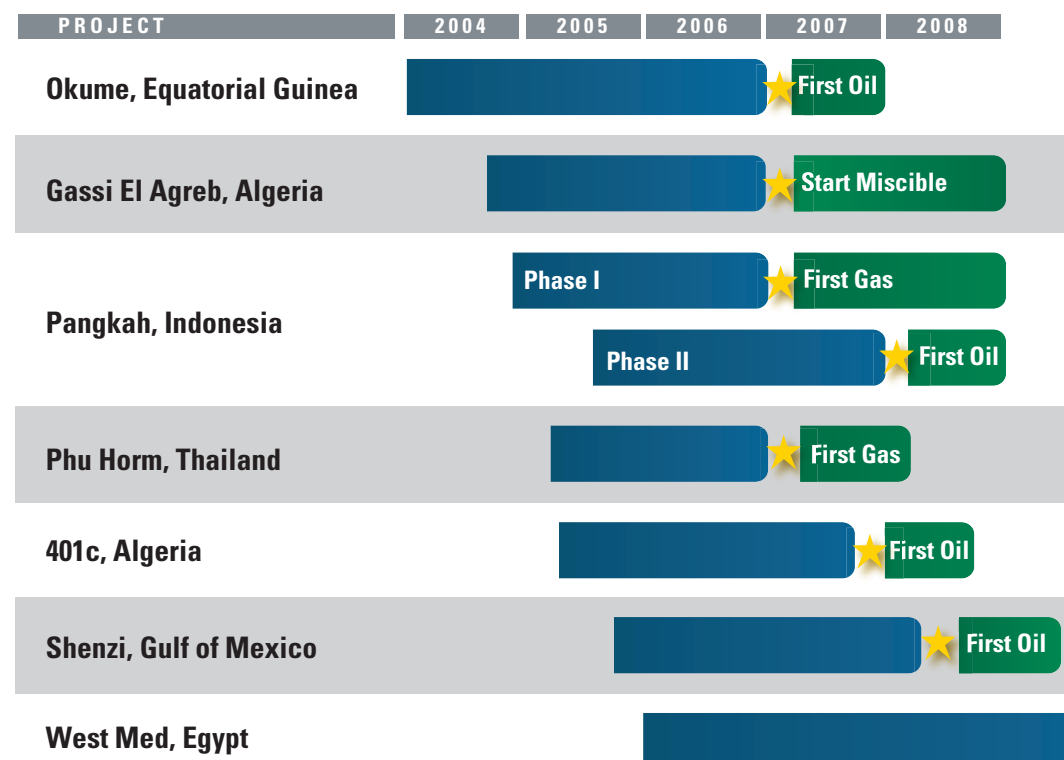
## OUR PIPELINE

Our pipeline has perhaps never been so strong with seven major projects due to come onstream over a three-year period.

Four key regions are represented: West Africa, North Africa, S.E. Asia, and deepwater Gulf of Mexico. Both oil and gas will be produced.

Our Developments group has been instrumental in securing the necessary equipment and expertise to keep these projects on budget and on schedule. This is being done despite operating in an environment where virtually every piece of equipment has been locked-up for long periods of time and at a steep premium.

## MAJOR PROJECTS



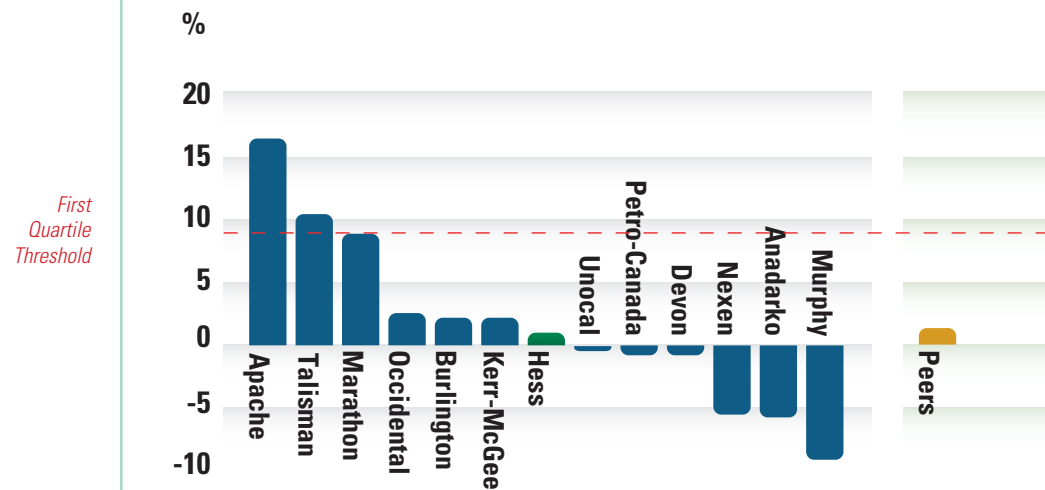
## OUR PERFORMANCE

Several measures can be used to assess our progress to becoming a first-quartile performer. The most appropriate are displayed here using data from publicly

available sources like company annual reports and 10k filings. Overall, Hess has moved up to the third quartile, although individual metrics fall into all four quadrants.

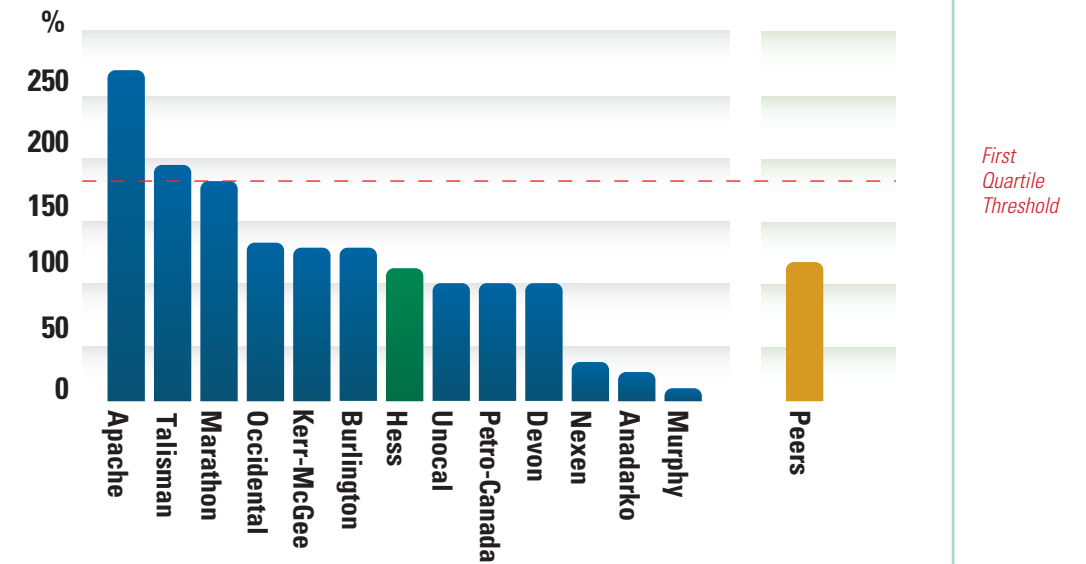
### 2003-04 RESERVE GROWTH

The change in Proven Reserves from 2003 to 2004. The E&P strategy establishes a target of growing reserves 5-8% per year, on average.



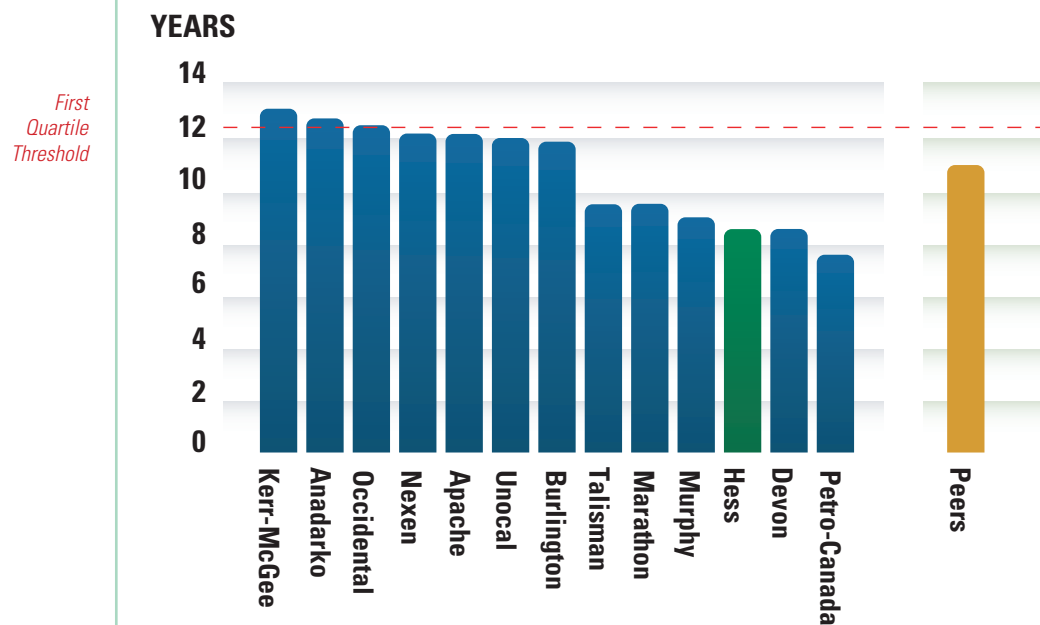
### 2004 RESERVE REPLACEMENT

The net increase in Proved Reserves (Extensions & Discoveries, Revisions, Acquisitions, and Improved Recovery, minus price impact on entitlement reserve in PSC), divided by total barrels produced. 100% Reserve Replacement means that hydrocarbons produced during the year have been replaced, but the overall reserve base has not grown. To grow reserves, Reserve Replacement must be greater than 100%.



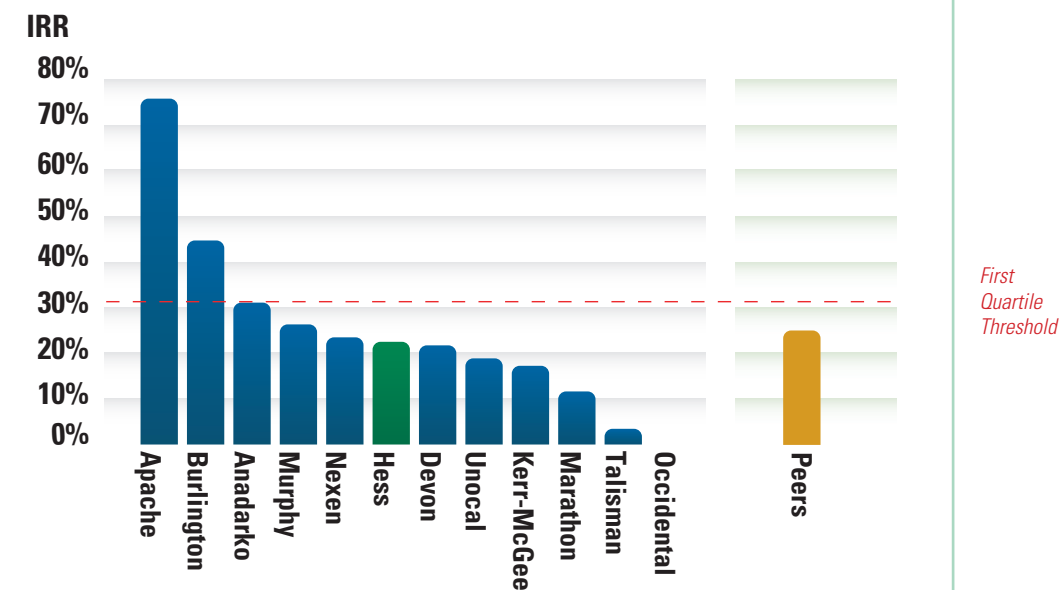
## 2004 RESERVE TO PRODUCTION RATIO (R:P)

This metric is usually calculated at year-end, and equals the total Proven Reserves divided by the volume produced during the year. It reflects the projected life of the portfolio based on the production rate achieved during the year. E&P has a target to achieve an R:P of 10 by year-end 2009.



## 2002-04 EXPLORATION INVESTMENT RETURNS

This is the Internal Rate of Return (IRR) on investment in exploration activity. The higher the number, the better.

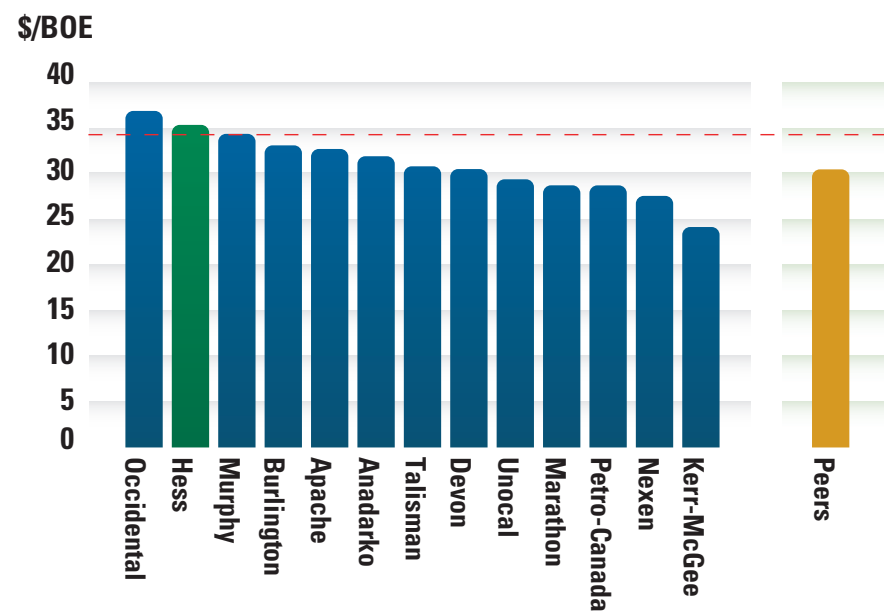


Source: Wood-Mackenzie study of Exploration performance in 70 countries/regions

## 2004 REVENUE

Total E&P Revenue divided by total production volume. (These results do not reflect the impact of hedging.) A high number reflects higher value barrels.

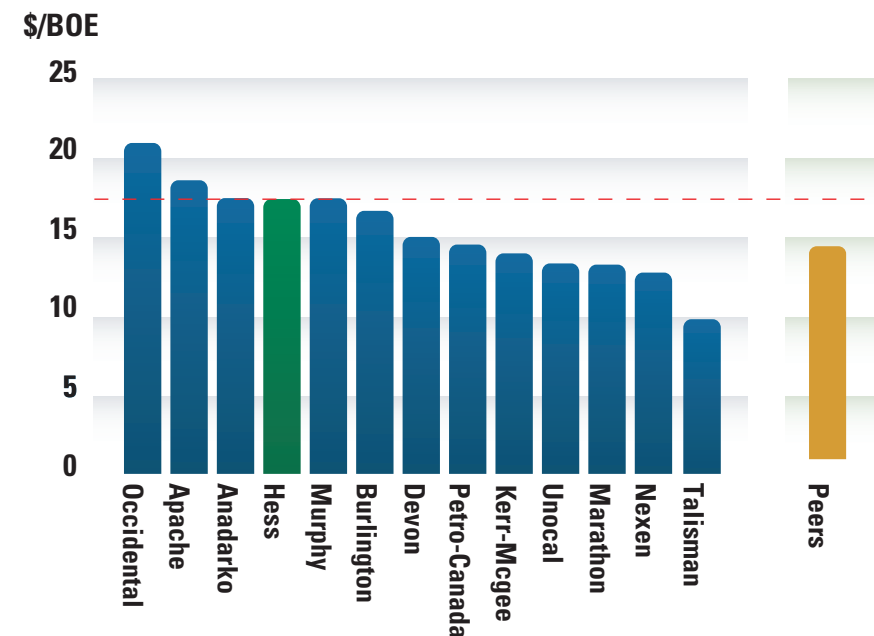
First  
Quartile  
Threshold



## 2004 PRE-TAX MARGINS

Profit margin before income taxes (after DD&A, exploration, G&A, production costs) divided by volume produced. This is a measure of the overall profitability of the E&P business on a unit of production basis. (Does not include the impact of hedging.) A higher value is better.

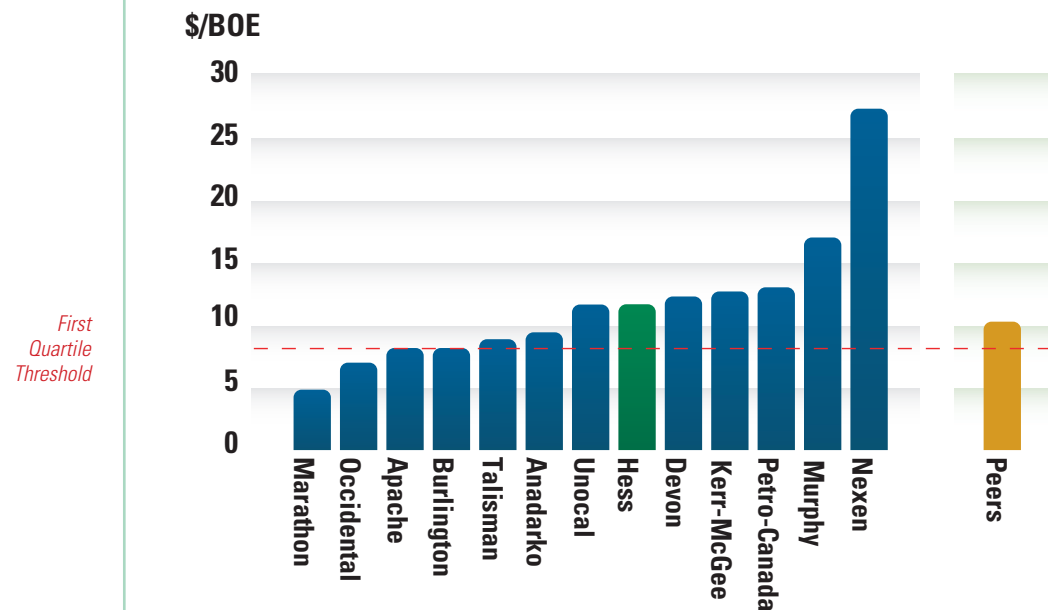
First  
Quartile  
Threshold





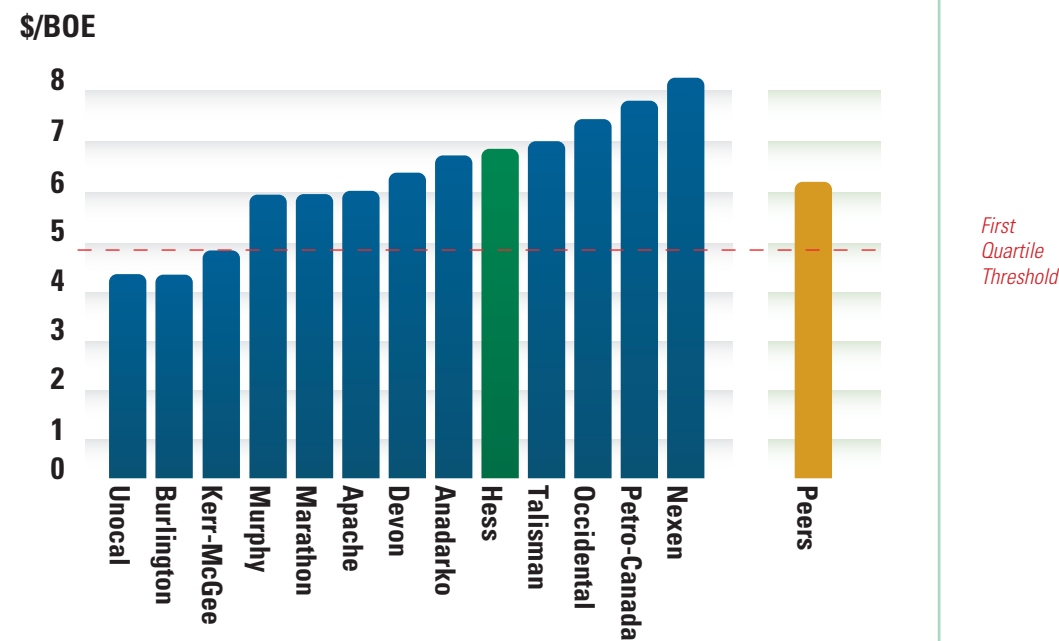
## 2004 REPLACEMENT COSTS

The costs incurred in property acquisition and exploration, plus costs incurred in development activities, divided by proved reserves additions. This is a measure of the cost of securing reserves through exploration, exploitation and acquisition. A lower value is better.



## 2004 PRODUCTION COSTS

The costs incurred to produce hydrocarbons (not capital, not tax) divided by volume produced. This is a measure of the efficiency of production operations on a unit of production basis. A lower number is better.

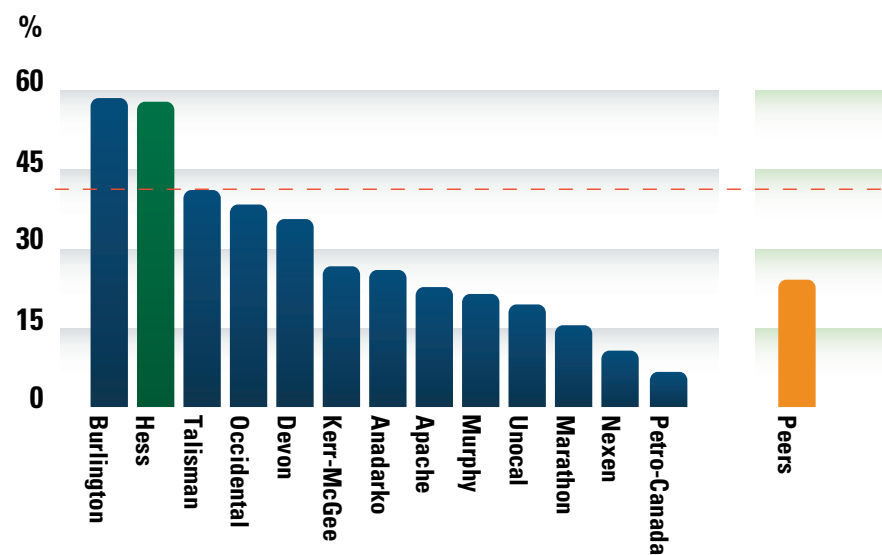


The previous metrics paint a picture of E&P's operating performance by industry standards. The next few charts highlight the ultimate measure of our performance – the value we create for shareholders.

### 2004 TOTAL SHAREHOLDER RETURNS

This reflects the returns realized by shareholders during the calendar year 2004. It includes the change in stock price, plus the impact of reinvested dividends. The higher the number, the greater the return realized by holders of Hess stock.

First Quartile Threshold



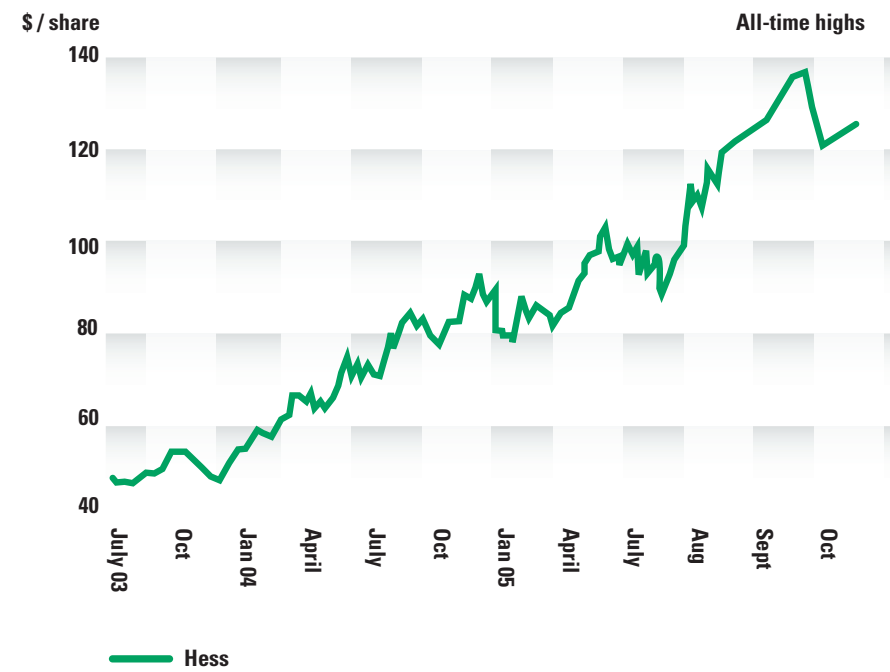
### RELATIVE PRICE/EARNINGS (PE) RATIO

Shows how Hess' Price/Earnings Ratio (a measure of stock valuation) relates to the average P/E of our peer group. A relative P/E Ratio measure of 0% means that Hess' valuation is equal to the average of our Peers, on a P/E basis. A relative P/E Ratio measure greater than 0% means that Hess is valued at a premium, and less than 0% reflects a discount in valuation versus the peer average.



## 2003-05 STOCK PERFORMANCE

This chart shows the closing price of Hess stock through October 2005. Our stock is traded under the ticker symbol "AHC" on the New York Stock Exchange.



DELIVERING ON OUR  
COMMITMENTS  
(2005-2007)

Our overarching goals and strategies have remained unchanged since they were established in 2002.

- 1 Grow the reserve base by 5% to 8% per year
  - ▶ Through the drill bit (exploration)
  - ▶ By making selective acquisitions
- 2 Grow production by 3% to 5% per year
- 3 Achieve a Reserves to Production (R:P) ratio of 10 by 2009

### TO FIRST QUARTILE

Four years ago, the mantra "To First Quartile," or "21Q" for short, was established both as a rallying cry for transformation and a measure of the progress we were making relative to our peers. The Performance section of this booklet will give you an idea of how we stack up on a number of key metrics.

We have assembled a peer group of 11 companies against which we measure ourselves. These peers are in similar lines of business and range from \$15 billion to \$50 billion in size, although there is no other company that truly matches our business mix and global footprint. Since we first published this report in 2005, three companies - Kerr-McGee, Burlington and Unocal - have been removed from the list because they were acquired and no longer exist as independent enterprises. To be first quartile, or in the top 25%, we must outperform at least nine of our peers.

Today, every segment of the Value Chain, every operating unit, and every function is expected to strive for first-quartile performance.



We are assembling a world-class team of professionals in all disciplines within Hess E&P and have made major strides in becoming an “employer of choice.” Our aim is to have the best and brightest join, stay and together build something very special.

The industry’s talent pool has been shrinking for decades with large-scale retirements, a steady decline in the number of U.S.- and U.K.-based university programs, and mid-career changes out of the industry.

As our growth continues to outpace the competition’s, our need for talent is heightened.

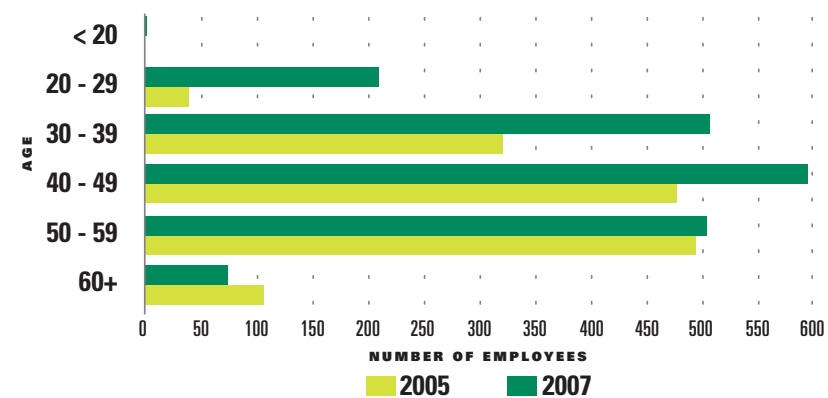
That has spurred us to become aggressive by enticing key knowledge workers to stay on longer and serve as mentors, partnering with the best universities around the world, and winning over mid-career talent from competitors. The approach is working. We have hired several hundred professionals with a broad

range of skills and experiences to enhance our existing capabilities.

Our workforce is getting more diverse - younger, more women, and more local nationals – which bodes well for the future. For example, over the last two years, 28% of all new hires were women. In Southeast Asia, frontline operations at Phu Horm and Pangkah are comprised entirely of Thai and Indonesian staff.

We are also taking action to create a dynamic workplace where our people feel challenged, developed, and rewarded. It’s an important component of what we hope is the most compelling Total Package in the industry.

CHANGING FACE OF HESS E&P



In the last two years, we created development opportunities (new assignments and roles) for more than 600 existing employees, largely the result of a new Talent Management Process; introduced Hess Habits to set expectations of leaders and guide everyone’s actions; upgraded our Performance Management Process with world-class technology; enhanced our Total Pay system with a new special recognition framework; and increased the frequency and quality of communications.

The next few pages highlight some of the many significant milestones our workforce has achieved since 2005 on the journey **To First Quartile**.



**HIGHLIGHTS OF ACHIEVEMENT  
(2005 - 2007)**



**>3 FOR 1 STOCK SPLIT**

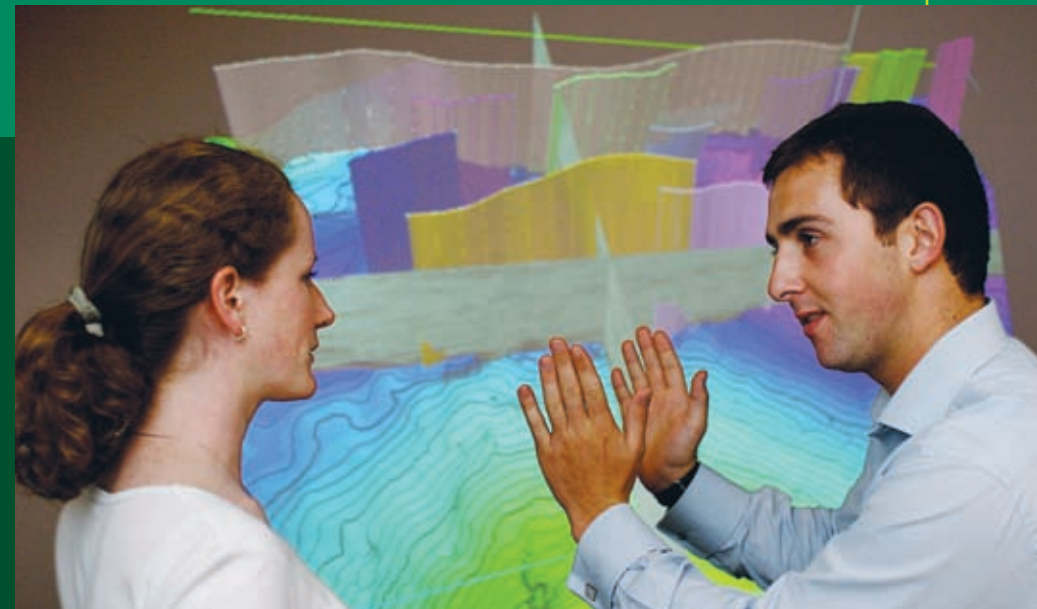
*In May 2006, we changed our name to Hess Corporation and began trading under the ticker symbol HES on the New York Stock Exchange. Employee and external shareholders have enjoyed a 108% appreciation in our stock over the last 28 months.*



**>THE HESS  
TOTAL PACKAGE**

*Several upgrades were recently made to ensure that the Hess experience – work environment, compensation and benefits, learning and development, and leadership – remains the industry's best. A few E&P-wide examples are: renovations at many locations; market-driven compensation adjustments; alignment of personal objectives with business goals; and the introduction of the Hess Habits.*

**WE OFFER THE  
TOTAL PACKAGE**



**>TECHNICAL EXCELLENCE**

*Our functions are now global in scope and newly formed networks facilitate sharing, development, and common standards. And our people are equipped with the best tools and facilities, such as new, state-of-the-art visualization rooms at each major location.*



**>NEW COUNTRY ENTRIES**

*Over the last two years, Hess acquired oil and gas interests in Egypt, Russia, Australia, and Ghana, and re-entered Libya (shown above), making our global footprint even more distinctive from our peers.*



**> DISCOVERIES**

*Pressing the limits of seismic and drilling technology, Pony's wells are the third deepest ever in the Gulf of Mexico.*



**> FIRST OIL & GAS**

*Developments have been consistently converted to producing assets on budget, safely and - in the case of the massive Okume Complex in Equatorial Guinea - ahead of schedule. Phu Horm and Pangkah have helped establish our position as a major gas supplier within Southeast Asia.*



**> SOCIAL RESPONSIBILITY**

*The Houston Employee Activities Club's Habitat For Humanity Weekend is a shining example of how Hess employees make things better in our communities, which includes our \$20 million investment to help the government of Equatorial Guinea revamp the country's secondary school system.*



**> SAFETY EXCELLENCE**

*The personal commitment made by employees like those at South Arne, which recently achieved 500 days without a recordable injury, has made our workplace significantly safer. Okume employees and contractors teamed up to win the 2006 Chairman's Safety Award for Excellence. The focus across E&P is "everyone home safely, every day."*

## OUR PORTFOLIO



**21Q**  
TO FIRST  
QUARTILE

Our producing assets can be found in more than 15 countries, spanning five continents. We produce approximately 370,000 barrels of oil equivalent per day from a portfolio that is increasingly Hess operated.

Within the last year, the Okume Complex (Equatorial Guinea), Sin Phu Horm gas (Thailand), and Pangkah gas (Indonesia) have moved from the development stage into production.





## OUR PORTFOLIO

### DEVELOPMENT PROJECTS

Our pipeline is full of high-impact projects, 10 of which will be brought on stream around the world over the next three years.

PROJECT	2007	2008	2009	2010	2011
Gassi El Agreb Algeria	█				
Snohvit Norway	█				
JDA-Phase 2 Malaysia & Thailand	█				
Pangkajene Oil Indonesia	█				
West Bravo Dome U.S.-Permian	█				
ROZ U.S.-Permian	█				
BMS Algeria	█				
Shenzi U.S. Gulf of Mexico	█				
Jambi Merang Indonesia	█				
Valhall Redevelop UK N. Sea	█				
West Med Egypt	█				
Pony U.S. Gulf of Mexico	█				
Tubular Bells U.S. Gulf of Mexico	█				

ENGINEERING

CONSTRUCTION

Pending Appraisal & Approval

Appraised & Pending Approval

Approved



JDA (Phase 2), Malaysia-Thailand



Jambi Merang, Indonesia



Snohvit, Norway



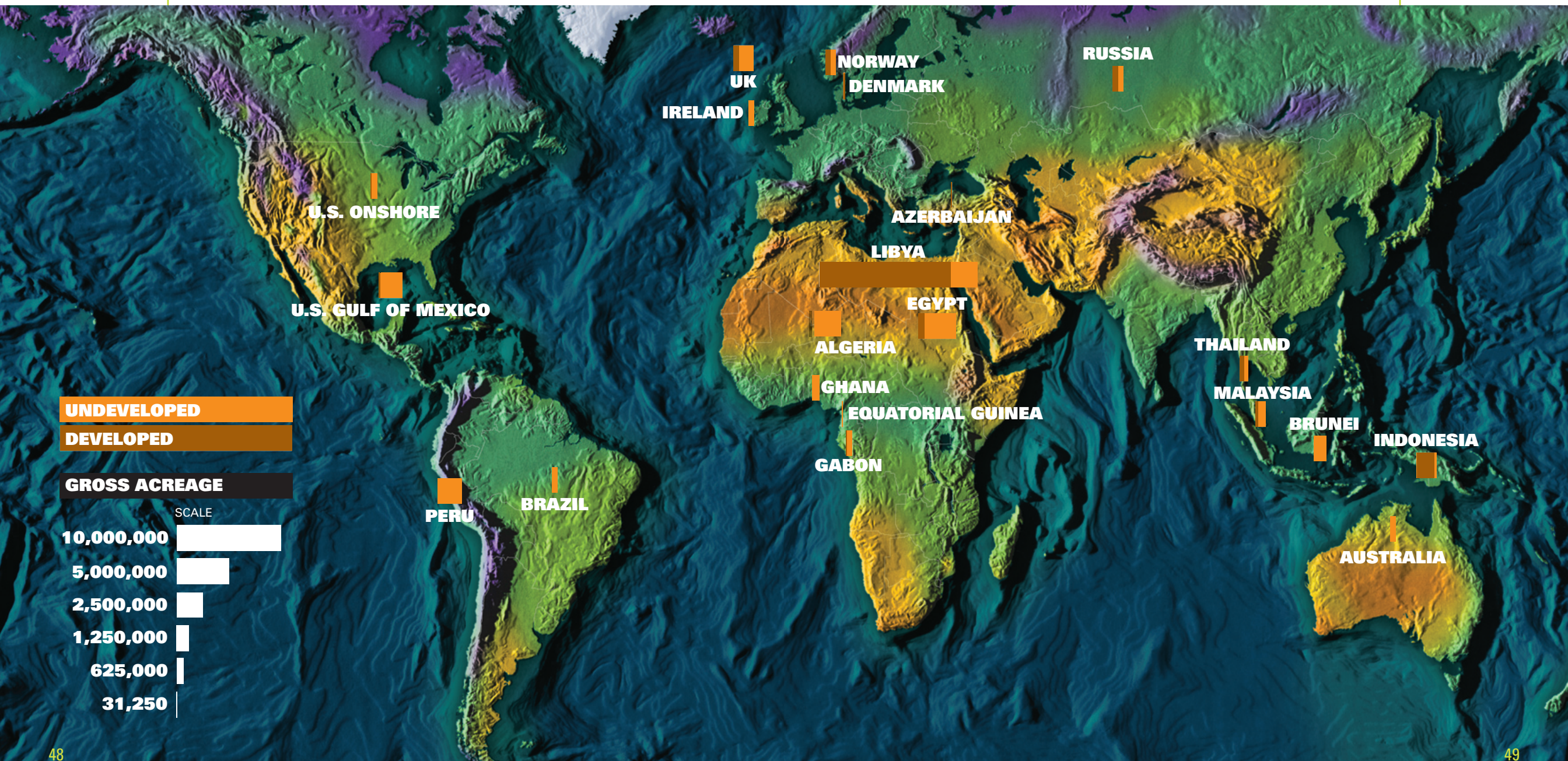
Pony, U.S. Gulf of Mexico

## OUR PORTFOLIO

### ACREAGE UNDER LICENSE

Looking even further into the future, Hess has more than 14 million net acres currently under license. Our exploration strategy is to pursue high-impact prospects by focusing on the best plays in the best basins

around the world. We now have rights to explore a diverse portfolio of opportunities.



Several measures can be used to assess our progress to becoming a first-quartile performer. The most appropriate are displayed here using data from publicly available sources such as company annual reports

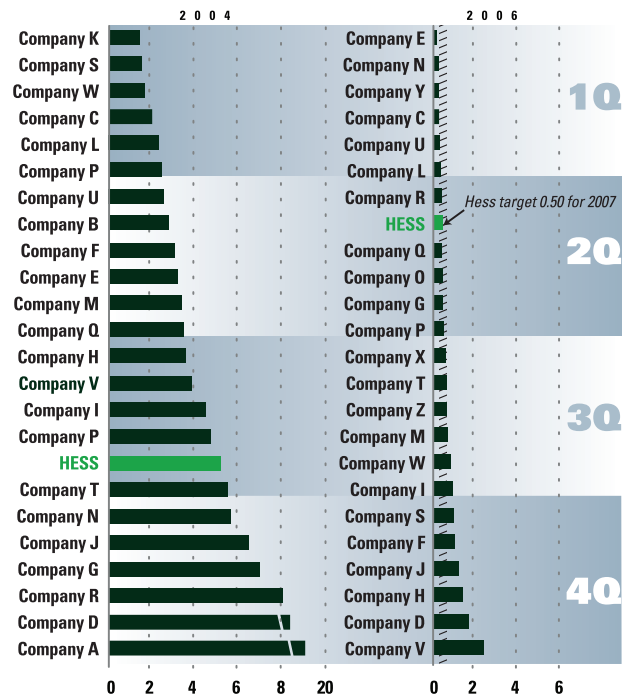
and 10k filings. The first set of charts below highlight how E&P stacks up against peers on safety performance.

**SAFETY**

Every employee is obliged to stop work that is unsafe. Our goal is to have everyone, including our contractor partners, return home safely to family and friends every day. Data are provided anonymously by the International Association of Oil and Gas

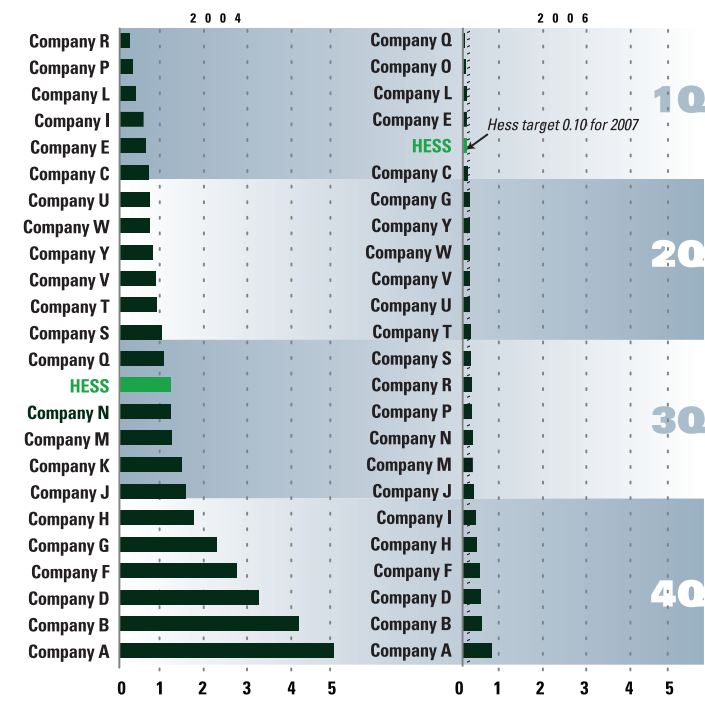
Producers (OGP) for member companies. Hence, the generic "Company A" format. Hess' relative position within the industry is indicated.

**TOTAL RECORDABLE INJURY RATE (TRIR)**



Recordable injuries (i.e., medical, restricted duty, and lost time cases) per 200,000 manhours worked.

**LOST TIME INJURY RATE (LTIR)**



Lost time injuries per 200,000 manhours worked.

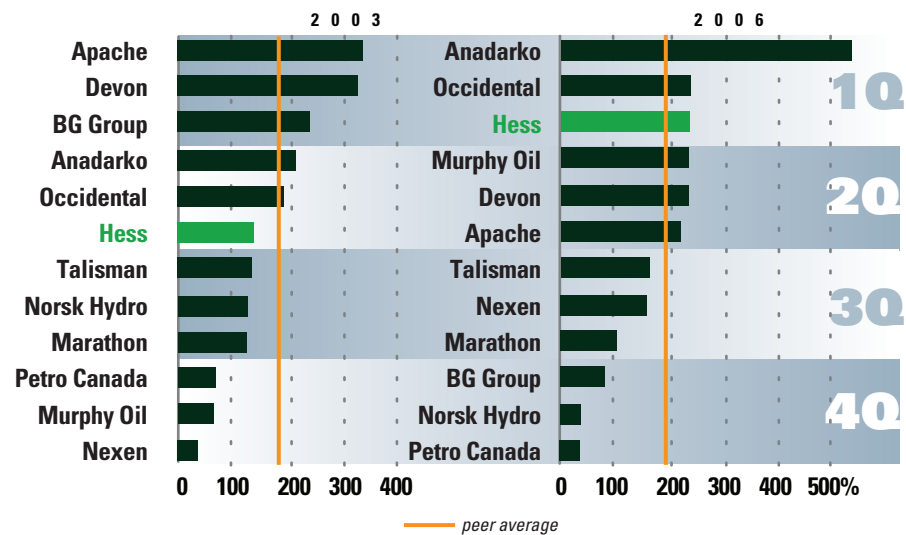
OUR PERFORMANCE



The next several charts highlight E&P's performance versus our peers on key operating metrics. Unless otherwise indicated, each figure includes affiliates and excludes syncrude and hedges.

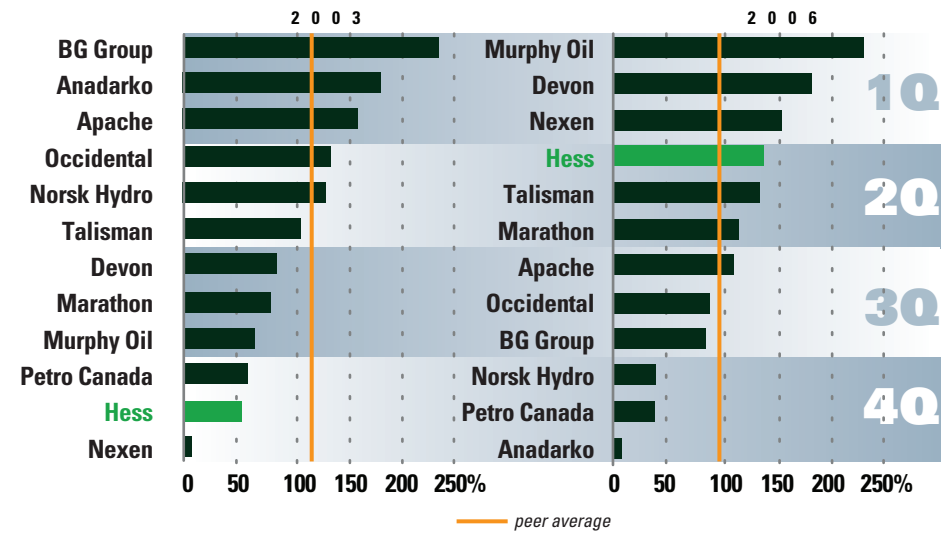
RESERVE REPLACEMENT

The net increase in proved reserves (extensions & discoveries, revisions, acquisitions, and improved recovery, including the price impact on entitlement reserve in PSC), divided by total barrels produced. Full, or 100%, reserve replacement means that hydrocarbons produced during the year have been replaced, but the overall reserves base has not grown. To grow reserves, the figure must be greater than 100%.



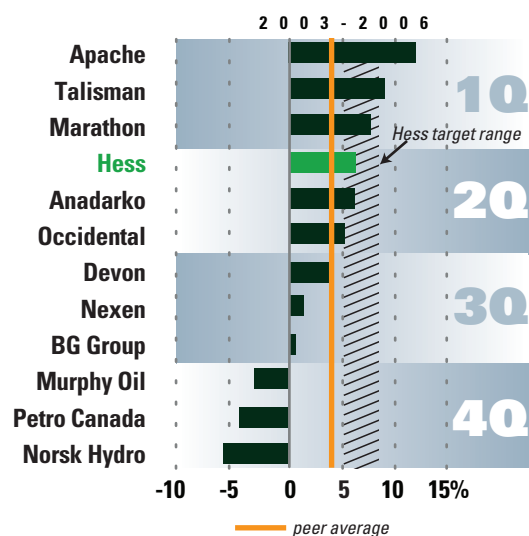
ORGANIC RESERVE REPLACEMENT

The net increase in proved reserves through extensions & discoveries, revisions and improved recovery - not including acquisitions - divided by the total barrels produced. At 100%, all of the company's hydrocarbon reserves were replaced by internal means and not by the acquisition of outside assets.



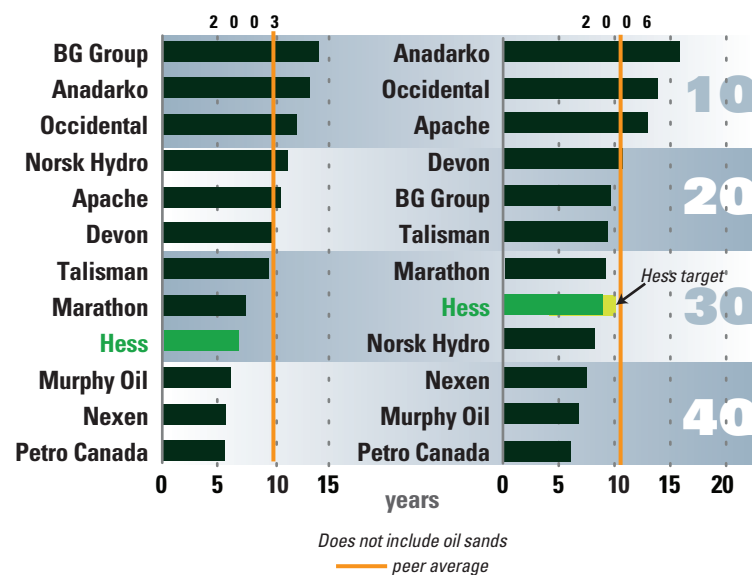
### RESERVE GROWTH (ANNUALIZED)

The change in proven reserves from 2003 to 2006. To ensure a healthy balance of solid returns today and a steady supply for the future, our strategy establishes a target of growing reserves 5% to 8% per year, on average. Being first quartile is not the priority for us on this metric.



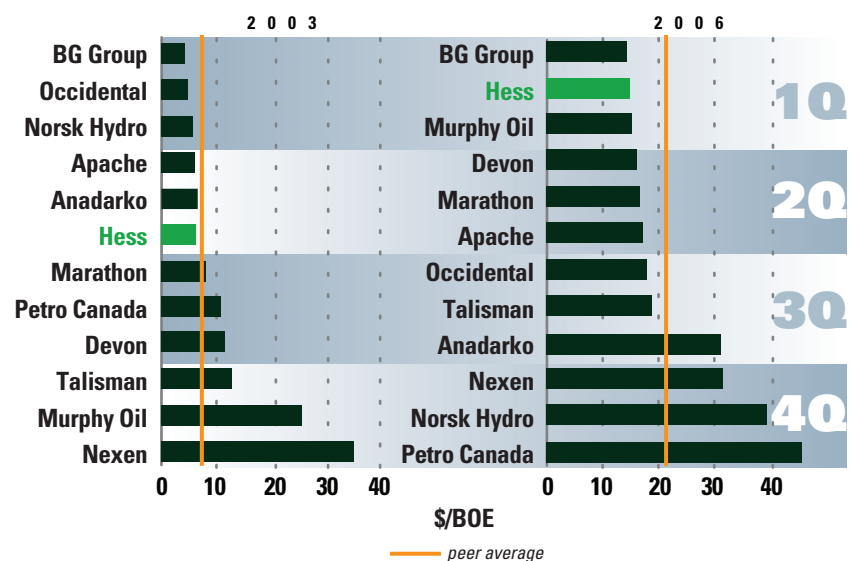
### RESERVE LIFE (RESERVE TO PRODUCTION RATIO)

This metric is calculated at year-end, and equals the total proven reserves divided by the volume produced during the year. It reflects the projected life of the portfolio based on the production rate achieved during the year. E&P has a target to achieve an R:P of 10 by year-end 2009. Being first-quartile is not the priority for us on this metric. Too high or too low a figure could indicate an ability to deliver returns today or in the future.



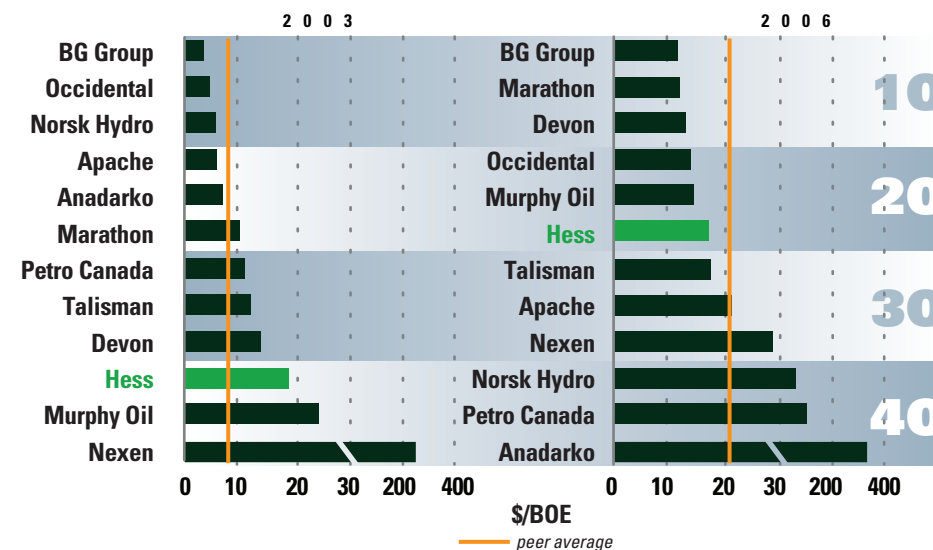
**COST TO REPLACE TOTAL RESERVES (FD&A)**

The costs incurred in property acquisition and exploration, plus costs incurred in development activities, divided by proved reserves additions. This is a measure of the costs of securing reserves through exploration, exploitation and acquisition. A lower number is better.



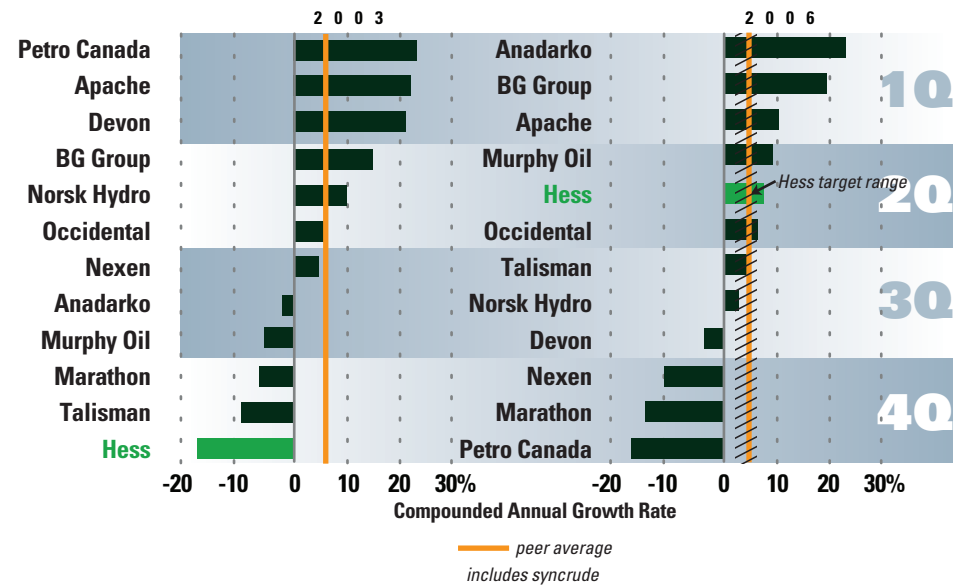
**COST TO REPLACE RESERVES ORGANICALLY (F&D)**

The costs incurred in property acquisition and exploration, plus costs incurred in development activities, divided by proved reserves additions, acquisition costs excluded. This is a measure of the costs of securing reserves through exploration and exploitation. A lower number is better.



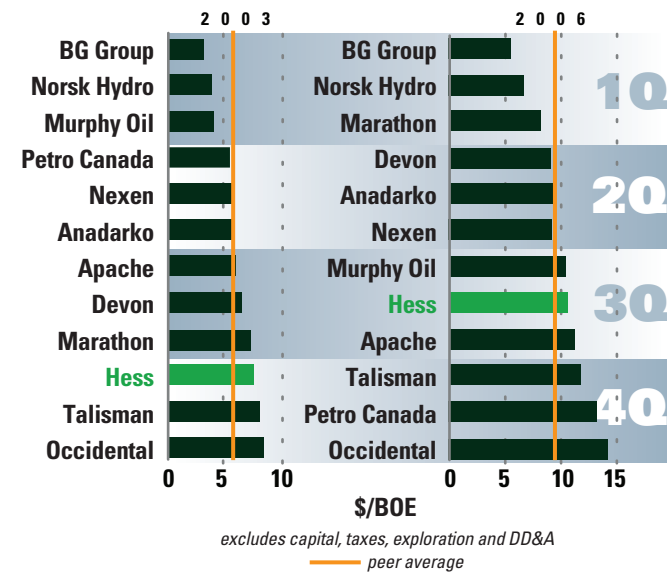
### PRODUCTION GROWTH

The percentage change in production volume from the previous year. In 2003, Hess purposefully cut back production as we continued to shape our portfolio of producing assets to better balance reserves and production and extend reserve life. Our goal is to increase Production by 3% to 5% each year, on average. Being first quartile is not the priority for us on this metric.



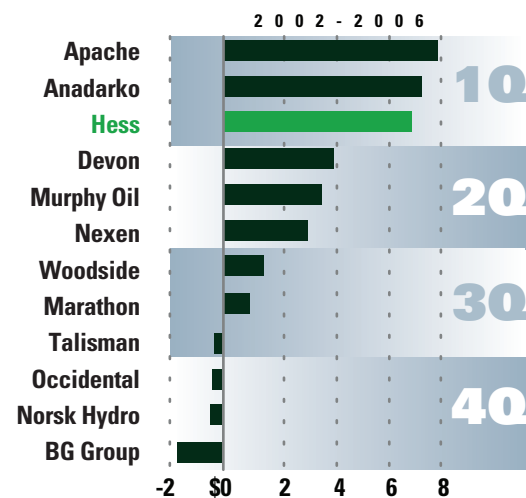
### PRODUCTION COSTS

The cash-based costs incurred to produce hydrocarbons divided by volume produced. This is a measure of the efficiency of production operations on a unit of production basis. A lower number is better.



### VALUE CREATED THROUGH EXPLORATION

This is the value generated through wildcat exploration activity divided by the resources (barrels of oil equivalent) discovered.

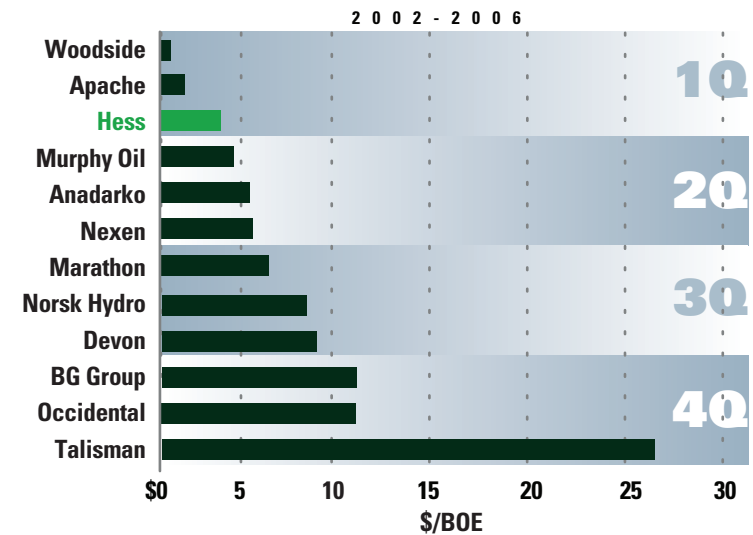


Source: Wood-Mackenzie study of Exploration performance in 70 countries/regions over a 4.5-year period; through first half 2006

Note: Woodside replaces Petro Canada, for which there was no available data.

### FINDING COSTS

This is the cost of wildcat exploration activity divided by the resources (barrels of oil equivalent) discovered. The lower the number the better.



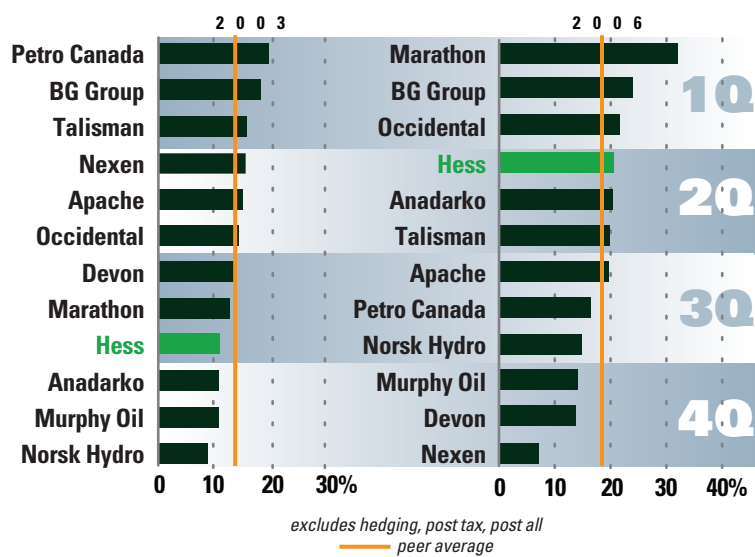
Source: Wood-Mackenzie study of Exploration performance in 70 countries/regions over a 4.5-year period; through first half 2006

Note: Woodside replaces Petro Canada, for which there was no available data.



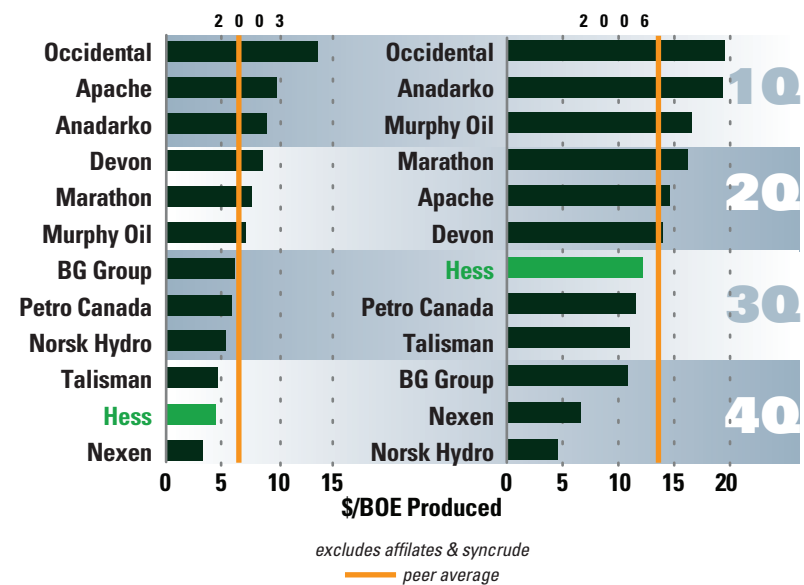
**RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE)**

Corporate net income divided by average annual capital employed. This is a measure of how productive our capital investments have been.



**E&P EARNINGS**

E&P net income divided by total production volume. (These results reflect the impact of hedging.) A high number reflects higher value barrels.

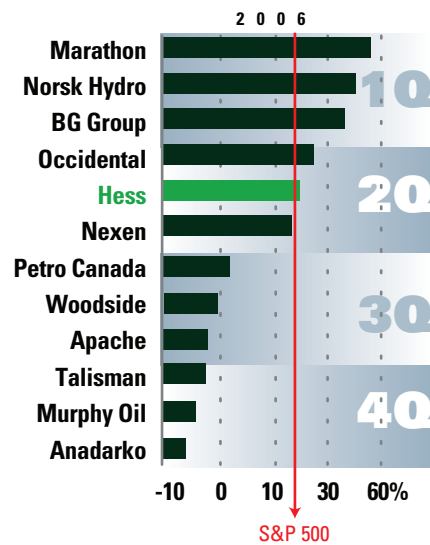


## OUR PERFORMANCE

The charts below indicate how Hess has performed compared to our peers in creating value for shareholders, the ultimate measure for a publicly traded company.

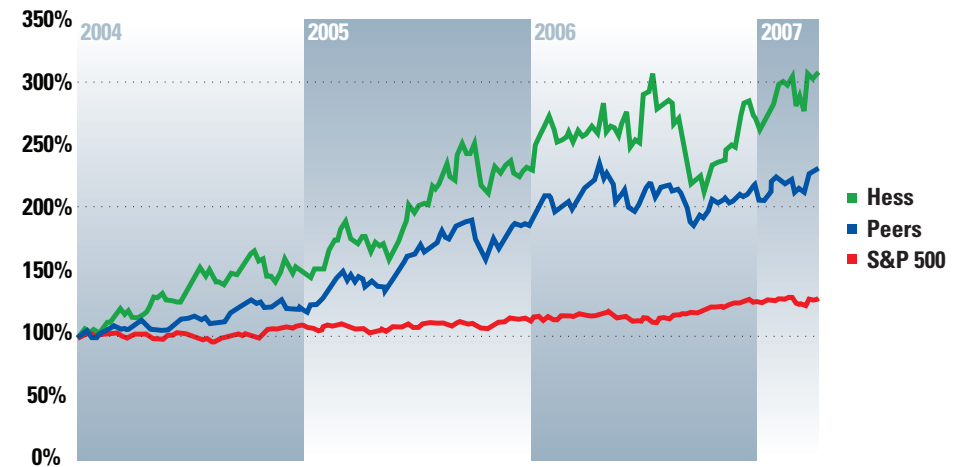
### TOTAL SHAREHOLDER RETURN

This reflects the returns realized by shareholders in 2006. It includes the change in stock price, plus the impact of reinvested dividends. The higher the number, the greater the return realized by holders of Hess stock.



### STOCK PERFORMANCE

This chart shows the appreciation in the price of Hess stock from the beginning of 2004 through the first quarter 2007. Anything less than 100% is a loss, while anything above 100% is a gain. With the name change last year to Hess, our stock is now traded under the ticker symbol "HES" on the New York Stock Exchange.







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