UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2006
or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-1204

Hess Corporation

(Exact name of Registrant as specified in its charter)

DELAWARE *(State or other jurisdiction of incorporation or organization)*	**13-4921002** *(I.R.S. Employer Identification Number)*
1185 AVENUE OF THE AMERICAS, NEW YORK, N.Y. *(Address of principal executive offices)*	**10036** *(Zip Code)*

(Registrant's telephone number, including area code, is (212) 997-8500)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock (par value $1.00)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No ☑

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Large accelerated filer ☑ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☑

The aggregate market value of voting stock held by non-affiliates of the Registrant amounted to $12,765,000,000 as of June 30, 2006.

At December 31, 2006, there were 315,017,951 shares of Common Stock outstanding.

Part III is incorporated by reference from the Proxy Statement for the annual meeting of stockholders to be held on May 2, 2007.

HESS CORPORATION

Form 10-K

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PART I

Items 1 and 2. ***Business and Properties***

Hess Corporation (formerly Amerada Hess Corporation) (the Registrant) is a Delaware corporation, incorporated in 1920. On May 3, 2006, Amerada Hess Corporation changed its name to Hess Corporation. The Registrant and its subsidiaries (collectively referred to as the “Corporation” or “Hess”) is a global integrated energy company that operates in two segments, Exploration and Production (E&P) and Marketing and Refining (M&R). The E&P segment explores for, develops, produces, purchases, transports and sells crude oil and natural gas. These exploration and production activities take place in the United States, United Kingdom, Norway, Denmark, Equatorial Guinea, Algeria, Malaysia, Thailand, Russia, Gabon, Azerbaijan, Indonesia, Libya, Egypt, and other countries. The M&R segment manufactures, purchases, transports, trades and markets refined petroleum products, natural gas and electricity. The Corporation owns 50% of a refinery joint venture in the United States Virgin Islands, and another refining facility, terminals and retail gasoline stations, most of which include convenience stores, located on the East Coast of the United States.

Exploration and Production

The Corporation’s total proved reserves at December 31 were as follows:

	2006	2005
Crude oil and natural gas liquids (millions of barrels)	**832**	692
Natural gas (millions of mcf)	**2,466**	2,406
Total barrels of oil equivalent* (millions of barrels)	**1,243**	1,093

* *Reflects natural gas reserves converted on the basis of relative energy content (six mcf equals one barrel).*

Of the total proved reserves (on a barrel of oil equivalent basis), 14% are located in the United States, 36% are located in Europe (consisting of reserves in the North Sea and Russia), 25% are located in Africa and the remainder are located in Indonesia, Thailand, Malaysia, and Azerbaijan. On a barrel of oil equivalent basis, 40% of the Corporation’s December 31, 2006 worldwide proved reserves are undeveloped (42% in 2005). Proved reserves at December 31, 2006 include 26% and 56%, respectively, of crude oil and natural gas reserves held under production sharing contracts.

Worldwide crude oil and natural gas liquids production amounted to 257,000 barrels per day in 2006 compared with 244,000 barrels per day in 2005. Worldwide natural gas production was 612,000 mcf per day in 2006 compared with 544,000 mcf per day in 2005. On a barrel of oil equivalent basis, production was 359,000 barrels per day in 2006 compared with 335,000 barrels per day in 2005.

Worldwide crude oil, natural gas liquids and natural gas production was as follows:

	2006	2005
Crude oil (thousands of barrels per day)		
United States		
Onshore	**15**	21
Offshore	**21**	23
	36	44
Europe		
United Kingdom	**50**	54
Norway	**22**	26
Denmark	**19**	24
Russia	**18**	6
	109	110

	2006	2005
Africa		
Equatorial Guinea	**28**	30
Algeria	**22**	25
Gabon	**12**	12
Libya	**23**	—
	85	67
Asia and other		
Azerbaijan	**7**	4
Other	**5**	3
	12	7
Total	**242**	228
Natural gas liquids (thousands of barrels per day)		
United States		
Onshore	**7**	8
Offshore	**3**	4
	10	12
Europe		
United Kingdom	**4**	3
Norway	**1**	1
	5	4
Total	**15**	16
Natural gas (thousands of mcf per day)		
United States		
Onshore	**54**	74
Offshore	**56**	63
	110	137
Europe		
United Kingdom	**244**	222
Norway	**22**	28
Denmark	**17**	24
	283	274
Asia and other		
Joint Development Area of Malaysia and Thailand	**131**	51
Thailand	**60**	57
Indonesia	**26**	25
Other	**2**	—
	219	133
Total	**612**	544
Barrels of oil equivalent*	**359**	335

* *Reflects natural gas production converted on the basis of relative energy content (six mcf equals one barrel).*

The Corporation presently estimates that its 2007 barrel of oil equivalent production will be approximately 370,000 to 380,000 barrels per day. The Corporation is developing a number of oil and gas fields and has an inventory of domestic and foreign exploration prospects.

United States

During 2006, 18% of the Corporation's crude oil and natural gas liquids production and 18% of its natural gas production were from United States operations. The Corporation operates mainly offshore in the Gulf of Mexico and onshore in Texas and North Dakota. During 2006, the Corporation completed the sale of its interests in certain producing properties in the Permian Basin in Texas and New Mexico and certain U.S. Gulf Coast oil and gas producing assets. Total net production from assets sold was approximately 8,000 barrels of oil equivalent per day at the time of sale.

In the second quarter of 2006, the Shenzi development (Hess 28%) in the Green Canyon Block area of the deepwater Gulf of Mexico was sanctioned by the operator and first oil is expected in the second half of 2009. Plans for the Shenzi development in 2007 include the drilling of development wells and continued construction of platform components and subsea equipment installation. In February 2007, the Corporation acquired a 28% interest in the Genghis Khan oil and gas development located in the deepwater Gulf of Mexico on Green Canyon Blocks 652 and 608 for $371 million. The Genghis Khan development is part of the same geologic structure as the Shenzi development and first production from this development is expected in the second half of 2007.

In 2006, an exploration well on the Corporation's Pony prospect (Hess 100%) on Green Canyon Block 468 in the deepwater Gulf of Mexico encountered 475 feet of oil saturated sandstone in Miocene age reservoirs. Drilling of an appraisal sidetrack well on the Pony Prospect was completed in January 2007 which encountered 280 feet of oil saturated sandstone in Miocene age reservoirs after penetrating sixty percent of its geological objective. Drilling of the sidetrack well was stopped for mechanical reasons after successfully recovering 450 feet of conventional core. The Corporation is currently drilling an appraisal well about 7,400 feet northwest of the discovery well.

In 2006, on the Tubular Bells prospect (Hess 20%) in the Mississippi Canyon area of the deepwater Gulf of Mexico a successful appraisal well encountered hydrocarbons approximately 5 miles from the initial discovery well. The operator intends to drill two sidetrack wells in 2007 which will further delineate the field.

The Corporation has an interest in the Seminole-San Andres Unit (Hess 34.3%) in the Permian Basin. A residual oil zone development at the Seminole-San Andres Unit is expected to commence in 2007 and it is anticipated that production from this development will begin in 2009. The Corporation intends to use carbon dioxide gas from its interests in the West Bravo Dome and Bravo Dome fields in New Mexico for the enhanced recovery effort in this residual oil zone development.

At December 31, 2006, the Corporation has interests in over 400 exploration blocks in the Gulf of Mexico. The Corporation has 1,525,304 net undeveloped acres in the Gulf of Mexico.

Europe

During 2006, 44% of the Corporation's crude oil and natural gas liquids production and 46% of its natural gas production were from European operations.

United Kingdom: Production of crude oil and natural gas liquids from the United Kingdom North Sea was 54,000 barrels per day in 2006 compared with 57,000 barrels per day in 2005, principally from the Corporation's non-operated interests in the Beryl (Hess 22.2%), Bittern (Hess 28.3%), Schiehallion (Hess 15.7%) and Clair (Hess 9.3%) fields. Natural gas production from the United Kingdom in 2006 was 244,000 mcf of natural gas per day compared with 222,000 mcf per day in 2005, primarily from gas fields in the Easington Catchment Area (Hess 28.8%), as well as Everest (Hess 18.7%), Lomond (Hess 16.7%) and Beryl (Hess 22.2%). In addition, production from the Atlantic (Hess 25%) and Cromarty (Hess 90%) fields commenced in June of 2006 and the fields produced at a combined rate of approximately 95,000 mcf per day net to Hess in the second half of 2006.

In the first half of 2007, the Corporation expects to complete the sale of its interests in the Scott and Telford fields with an effective date of January 1, 2007 for approximately $100 million. The Corporation's share of net production from these fields was 9,000 barrels of oil equivalent per day at the end of 2006.

Norway: Crude oil and natural gas liquids production was 23,000 barrels per day in 2006 and 27,000 barrels per day in 2005. Natural gas production averaged 22,000 mcf per day in 2006 and 28,000 mcf per day in 2005. Substantially all of the Norwegian production is from the Corporation's interest in the Valhall field (Hess 28.1%).

Denmark: Net production from the Corporation's interest in the South Arne field (Hess 57.5%) was 19,000 barrels of crude oil per day in 2006 and 24,000 barrels of crude oil per day in 2005. Natural gas production was 17,000 mcf per day in 2006 and 24,000 mcf per day in 2005.

Russia: The Corporation's activities in Russia are conducted through its 80%-owned interest in a corporate joint venture operating in the Volga-Urals region of Russia. Production averaged 18,000 barrels of crude oil per day in 2006 compared to 6,000 barrels per day in 2005. The Corporation's initial interest in its Russian joint venture was acquired during 2005.

Africa

During 2006, 33% of the Corporation's crude oil and natural gas liquids production was from African operations.

Equatorial Guinea: The Corporation is the operator and owns an interest in Block G (Hess 85%) which contains the Ceiba field and Okume Complex. Net production from the Ceiba field averaged 28,000 barrels of crude oil per day in 2006 and 30,000 barrels per day in 2005. Production of crude oil from the Okume Complex commenced in December 2006. The Corporation estimates that its net share of 2007 production from the Okume Complex will average approximately 20,000 barrels of oil per day. In 2007, the Corporation plans to complete the construction of offshore production facilities and to drill additional development wells at the Okume Complex.

Algeria: The Corporation has a 49% interest in a venture with the Algerian national oil company that is redeveloping three oil fields. The Corporation's share of production averaged 22,000 and 25,000 barrels of crude oil per day in 2006 and 2005, respectively. The Corporation has also submitted a plan of development for a small oil discovery on Block 401C, which is currently awaiting government approval.

Libya: In January 2006, the Corporation, in conjunction with its Oasis Group partners, re-entered its former oil and gas production operations in the Waha concessions in Libya (Hess 8.16%). The re-entry terms included a 25-year extension of the concessions and payments by the Corporation to the Libyan National Oil Corporation of $359 million. The Corporation's net share of 2006 production from Libya averaged 23,000 barrels of oil per day. The Corporation also owns a 100% interest in offshore exploration Area 54.

Gabon: Through its 77.5% owned Gabonese subsidiary, the Corporation has interests in the Rabi Kounga, Toucan and Atora fields. The Corporation's share of production averaged 12,000 barrels of crude oil per day in 2006 and 2005.

Egypt: In January 2006, the Corporation acquired a 55% working interest in the deepwater section of the West Mediterranean Block 1 Concession (the West Med Block) in Egypt for $413 million. The Corporation has a 25-year development lease for the West Med Block, which contains four existing natural gas discoveries and additional exploration opportunities.

Asia and Other

During 2006, 5% of the Corporation's crude oil and natural gas liquids production and 36% of its natural gas production were from Asian operations.

Joint Development Area of Malaysia and Thailand: The Corporation owns an interest in the production sharing agreement covering Block A-18 of the Joint Development Area (JDA) (Hess 50%) in the Gulf of Thailand. Net production averaged 131,000 mcf of natural gas and 2,000 barrels of crude oil per day in 2006 compared to 51,000 mcf of natural gas and 1,000 barrels of crude oil per day in 2005. In 2007, the Corporation's capital investments in the JDA will be primarily focused on facilities expansion and development drilling associated with the additional contracted gas sales of 400,000 mcf per day (gross) in 2008. It is anticipated that production associated with these additional gas sales will begin ramping up in the fourth quarter of 2007.

Thailand: The Corporation has an interest in the Pailin gas field (Hess 15%) offshore Thailand. Net production from the Corporation's interest averaged 60,000 mcf and 57,000 mcf of natural gas per day in 2006 and 2005, respectively. The Corporation is the operator and owns an interest in the onshore natural gas project in the Phu

Horm Block (Hess 35%) which commenced production in November 2006. The Corporation estimates its net share of 2007 production from Phu Horm will average approximately 30,000 mcf of natural gas per day.

Indonesia: The Corporation's net share of natural gas production from Indonesia averaged 26,000 mcf per day in 2006 and 25,000 mcf per day in 2005 primarily from its interest in the Natuna A gas field (Hess 23%). The Ujung Pangkah project (Hess 75%), where the Corporation is the operator, is expected to commence gas sales by mid 2007 under an existing gas sales agreement for 440 million mcf (gross) over a 20 year period with an expected plateau rate of 100,000 mcf per day (gross). The Corporation's plans for Ujung Pangkah in 2007 include drilling additional development wells, the completion of onshore and offshore gas facilities and the commencement of a crude oil development project. The Corporation also owns an interest in the Jambi Merang natural gas project (Hess 25%).

Azerbaijan: The Corporation has an interest in the Azeri-Chirag-Gunashli (ACG) fields (Hess 2.72%) in the Caspian Sea. Net production from its interest averaged 7,000 barrels of crude oil per day in 2006 and 4,000 barrels per day in 2005. Phase 2 production from the ACG fields commenced during 2006. The Corporation also holds an interest in the Baku-Tbilisi-Ceyhan (BTC) Pipeline (Hess 2.36%), which started operation in the second quarter of 2006.

Oil and Gas Reserves

The Corporation's net proved oil and gas reserves at the end of 2006, 2005 and 2004 are presented under Supplementary Oil and Gas Data on pages 80 and 81 in the accompanying financial statements.

During 2006, the Corporation provided oil and gas reserve estimates for 2005 to the United States Department of Energy. Such estimates are compatible with the information furnished to the SEC on Form 10-K for the year ended December 31, 2005, although not necessarily directly comparable due to the requirements of the individual requests. There were no differences in excess of 5%.

The Corporation has no contracts or agreements to sell fixed quantities of its crude oil production. In the United States, natural gas is sold on a spot basis and under contracts for varying periods to local distribution companies, and commercial, industrial and other purchasers. The Corporation's United States natural gas production is expected to approximate 20% of its 2007 sales commitments under long-term contracts. The Corporation attempts to minimize price and supply risks associated with its United States natural gas supply commitments by entering into purchase contracts with third parties having adequate sources of supply, on terms substantially similar to those under its commitments and by leasing storage facilities. In international markets, the Corporation generally sells its natural gas production under long-term sales contracts. In the United Kingdom, the Corporation also sells a portion of its natural gas production on a spot basis.

Average selling prices and average production costs

	2006	2005	2004
Average selling prices (including the effects of hedging) (Note A)			
Crude oil, including condensate and natural gas liquids (per barrel)			
United States	**$ 57.41**	$ 33.86	$ 27.87
Europe	**55.80**	33.30	26.24
Africa	**51.18**	32.10	26.35
Asia and other	**61.52**	54.69	38.36
Worldwide	**54.81**	33.69	26.86
Natural gas (per mcf)			
United States	**$ 6.59**	$ 7.93	$ 5.18
Europe	**6.20**	5.29	3.96
Asia and other	**4.05**	4.02	3.90
Worldwide	**5.50**	5.65	4.31

	2006	2005	2004
Average production (lifting) costs per barrel of oil equivalent produced (Note B)			
United States	**$ 9.54**	$ 7.46	$ 6.42
Europe	**10.73**	8.13	6.35
Africa	**9.03**	7.99	7.72
Asia and other	**6.54**	7.29	6.05
Worldwide	**9.55**	7.91	6.59

Note A: Includes inter-company transfers valued at approximate market prices and the effect of the Corporation's hedging activities.

Note B: Production (lifting) costs consist of amounts incurred to operate and maintain the Corporation's producing oil and gas wells, related equipment and facilities (including lease costs of floating production and storage facilities) and production and severance taxes. Production costs in 2005 exclude Gulf of Mexico hurricane related expenses. The average production costs per barrel of oil equivalent reflect the crude oil equivalent of natural gas production converted based on the basis of relative energy content (six mcf equals one barrel).

The table above does not include costs of finding and developing proved oil and gas reserves, or the costs of related general and administrative expenses, interest expense and income taxes.

Gross and net undeveloped acreage at December 31, 2006

	Undeveloped Acreage (Note A)	
	Gross	Net
	(In thousands)	
United States	2,199	1,672
Europe	2,893	984
Africa	13,527	9,572
Asia and other	16,486	10,016
Total (Note B)	35,105	22,244

Note A: Includes acreage held under production sharing contracts.

Note B: Approximately 5% of net undeveloped acreage held at December 31, 2006 will expire during the next three years.

Gross and net developed acreage and productive wells at December 31, 2006

	Developed Acreage Applicable to Productive Wells		Productive Wells (Note A)			
			Oil		Gas	
	Gross	Net	Gross	Net	Gross	Net
	(In thousands)					
United States	450	385	708	396	74	59
Europe	1,183	587	283	98	163	37
Africa	9,919	958	844	105	3	—
Asia and other	2,185	624	40	3	320	60
Total	13,737	2,554	1,875	602	560	156

Note A: Includes multiple completion wells (wells producing from different formations in the same bore hole) totaling 301 gross wells and 62 net wells.

Number of net exploratory and development wells drilled

	Net Exploratory Wells			Net Development Wells		
	2006	2005	2004	2006	2005	2004
Productive wells						
United States	**1**	–	4	**24**	28	32
Europe	**1**	3	–	**20**	6	5
Africa	**–**	1	1	**17**	12	12
Asia and other	**6**	1	1	**11**	8	2
Total	**8**	5	6	**72**	54	51
Dry holes						
United States	**4**	2	1	**–**	2	–
Europe	**–**	1	1	**–**	–	1
Africa	**–**	1	2	**–**	1	1
Asia and other	**–**	–	1	**–**	–	1
Total	**4**	4	5	**–**	3	3
Total	**12**	9	11	**72**	57	54

Number of wells in process of drilling at December 31, 2006

	Gross Wells	Net Wells
United States	12	7
Europe	13	6
Africa	21	8
Asia and other	19	4
Total	65	25

Number of waterfloods and pressure maintenance projects in process of installation at December 31, 2006 — 2

Marketing and Refining

Refined product sales of the M&R businesses were as follows:

	2006	2005
	(Thousands of barrels per day)	
Gasoline	**218**	213
Distillates	**144**	136
Residuals	**60**	64
Other	**37**	43
Total	**459**	456

Refining: The Corporation owns a 50% interest in HOVENSA L.L.C. (HOVENSA), a refining joint venture in the United States Virgin Islands with a subsidiary of Petroleos de Venezuela S.A. (PDVSA). In addition, it owns and operates a refining facility in Port Reading, New Jersey.

HOVENSA: Refining operations at HOVENSA consist of crude units, a fluid catalytic cracking unit and a delayed coker unit. The following table summarizes capacity and utilization rates for HOVENSA:

	Refinery Capacity (Thousands of barrels per day)	Refinery Utilization 2006	Refinery Utilization 2005
Crude	500	**89.7%**	92.2%
Fluid catalytic cracker	150	**84.3%**	81.9%
Coker	58	**84.3%**	92.8%

The fluid catalytic cracking unit at HOVENSA was shut down for approximately 22 days of unscheduled maintenance in 2006.

The delayed coker unit permits HOVENSA to run lower-cost heavy crude oil. HOVENSA has a long-term supply contract with PDVSA to purchase 115,000 barrels per day of Venezuelan Merey heavy crude oil. PDVSA also supplies 155,000 barrels per day of Venezuelan Mesa medium gravity crude oil to HOVENSA under a long-term crude oil supply contract. The remaining crude oil requirements are purchased mainly under contracts of one year or less from third parties and through spot purchases on the open market. After sales of refined products by HOVENSA to unrelated third parties, the Corporation purchases 50% of HOVENSA's remaining production at market prices.

Port Reading Facility: The Corporation owns and operates a fluid catalytic cracking facility in Port Reading, New Jersey, with a capacity of 65,000 barrels per day. This facility processes residual fuel oil and vacuum gas oil and operated at a rate of approximately 63,000 barrels per day in 2006 and 55,000 barrels per day in 2005. Substantially all of Port Reading's production is gasoline and heating oil.

Marketing: The Corporation markets refined petroleum products on the East Coast of the United States to the motoring public, wholesale distributors, industrial and commercial users, other petroleum companies, governmental agencies and public utilities. It also markets natural gas and electricity to utilities and other industrial and commercial customers. During 2006 and 2005, the Corporation selectively expanded its energy marketing business by acquiring natural gas and electricity customer accounts.

The Corporation has 1,350 HESS® gasoline stations at December 31, 2006, including stations owned by the WilcoHess joint venture (Hess 44%). Approximately 88% of the gasoline stations are operated by the Company or WilcoHess. Of the operated stations, 92% have convenience stores on the sites. Most of the Corporation's gasoline stations are in New York, New Jersey, Pennsylvania, Florida, Massachusetts, North Carolina and South Carolina.

Refined product sales averaged 459,000 barrels per day in 2006 and 456,000 barrels per day in 2005. Of total refined products sold in 2006, approximately 50% was obtained from HOVENSA and Port Reading. The Corporation purchased the balance from others under short-term supply contracts and by spot purchases from various sources.

The Corporation has 22 terminals with an aggregate storage capacity of 22 million barrels in its East Coast marketing areas.

The Corporation has a 50% voting interest in a consolidated partnership that trades energy commodities and derivatives. The Corporation also takes energy commodity and derivative trading positions for its own account.

The Corporation also has a 50% interest in a joint venture, Hess LNG, which is pursuing investments in liquefied natural gas (LNG) terminals and related supply, trading and marketing opportunities. The joint venture is pursuing the development of LNG terminal projects located in Fall River, Massachusetts and Shannon, Ireland.

The Corporation has a wholly-owned subsidiary that provides distributed electricity generating equipment to industrial and commercial customers as an alternative to purchasing electricity from local utilities. The Corporation also has invested in long-term technology to develop fuel cells for electricity generation through a venture with other parties.

Competition and Market Conditions

See Item 1A, Risk Factors Related to Our Business and Operations, for a discussion of competition and market conditions.

Other Items

Compliance with various existing environmental and pollution control regulations imposed by federal, state, local and foreign governments is not expected to have a material adverse effect on the Corporation's earnings and competitive position within the industry. The Corporation spent $15 million in 2006 for environmental remediation. The United States Environmental Protection Agency (EPA) has adopted rules that limit the amount of sulfur in gasoline and diesel fuel. Capital expenditures necessary to comply with the low-sulfur gasoline requirements at Port Reading were $72 million, of which $23 million was spent in 2005 and the remainder was spent in 2006. Capital expenditures to comply with low-sulfur gasoline and diesel fuel requirements at HOVENSA are expected to be approximately $420 million, of which $360 million has been spent to date and the remainder will be spent in 2007. HOVENSA expects to finance these capital expenditures through cash flow from operations.

The number of persons employed by the Corporation at year end was approximately 13,700 in 2006 and 12,800 in 2005.

The Corporation's Internet address is www.hess.com. On its website, the Corporation makes available free of charge its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after the Corporation electronically files with or furnishes such material to the Securities and Exchange Commission. Copies of the Corporation's Code of Business Conduct and Ethics, its Corporate Governance Guidelines and the charters of the Audit Committee, the Compensation and Management Development Committee and the Corporate Governance and Nominating Committee of the Board of Directors are available on the Corporation's website and are also available free of charge upon request to the Secretary of the Corporation at its principal executive offices. 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.

Item 1A. ***Risk Factors Related to Our Business and Operations***

Our business activities and the value of our securities are subject to significant risk factors, including those described below. The risk factors described below could negatively affect our operations, financial condition, liquidity and results of operations, and as a result holders and purchasers of our securities could lose part or all of their investments. It is possible additional risks relating to our securities may be described in a prospectus supplement if we issue securities in the future.

Commodity Price Risk: Our estimated proved reserves, revenue, operating cash flows, operating margins, future earnings and trading operations are highly dependent on the prices of crude oil, natural gas and refined petroleum products, which are influenced by numerous factors beyond our control. Historically these prices have been very volatile. The major foreign oil producing countries, including members of the Organization of Petroleum Exporting Countries (OPEC), exert considerable influence over the supply and price of crude oil and refined petroleum products. Their ability or inability to agree on a common policy on rates of production and other matters has a significant impact on the oil markets. The derivatives markets may also influence the selling prices of crude oil, natural gas and refined petroleum products. A significant downward trend in commodity prices would have a material adverse effect on our revenues, profitability and cash flow and could result in a reduction in the carrying value of our oil and gas assets, goodwill and proved oil and gas reserves. To the extent that we engage in hedging activities to mitigate commodity price volatility, we will not realize the benefit of price increases above the hedged price.

Technical Risk: We own or have access to a finite amount of oil and gas reserves which will be depleted over time. Replacement of oil and gas reserves is subject to successful exploration drilling, development activities, and enhanced recovery programs. Therefore, future oil and gas production is dependent on technical success in finding and developing additional hydrocarbon reserves. Exploration activity involves the interpretation of seismic and other geological and geophysical data, which does not always successfully predict the presence of commercial quantities of hydrocarbons. Drilling risks include adverse unexpected conditions, irregularities in pressure or formations, equipment failure, blowouts and weather interruptions. Future developments may be affected by unforeseen reservoir conditions which negatively affect recovery factors or flow rates. The costs of drilling and development activities have also been increasing, which could negatively affect expected economic returns. Although due diligence is used in evaluating acquired oil and gas properties, similar uncertainties may be encountered in the production of oil and gas on properties acquired from others.

Oil and Gas Reserves and Discounted Future Net Cash Flow Risks: Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues from those reserves. Actual future production, oil and gas prices, revenues, taxes, capital expenditures, operating expenses, geologic success and quantities of recoverable oil and gas reserves may vary substantially from those assumed in the estimates and could materially affect the estimated quantities and future net revenues of our proved reserves. In addition, reserve estimates may be subject to downward or upward revisions based on production performance, purchases or sales of properties, results of future development, prevailing oil and gas prices, production sharing contracts which may decrease reserves as crude oil and natural gas prices increase, and other factors.

Political Risk: Federal, state, local, territorial and foreign laws and regulations relating to tax increases and retroactive tax claims, expropriation of property, cancellation of contract rights, and changes in import regulations, as well as other political developments may affect our operations. For example, during 2006, the governments of the United Kingdom and Algeria increased taxation on our crude oil and natural gas revenues in response to higher crude oil and natural gas prices. Some of the international areas in which we operate may be politically less stable than our domestic operations. In addition, the increasing threat of terrorism around the world poses additional risks to the operations of the oil and gas industry. In our M&R segment, we market motor fuels through lessee-dealers and wholesalers in certain states where legislation prohibits producers or refiners of crude oil from directly engaging in retail marketing of motor fuels. Similar legislation has been periodically proposed in the U.S. Congress and in various other states.

Environmental Risk: Our oil and gas operations, like those of the industry, are subject to environmental hazards such as oil spills, produced water spills, gas leaks and ruptures and discharges of substances or gases that could expose us to substantial liability for pollution or other environmental damage. Our operations are also subject to numerous United States federal, state, local and foreign environmental laws and regulations. Non-compliance with these laws and regulations may subject us to administrative, civil or criminal penalties, remedial clean-ups and natural resource damages or other liabilities. In addition, increasingly stringent environmental regulations, particularly relating to the production of motor and other fuels, has resulted, and will likely continue to result, in higher capital expenditures and operating expenses for us and the oil and gas industry generally.

Competitive Risk: The petroleum industry is highly competitive and very capital intensive. We encounter competition from numerous companies in each of our activities, particularly in acquiring rights to explore for crude oil and natural gas and in the purchasing and marketing of refined products and natural gas. Many competitors, including national oil companies, are larger and have substantially greater resources. We are also in competition with producers and marketers of other forms of energy. Increased competition for worldwide oil and gas assets has significantly increased the cost of acquisitions. In addition, competition for drilling services and equipment has affected the availability of drilling rigs and increased capital and operating costs.

Catastrophic Risk: Although we maintain an appropriate level of insurance coverage against property and casualty losses, our oil and gas operations are subject to unforeseen occurrences which may damage or destroy assets or interrupt operations. Examples of catastrophic risks include hurricanes, fires, explosions and blowouts. These occurrences have affected us from time to time. During 2005, our annual Gulf of Mexico production of crude oil and natural gas was reduced by 7,000 barrels of oil equivalent per day (boepd) due to the impact of Hurricanes Katrina and Rita.

Item 3. ***Legal Proceedings***

Purported class actions consolidated under a complaint captioned: *In re Amerada Hess Securities* Litigation were filed in United States District Court for the District of New Jersey against the Registrant and certain executive officers and former executive officers of the Registrant alleging that these individuals sold shares of the Registrant's common stock in advance of the Registrant's acquisition of Triton Energy Limited (Triton) in 2001 in violation of federal securities laws. In April 2003, the Registrant and the other defendants filed a motion to dismiss for failure to state a claim and failure to plead fraud with particularity. On March 31, 2004, the court granted the defendants' motion to dismiss the complaint. The plaintiffs were granted leave to file an amended complaint. Plaintiffs filed an amended complaint in June 2004. Defendants moved to dismiss the amended complaint. In June 2005, this motion was denied. On January 30, 2007, the District Court issued an order preliminarily approving settlement of this action and providing for notice to members of the class of plaintiffs. While continuing to deny the allegations of the complaint and all charges of wrongdoing or liability arising in connection with the subject matter of the action, the defendants agreed with plaintiffs to settle the action on the terms set forth in the stipulation of settlement in order to avoid the cost, inconvenience and uncertainty of continued protracted litigation. Under the terms of the settlement, defendants have caused to be deposited into an escrow account the sum of $9 million, which after payment of certain administrative expenses and plaintiffs' attorney fees, will be distributed according to a plan of allocation to class members who submit valid and timely proof of claim and release forms. All of the amount deposited was paid by the defendants' insurer. The settlement is subject to final approval of the district court and certain other conditions, including that not more than 5% of shares owned by class members eligible to participate in the settlement elect to opt out of the settlement.

The Registrant, along with many other companies engaged in refining and marketing of gasoline, has been a party to lawsuits and claims related to the use of methyl tertiary butyl ether (MTBE) in gasoline. A series of substantially identical lawsuits, many involving water utilities or governmental entities, were filed in jurisdictions across the United States against producers of MTBE and petroleum refiners who produce gasoline containing MTBE, including the Registrant. These cases have been consolidated in the Southern District of New York and the Registrant is named as a defendant in 43 of the 69 cases pending. The principal allegation in all cases is that gasoline containing MTBE is a defective product and that these parties are strictly liable in proportion to their share of the gasoline market for damage to groundwater resources and are required to take remedial action to ameliorate the alleged effects on the environment of releases of MTBE. In some cases, punitive damages are also sought. In April 2005, the District Court denied the primary legal aspects of the defendants' motion to dismiss these actions. While the damages claimed in these actions are substantial, only limited information is available to evaluate the factual and legal merits of those claims. The Corporation also believes that significant legal uncertainty remains regarding the validity of causes of action asserted and availability of the relief sought by plaintiffs. Accordingly, based on the information currently available, there is insufficient information on which to evaluate the Corporation's exposure in these cases.

Over the last several years, many refiners have entered into consent agreements to resolve the EPA's assertions that refining facilities were modified or expanded without complying with New Source Review regulations that require permits and new emission controls in certain circumstances and other regulations that impose emissions control requirements. These consent agreements, which arise out of an EPA enforcement initiative focusing on petroleum refiners and utilities, have typically imposed substantial civil fines and penalties and required (i) significant capital expenditures to install emissions control equipment over a three to eight year time period and (ii) changes to operations which resulted in increased operating costs. Settlements under Petroleum Refining Initiative consent agreements to date have averaged $335 per barrel per day of refining capacity. However the capital expenditures, penalties and supplemental environmental projects for individual refineries covered by the settlements can vary significantly, depending on the size and configuration of the refinery, the circumstances of the alleged modifications and whether the refinery has previously installed more advanced pollution controls. EPA initially contacted Registrant and HOVENSA L.L.C. (HOVENSA), its 50% owned joint venture with Petroleos de Venezuela, regarding the Petroleum Refinery Initiative in August 2003 and discussions resumed in August 2005. The Registrant and HOVENSA have had and expect to have further discussions with the EPA regarding the Petroleum Refining Initiative, although both the Registrant and HOVENSA have already installed many of the pollution controls required of other refiners under the consent agreements and the EPA has not made any specific assertions that either Registrant or HOVENSA violated either New Source Review or other regulations which would require additional controls. While the effect on the Corporation of the Petroleum Refining Initiative cannot be estimated at this time, additional future capital expenditures and operating expenses may be incurred. The amount of penalties, if any, is not expected to be material to the Corporation.

In December 2006, HOVENSA received a Notice of Violation (NOV) from the EPA alleging non-compliance with emissions limits in a permit issued by the Virgin Islands Department of Planning and Natural Resources (DPNR) for the two process heaters in the delayed coking unit. The NOV was issued in response to a voluntary investigation and submission by HOVENSA regarding potential non-compliance with the permit emissions limits for two pollutants. Any exceedances were minor from the perspective of the amount of pollutants emitted in excess of the limits. HOVENSA intends to work with the appropriate governmental agency to reach resolution of this matter and does not believe that it will result in material liability.

Registrant is one of over 60 companies that have received a directive from the New Jersey Department of Environmental Protection (NJDEP) to remediate contamination in the sediments of the lower Passaic River and NJDEP is also seeking natural resource damages. The directive, insofar as it affects Registrant, relates to alleged releases from a petroleum bulk storage terminal in Newark, New Jersey now owned by the Registrant. EPA has also issued an Administrative Order on Consent relating to the same contamination. While NJDEP has suggested a remedial cost of over $900 million, the costs of remediation of the Passaic River sediments are the subject of a remedial investigation and feasibility study currently being conducted on a portion of the river by the EPA under an agreement with Registrant and over 40 other companies. Thus, remedial costs cannot be reliably estimated at this time. Based on currently known facts and circumstances, the Registrant does not believe that this matter will result in material liability because its terminal could not have contributed contamination along most of the river’s length and did not store or use contaminants which are of the greatest concern in the river sediments, and because there are numerous other parties who will likely share in the cost of remediation and damages.

On or about July 15, 2004, Hess Oil Virgin Islands Corp. (HOVIC), a wholly owned subsidiary of the Registrant, and HOVENSA, in which Registrant owns a 50% interest, each received a letter from the Commissioner of the Virgin Islands Department of Planning and Natural Resources and Natural Resources Trustees, advising of the Trustee’s intention to bring suit against HOVIC and HOVENSA under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). The letter alleges that HOVIC and HOVENSA are potentially responsible for damages to natural resources arising from releases of hazardous substances from the “HOVENSA Oil Refinery.” HOVENSA currently owns and operates a petroleum refinery on the south shore of St. Croix, United States Virgin Islands, which had been operated by HOVIC until October 1998. An action was filed on May 5, 2005 in the District Court of the Virgin Islands against HOVENSA, HOVIC and other companies that operated industrial facilities on the south shore of St. Croix asserting that the defendants are liable under CERCLA and territorial statutory and common law for damages to natural resources. HOVIC and HOVENSA do not believe that this matter will result in a material liability as they believe that they have strong defenses to this complaint, and they intend to vigorously defend this matter.

The Securities and Exchange Commission (SEC) has notified the Registrant that on July 21, 2005, it commenced a private investigation into payments made to the government of Equatorial Guinea or to officials and persons affiliated with officials of the government of Equatorial Guinea. The staff of the SEC has requested documents and information from the Registrant and other oil and gas companies that have operations or interests in Equatorial Guinea. The staff of the SEC had previously been conducting an informal inquiry into such matters. The Registrant has been cooperating and continues to cooperate with the SEC investigation.

Registrant has been served with a complaint from the New York State Department of Environmental Conservation (DEC) relating to alleged violations at its petroleum terminal in Brooklyn, New York. The complaint, which seeks an order to shut down the terminal and penalties in unspecified amounts, alleges violations involving the structural integrity of certain tanks, the erosion of shorelines and bulkheads, petroleum discharges and improper certification of tank repairs. DEC is also seeking relief relating to remediation of certain gasoline stations in the New York metropolitan area. Registrant believes that many of the allegations are factually inaccurate or based on an incorrect interpretation of applicable law. Registrant has already addressed the primary conditions discussed in the complaint. Registrant intends to vigorously contest the complaint, but is involved in settlement discussions with DEC. Any settlement is not expected to be material to the Corporation.

The Registrant periodically receives notices from EPA that it is a “potential responsible party” under the Superfund legislation with respect to various waste disposal sites. Under this legislation, all potentially responsible parties are jointly and severally liable. For certain sites, EPA’s claims or assertions of liability against the Corporation relating to these sites have not been fully developed. With respect to the remaining sites, EPA’s claims have been settled, or a proposed settlement is under consideration, in all cases for amounts that are not material. The ultimate impact of these proceedings, and of any related proceedings by private parties, on the business or accounts of the Corporation cannot be predicted at this time due to the large number of other potentially responsible parties and the speculative nature of clean-up cost estimates, but is not expected to be material.

The Corporation is from time to time involved in other judicial and administrative proceedings, including proceedings relating to other environmental matters. Although the ultimate outcome of these proceedings cannot be ascertained at this time and some of them may be resolved adversely to the Corporation, no such proceeding is required to be disclosed under applicable rules of the Securities and Exchange Commission. In management’s opinion, based upon currently known facts and circumstances, such proceedings in the aggregate will not have a material adverse effect on the financial condition of the Corporation.

Item 4. ***Submission of Matters to a Vote of Security Holders***

During the fourth quarter of 2006, no matter was submitted to a vote of security holders through the solicitation of proxies or otherwise.

Executive Officers of the Registrant

The following table presents information as of February 1, 2007 regarding executive officers of the Registrant:

Name	Age	Office Held*	Year Individual Became an Executive Officer
John B. Hess	52	Chairman of the Board, Chief Executive Officer and Director	1983
J. Barclay Collins II	62	Executive Vice President, General Counsel and Director	1986
John J. O'Connor	60	Executive Vice President, President of Worldwide Exploration and Production and Director	2001
F. Borden Walker	53	Executive Vice President and President of Marketing and Refining and Director	1996
Brian J. Bohling	46	Senior Vice President	2004
E. Clyde Crouch	58	Senior Vice President	2003
John A. Gartman	59	Senior Vice President	1997
Scott Heck	49	Senior Vice President	2005
Lawrence H. Ornstein	55	Senior Vice President	1995
Howard Paver	56	Senior Vice President	2002
John P. Rielly	44	Senior Vice President and Chief Financial Officer	2002
George F. Sandison	50	Senior Vice President	2003
John J. Scelfo	49	Senior Vice President	2004
Robert P. Strode	50	Senior Vice President	2000
Robert J. Vogel	47	Vice President & Treasurer	2004

* *All officers referred to herein hold office in accordance with the By-Laws until the first meeting of the Directors following the annual meeting of stockholders of the Registrant and until their successors shall have been duly chosen and qualified. Each of said officers was elected to the office set forth opposite his name on May 3, 2006. The first meeting of Directors following the next annual meeting of stockholders of the Registrant is scheduled to be held May 2, 2007.*

Except for Messrs. Bohling, Sandison and Scelfo, each of the above officers has been employed by the Registrant or its subsidiaries in various managerial and executive capacities for more than five years. Mr. Bohling was employed in senior human resource positions with American Standard Corporation and CDI Corporation before joining the Registrant in 2004. Mr. Scelfo was chief financial officer of Sirius Satellite Radio and a division of Dell Computer before his employment by the Registrant in 2003. Mr. Sandison served in senior executive positions in the area of global drilling with Texaco, Inc. before he was employed by the Registrant in 2003.

PART II

Item 5. *Market for the Registrant's Common Stock and Related Stockholder Matters*

Stock Market Information

The common stock of Hess Corporation is traded principally on the New York Stock Exchange (ticker symbol: HES). High and low sales prices were as follows:

Quarter Ended*	2006 High	2006 Low	2005 High	2005 Low
March 31	**$ 52.00**	**$ 42.83**	$ 34.65	$ 25.94
June 30	**53.46**	**43.23**	37.39	28.75
September 30	**56.45**	**38.30**	47.50	35.53
December 31	**52.70**	**37.62**	46.33	36.67

* *Prices for all periods reflect the impact of a 3-for-1 stock split on May 31, 2006.*

The high and low sales prices of the Corporation's 7% cumulative mandatory convertible preferred stock (traded on the New York Stock Exchange, ticker symbol: HESPR) were as follows**:

Quarter Ended	2006 High	2006 Low	2005 High	2005 Low
March 31	**$ 130.65**	**$ 111.11**	$ 90.33	$ 70.47
June 30	**133.65**	**109.90**	95.75	74.75
September 30	**140.20**	**98.61**	120.17	91.32
December 31**	**124.94**	**95.00**	117.56	95.33

** *On December 1, 2006, each share of the Corporation's 7% Mandatory Convertible Preferred Stock was converted into 2.4915 shares of its common stock.*

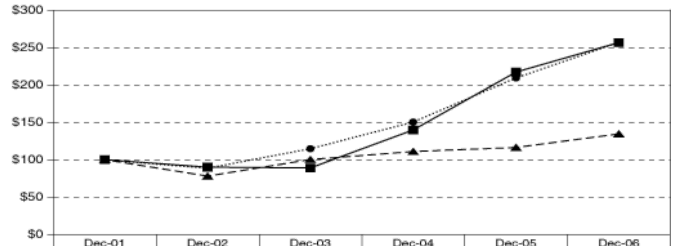
Performance Graph

Set forth below is a line graph comparing the cumulative total shareholder return, assuming reinvestment of dividends, on the Corporation's common stock with the cumulative total return, assuming reinvestment of dividends, of:

- Standard & Poor's 500 Stock Index, which includes the Corporation, and
- AMEX Oil Index, which is comprised of companies involved in various phases of the oil industry including the Corporation.

As of each December 31, over a five-year period commencing on December 31, 2001 and ending on December 31, 2006:

Total Shareholder Returns
(Dividends Reinvested)
Years Ended December 31



	Dec-01	Dec-02	Dec-03	Dec-04	Dec-05	Dec-06
Hess Corporation	100.00	90.00	88.89	139.73	217.14	256.67
S & P 500	100.00	78.03	100.16	110.92	116.28	134.43
Amex Oil Index	100.00	88.60	114.64	150.31	209.31	256.76

As a result of consolidations in the oil and gas industry, the Corporation believes that the peer group it had used previously had too few participants and has selected the AMEX Oil Index, a published industry index that includes the Corporation and 12 additional oil and gas companies, for purposes of the performance graph shown above.

Holders

At December 31, 2006, there were 5,572 stockholders (based on number of holders of record) who owned a total of 315,017,951 shares of common stock.

Dividends

Cash dividends on common stock totaled $.40 per share ($.10 per quarter) during 2006 and 2005 on a split adjusted basis. Dividends on the 7% cumulative mandatory convertible preferred stock totaled $3.21 per share in 2006 prior to conversion on December 1, 2006 and $3.50 per share ($.875 per quarter) in 2005. See note 8, "Long-Term Debt," in the notes to the financial statements for a discussion of restrictions on dividends.

Equity Compensation Plans

Following is information on the Registrant's equity compensation plans at December 31, 2006:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	12,923,000	$ 29.68	11,698,000*
Equity compensation plans not approved by security holders**	—	—	—

* *These securities may be awarded as stock options, restricted stock or other awards permitted under the Registrant's equity compensation plan.*

** *Registrant has a Stock Award Program pursuant to which each non-employee director receives $150,000 in value of Registrant's common stock each year. These awards are made from shares purchased by the Company in the open market. Stockholders did not approve this equity compensation plan.*

See note 9, "Share-Based Compensation," in the notes to the financial statements for further discussion of the Corporation's equity compensation plans.

Item 6. ***Selected Financial Data***

A five-year summary of selected financial data follows:

	2006	2005	2004	2003	2002
	(Millions of dollars, except per share amounts)				
Sales and other operating revenues					
Crude oil and natural gas liquids	**$ 5,307**	$ 3,219	$ 2,594	$ 2,295	$ 2,702
Natural gas (including sales of purchased gas)	**6,826**	6,423	4,638	4,522	3,077
Petroleum and other energy products	**14,411**	11,690	8,125	6,250	4,635
Convenience store sales and other operating revenues	**1,523**	1,415	1,376	1,244	1,137
Total	**$ 28,067**	$ 22,747	$ 16,733	$ 14,311	$ 11,551
Income (loss) from continuing operations	**$ 1,916(a)**	$ 1,242(b)	$ 970(c)	$ 467(d)	$ (245)(e)
Discontinued operations	**—**	—	7	169	27
Cumulative effect of change in accounting principle	**—**	—	—	7	—
Net income (loss)	**$ 1,916**	$ 1,242	$ 977	$ 643	$ (218)
Less preferred stock dividends	**44**	48	48	5	—
Net income (loss) applicable to common shareholders	**$ 1,872**	$ 1,194	$ 929	$ 638	$ (218)
Basic earnings (loss) per share *					
Continuing operations	**$ 6.73**	$ 4.38	$ 3.43	$ 1.74	$ (.93)
Net income (loss)	**6.73**	4.38	3.46	2.40	(.83)
Diluted earnings (loss) per share *					
Continuing operations	**$ 6.07**	$ 3.98	$ 3.17	$ 1.72	$ (.93)
Net income (loss)	**6.07**	3.98	3.19	2.37	(.83)
Total assets	**$ 22,404**	$ 19,115	$ 16,312	$ 13,983	$ 13,262
Total debt	**3,772**	3,785	3,835	3,941	4,992
Stockholders' equity	**8,111**	6,286	5,597	5,340	4,249
Dividends per share of common stock *	**$ .40**	$ .40	$ .40	$ .40	$ .40

* *Per share amounts in all periods reflect the impact of a 3-for-1 stock split on May 31, 2006.*

(a) Includes net after-tax income of $173 million primarily from sales of assets, partially offset by income tax adjustments and accrued leased office closing costs.

(b) Includes after-tax expenses of $37 million primarily relating to income taxes on repatriated earnings, premiums on bond repurchases and hurricane related expenses, partially offset by gains from asset sales and a LIFO inventory liquidation.

(c) Includes net after-tax income of $76 million primarily from sales of assets and income tax adjustments.

(d) Includes net after-tax expenses of $25 million, principally from premiums on bond repurchases and accrued severance and leased office closing costs, partially offset by income tax adjustments and asset sales.

(e) Includes net after-tax expenses aggregating $708 million, principally resulting from asset impairments.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Overview

The Corporation is a global integrated energy company that operates in two segments, Exploration and Production (E&P) and Marketing and Refining (M&R). The E&P segment explores for, develops, produces, purchases, transports and sells crude oil and natural gas. The M&R segment manufactures, purchases, transports, trades and markets refined petroleum products, natural gas and electricity.

Net income in 2006 was $1,916 million compared with $1,242 million in 2005 and $977 million in 2004. Diluted earnings per share were $6.07 in 2006 compared with $3.98 in 2005 and $3.19 in 2004.

Exploration and Production

The Corporation's strategy for the E&P segment is to profitably grow reserves and production in a sustainable and financially disciplined manner. At December 31, 2006 and 2005, the Corporation's total proved reserves were 1,243 million and 1,093 million barrels of oil equivalent. The following table summarizes the components of proved reserves as of December 31:

	2006		2005	
Crude oil and condensate (millions of barrels)				
U.S.	**138**	**17%**	124	18%
International	**694**	**83**	568	82
Total	**832**	**100%**	692	100%
Natural gas (millions of mcf)				
U.S.	**236**	**10%**	282	12%
International	**2,230**	**90**	2,124	88
Total	**2,466**	**100%**	2,406	100%

E&P net income was $1,763 million in 2006, $1,058 million in 2005 and $762 million in 2004. The improved results were primarily driven by higher average crude oil selling prices during the reporting period and lower hedged crude oil volumes in 2006. See further discussion in Comparison of Results on page 24.

Production totaled 359,000 barrels of oil equivalent per day (boepd) in 2006, 335,000 boepd in 2005 and 342,000 boepd in 2004. The Corporation estimates that production will be approximately 370,000 boepd to 380,000 boepd in 2007.

During 2006, the Corporation commenced production from four new field developments:

- The Atlantic (Hess 25%) and Cromarty (Hess 90%) natural gas fields in the United Kingdom came onstream in June 2006 and produced at a combined net rate of approximately 95,000 mcf per day in the second half of the year.
- The Okume Complex development (Hess 85%) in Equatorial Guinea commenced production in December. Additional development activities are planned throughout 2007. The Corporation estimates that its net share of 2007 production will average approximately 20,000 boepd.
- First production from the Phu Horm onshore gas project (Hess 35%) in Thailand commenced in November. The Corporation estimates that its net share of 2007 production will average approximately 30,000 mcf per day.
- Phase 2 production from the ACG fields (Hess 2.7%) in Azerbaijan also commenced during 2006.

The Corporation has several additional development projects that will also increase production in the future:

- Development of the Shenzi field (Hess 28%) in the deepwater Gulf of Mexico was sanctioned and first production is anticipated in the second half of 2009.

- The Genghis Khan field (Hess 28%) was acquired by the Shenzi partners in February 2007. The field is part of the same geologic structure as the Shenzi development and first production is anticipated in the second half of 2007.
- The Ujung Pangkah field (Hess 75%) in Indonesia is scheduled to commence production of natural gas by mid 2007 under an existing gas sales agreement for 440 million mcf (gross) over a 20 year period with an expected plateau rate of 100,000 mcf per day (gross). The Corporation's plans for Ujung Pangkah in 2007 also include drilling additional development wells and the commencement of a crude oil development project.
- Capital investments in the JDA (Hess 50%) will be made during 2007 which will be primarily focused on facilities expansion and development drilling associated with the anticipated commencement of additional contracted gas sales of 400,000 mcf per day (gross) in 2008. It is anticipated that production associated with these additional gas sales will begin ramping up in the fourth quarter of 2007.
- Development of the residual oil zone at the Seminole - San Andres Unit (Hess 34.3%) in the Permian Basin is expected to commence in 2007 and production is anticipated to begin in 2009.

During 2006, the Corporation's exploration program had several successes, particularly in the deepwater Gulf of Mexico:

- An exploration well on the Corporation's Pony prospect on Green Canyon Block 468 (Hess 100%) in the deepwater Gulf of Mexico encountered 475 feet of oil saturated sandstone in Miocene age reservoirs. Drilling of an appraisal sidetrack well on the Pony Prospect was completed in January 2007 which encountered 280 feet of oil saturated sandstone in Miocene age reservoirs after penetrating 60% of its geological objective. Drilling of the sidetrack well was stopped for mechanical reasons after successfully recovering 450 feet of conventional core. The Corporation is currently drilling an appraisal well about 7,400 feet northwest of the discovery well.
- On the Tubular Bells prospect (Hess 20%) in the Mississippi Canyon area of the deepwater Gulf of Mexico a successful appraisal well encountered hydrocarbons approximately 5 miles from the initial discovery well. The operator intends to drill two sidetrack wells in 2007 which will further delineate the field.

In addition, during 2006, the Corporation made the following acquisitions and also disposed of several producing properties:

- In January 2006, the Corporation, in conjunction with its Oasis Group partners, re-entered its former oil and gas production operations in the Waha concessions (Hess 8.16%) in Libya. The re-entry terms include a 25-year extension of the concessions and payments by the Corporation to the Libyan National Oil Corporation of $359 million. The Corporation's net share of 2006 production from Libya averaged 23,000 barrels of oil per day.
- The Corporation acquired a 55% working interest in the deepwater section of the West Mediterranean Block 1 Concession (the West Med Block) in Egypt for $413 million. The Corporation has a 25-year development lease for the West Med Block, which contains four existing natural gas discoveries and additional exploration opportunities.
- During 2006, the Corporation completed the sale of its interests in certain producing properties in the Permian Basin in Texas and New Mexico and certain U.S. Gulf Coast oil and gas producing assets. These asset sales generated total proceeds of $444 million after closing adjustments and an aggregate after-tax gain of $236 million ($369 million before income taxes). Total net production from assets sold was approximately 8,000 boepd at the time of sale.

Marketing and Refining

The Corporation's strategy for the M&R segment is to deliver consistent financial performance and generate free cash flow. M&R net income was $390 million in 2006, $515 million in 2005 and $451 million in 2004. Total Marketing and Refining earnings decreased in 2006 due to lower margins on refined product sales. Refining operations contributed net income of $236 million in 2006, $346 million in 2005 and $302 million in 2004. Profitability in 2006 was adversely affected by lower refined product margins. Refining facilities at the HOVENSA joint venture and at Port Reading performed reliably in 2006 with the exception of 22 days of unplanned downtime at HOVENSA early in the year. The Corporation received cash distributions from HOVENSA totaling $400 million in 2006 and $275 million in 2005.

In 2006, the Corporation's Port Reading facility completed its $72 million program for complying with low-sulfur gasoline requirements. Capital expenditures to comply with low-sulfur gasoline and diesel fuel requirements at HOVENSA are estimated to be approximately $420 million, of which $360 million has been incurred through the end of 2006 with the remainder to be spent in 2007.

Marketing earnings were $108 million in 2006, $136 million in 2005 and $112 million in 2004. During 2006 and 2005, the Corporation selectively expanded its energy marketing business by acquiring natural gas and electricity customer accounts.

Liquidity and Capital and Exploratory Expenditures

Net cash provided by operating activities was $3,491 million in 2006 compared with $1,840 million in 2005. At December 31, 2006, cash and cash equivalents totaled $383 million compared with $315 million at December 31, 2005. Total debt was $3,772 million at December 31, 2006 compared with $3,785 million at December 31, 2005. The Corporation's debt to capitalization ratio at December 31, 2006 was 31.7% compared with 37.6% at the end of 2005. The Corporation has debt maturities of $27 million in 2007 and $28 million in 2008.

Capital and exploratory expenditures were as follows for the years ended December 31:

	2006	2005
	(Millions of dollars)	
Exploration and Production		
United States	**$ 908**	$ 353
International	**2,979**	2,031
Total Exploration and Production	**3,887**	2,384
Marketing, Refining and Corporate	**169**	106
Total Capital and Exploratory Expenditures	**$ 4,056**	$ 2,490
Exploration expenses charged to income included above:		
United States	**$ 110**	$ 89
International	**102**	60
	$ 212	$ 149

The Corporation anticipates $4.0 billion in capital and exploratory expenditures in 2007, of which $3.9 billion relates to E&P operations. These expenditures include $371 million for the acquisition of a 28% interest in the Genghis Khan development in the deepwater Gulf of Mexico.

Consolidated Results of Operations

The after-tax results by major operating activity are summarized below:

	2006	2005	2004
	(Millions of dollars, except per share data)		
Exploration and Production	**$ 1,763**	$ 1,058	$ 755
Marketing and Refining	**390**	515	451
Corporate	**(110)**	(191)	(85)
Interest expense	**(127)**	(140)	(151)
Income from continuing operations	**1,916**	1,242	970
Discontinued operations	**—**	—	7
Net income	**$ 1,916**	$ 1,242	$ 977
Income per share from continuing operations — diluted*	**$ 6.07**	$ 3.98	$ 3.17
Net income per share — diluted*	**$ 6.07**	$ 3.98	$ 3.19

* *Per share amounts in all periods reflect the impact of a 3-for-1 stock split on May 31, 2006.*

In the discussion that follows, the financial effects of certain transactions are disclosed on an after-tax basis. Management reviews segment earnings on an after-tax basis and uses after-tax amounts in its review of variances in segment earnings. Management believes that after-tax amounts are a preferable method of explaining variances in earnings, since they show the entire effect of a transaction rather than only the pre-tax amount. After-tax amounts are determined by applying the appropriate income tax rate in each tax jurisdiction to pre-tax amounts.

The following items of income (expense), on an after-tax basis, are included in net income:

	2006	2005	2004
		(Millions of dollars)	
Exploration and Production			
Gains from asset sales	**$ 236**	$ 41	$ 54
Income tax adjustments	**(45)**	11	19
Accrued office closing costs	**(18)**	—	(9)
Hurricane related costs	**—**	(26)	—
Legal settlement	**—**	11	—
Marketing and Refining			
LIFO inventory liquidation	**—**	32	12
Charge related to customer bankruptcy	**—**	(8)	—
Corporate			
Tax on repatriated earnings	**—**	(72)	—
Premiums on bond repurchases	**—**	(26)	—
Income tax adjustments	**—**	—	13
Insurance accrual	**—**	—	(13)
	$ 173	$ (37)	$ 76

The items in the table above are explained, and the pre-tax amounts are shown, on pages 26 through 29.

Comparison of Results

Exploration and Production

Following is a summarized income statement of the Corporation's Exploration and Production operations:

	2006	2005	2004
		(Millions of dollars)	
Sales and other operating revenues	**$ 6,524**	$ 4,210	$ 3,416
Non-operating income	**428**	94	90
Total revenues	**6,952**	4,304	3,506
Costs and expenses			
Production expenses, including related taxes	**1,250**	1,007	825
Exploration expenses, including dry holes and lease impairment	**552**	397	287
General, administrative and other expenses	**209**	140	150
Depreciation, depletion and amortization	**1,159**	965	918
Total costs and expenses	**3,170**	2,509	2,180
Results of operations from continuing operations before income taxes	**3,782**	1,795	1,326
Provision for income taxes	**2,019**	737	571
Results from continuing operations	**1,763**	1,058	755
Discontinued operations	**—**	—	7
Results of operations	**$ 1,763**	$ 1,058	$ 762

After considering the Exploration and Production items in the table on page 23, the remaining changes in Exploration and Production earnings are primarily attributable to changes in selling prices, production volumes, operating costs, exploration expenses and income taxes, as discussed below.

Selling prices: Higher average crude oil selling prices and reduced hedge positions increased Exploration and Production revenues by approximately $1,900 million in 2006 compared with 2005. In 2005, the change in average selling prices increased revenues by approximately $870 million compared with 2004.

The Corporation's average selling prices were as follows:

	2006	2005	2004
Crude oil-per barrel (including hedging)			
United States	**$ 60.45**	$ 32.64	$ 27.42
Europe	**56.19**	33.13	26.18
Africa	**51.18**	32.10	26.35
Asia and other	**61.52**	54.71	38.36
Worldwide	**55.31**	33.38	26.70
Crude oil-per barrel (excluding hedging)			
United States	**$ 60.45**	$ 51.16	$ 38.56
Europe	**58.46**	52.22	37.57
Africa	**62.80**	51.70	37.07
Asia and other	**61.52**	54.71	38.36
Worldwide	**60.41**	51.94	37.64

	2006	2005	2004
Natural gas liquids-per barrel			
United States	**$ 46.22**	$ 38.50	$ 29.50
Europe	**47.30**	37.13	27.44
Worldwide	**46.59**	38.08	28.81
Natural gas-per mcf			
United States	**$ 6.59**	$ 7.93	$ 5.18
Europe	**6.20**	5.29	3.96
Asia and other	**4.05**	4.02	3.90
Worldwide	**5.50**	5.65	4.31

The after-tax impacts of hedging reduced earnings by $285 million ($449 million before income taxes) in 2006, $989 million ($1,582 million before income taxes) in 2005 and $583 million ($935 million before income taxes) in 2004.

Production and sales volumes: The Corporation's crude oil and natural gas production was 359,000 boepd in 2006, 335,000 boepd in 2005 and 342,000 boepd in 2004. The Corporation anticipates that its 2007 production will average between 370,000 and 380,000 boepd. The Corporation's net daily worldwide production was as follows:

	2006	2005	2004
Crude oil (thousands of barrels per day)			
United States	**36**	44	44
Europe	**109**	110	119
Africa	**85**	67	61
Asia and other	**12**	7	4
Total	**242**	228	228
Natural gas liquids (thousands of barrels per day)			
United States	**10**	12	12
Europe	**5**	4	6
Total	**15**	16	18
Natural gas (thousands of mcf per day)			
United States	**110**	137	171
Europe	**283**	274	319
Asia and other	**219**	133	85
Total	**612**	544	575
Barrels of oil equivalent* (thousands of barrels per day)	**359**	335	342

* *Reflects natural gas production converted on the basis of relative energy content (six mcf equals one barrel).*

Crude oil and natural gas production in the United States was lower in 2006 due to asset sales and natural decline. Production in Europe was comparable in 2006 and 2005, reflecting increased production from Russia and new production from the Atlantic and Cromarty natural gas fields in the United Kingdom, which offset lower production due to maintenance and natural decline. Increased crude oil production in Africa in 2006 was primarily due to production from Libya. Natural gas production in Asia was higher in 2006 due to increased production from the JDA.

Higher sales volumes increased revenue by approximately $400 million in 2006 compared with 2005. Decreased sales volumes resulted in lower revenue of approximately $80 million in 2005 compared with 2004.

Operating costs and depreciation, depletion and amortization: Cash operating costs, consisting of production expenses and general and administrative expenses, increased by $322 million in 2006 and $147 million in 2005 compared with the corresponding amounts in prior years, excluding the charges for vacated leased office space and hurricane related costs discussed below. Production expenses increased in 2006 and 2005, principally reflecting higher maintenance expenses, increased costs of services, materials and fuel and higher production taxes resulting from higher oil prices. Production expenses also increased in 2006 due to the re-entry into Libya and continued expansion of operations in Russia and the JDA. Depreciation, depletion and amortization charges were higher in 2006, principally reflecting increased production volumes and higher per barrel rates, due to new production from the Atlantic and Cromarty fields and higher asset retirement obligations. Depreciation, depletion and amortization charges were higher in 2005 versus 2004, principally due to higher per barrel rates.

Cash operating costs per barrel of oil equivalent were $10.92 in 2006, $9.07 in 2005 and $7.67 in 2004. Cash operating costs for 2007 are estimated to be in the range of $12.00 to $13.00 per barrel, reflecting industry-wide cost increases and the timing of achieving peak production from new fields. Depreciation, depletion and amortization costs per barrel of oil equivalent were $8.85 in 2006, $7.88 in 2005 and $7.34 in 2004. Depreciation, depletion and related costs for 2007 are expected to be in the range of $10.00 to $11.00 per barrel. The anticipated increase is due to new fields, including the Okume Complex, which has allocated acquisition cost in its depreciable base.

Exploration expenses: Exploration expenses were higher in 2006, primarily reflecting higher dry hole costs. Exploration expenses were higher in 2005 compared with 2004 as a result of increased drilling and seismic activity.

Income Taxes: The effective income tax rate for Exploration and Production operations was 53% in 2006, 41% in 2005 and 43% in 2004. After considering the items in the table below, the effective income tax rates were 54% in 2006, 42% in 2005 and 46% in 2004. The increase in the 2006 effective income tax rate was primarily due to taxes on Libyan operations and the increase in the supplementary tax on petroleum operations in the United Kingdom from 10% to 20%. During 2006, the Algerian government amended its hydrocarbon tax laws effective August 1, 2006 and the Corporation recorded a net charge of $6 million for the estimated impact of the tax. The effective income tax rate for E&P operations in 2007 is expected to be in the range of 52% to 56%.

Other: After-tax foreign currency gains were $10 million ($21 million before income taxes) in 2006, $20 million ($3 million loss before income taxes) in 2005, and $6 million ($29 million before income taxes) in 2004.

Reported Exploration and Production earnings include the following items of income (expense) before and after income taxes:

	Before Income Taxes			After Income Taxes		
	2006	2005	2004	**2006**	2005	2004
	(Millions of dollars)					
Gains from asset sales	**$ 369**	$ 48	$ 55	**$ 236**	$ 41	$ 54
Income tax adjustments	**—**	—	—	**(45)**	11	19
Accrued office closing costs	**(30)**	—	(15)	**(18)**	—	(9)
Hurricane related costs	**—**	(40)	—	**—**	(26)	—
Legal settlement	**—**	19	—	**—**	11	—
	$ 339	$ 27	$ 40	**$ 173**	$ 37	$ 64

2006: The gains from asset sales relate to the sale of certain United States oil and gas producing properties located in the Permian Basin in Texas and New Mexico and onshore Gulf Coast. The accrued office closing cost relates to vacated leased office space in the United Kingdom. The income tax adjustment represents a one-time adjustment to the Corporation's deferred tax liability resulting from an increase in the supplementary tax on petroleum operations in the United Kingdom from 10% to 20%.

2005: The gains from asset sales represent the disposal of non-producing properties in the United Kingdom and the exchange of a mature North Sea asset for an increased interest in the Pangkah development in Indonesia. The Corporation incurred incremental expenses in 2005, principally repair costs and higher insurance premiums, as a result of hurricane damage in the Gulf of Mexico that are included in production expenses in the income statement. The income tax adjustment reflects the effect on deferred income taxes of a reduction in the income tax rate in Denmark and a tax settlement in the United Kingdom. The legal settlement reflects the favorable resolution of contingencies on a prior year asset sale, which is reflected in non-operating income in the income statement.

2004: The Corporation recognized gains from the sales of an office building in Scotland, a non-producing property in Malaysia and two mature Gulf of Mexico properties. It also recorded foreign income tax benefits resulting from a change in tax law and a tax settlement. The Corporation recorded an after-tax charge for vacated leased office space in the United Kingdom and severance costs, which is reflected in general and administrative expenses in the income statement.

The Corporation's future Exploration and Production earnings may be impacted by external factors, such as political risk, volatility in the selling prices of crude oil and natural gas, reserve and production changes, industry cost inflation, exploration expenses, the effects of weather and changes in foreign exchange and income tax rates.

Marketing and Refining

Earnings from Marketing and Refining activities amounted to $390 million in 2006, $515 million in 2005 and $451 million in 2004. After considering the Marketing and Refining items in the table on page 23, the earnings amounted to $390 million in 2006, $491 million in 2005 and $439 million in 2004 and are discussed in the paragraphs below. The Corporation's downstream operations include HOVENSA, a 50% owned refining joint venture with a subsidiary of Petroleos de Venezuela S.A. (PDVSA) that is accounted for using the equity method. Additional Marketing and Refining activities include a fluid catalytic cracking facility in Port Reading, New Jersey, as well as retail gasoline stations, energy marketing and trading operations.

Refining: Refining earnings, which consist of the Corporation's share of HOVENSA's results, Port Reading earnings, interest income on a note receivable from PDVSA and other miscellaneous items were $236 million in 2006, $346 million in 2005 and $302 million in 2004.

The Corporation's share of HOVENSA's net income was $125 million ($203 million before income taxes) in 2006 and $231 million ($376 million before income taxes) in 2005 and $216 million ($244 million before income taxes) in 2004. The lower earnings in 2006 were principally due to lower refined product margins. Refined product margins were higher in 2005 compared with 2004. In 2006 and 2005, the Corporation provided income taxes at the Virgin Islands statutory rate of 38.5% on HOVENSA's income and the interest income on the note receivable from PDVSA. In 2004, income taxes on HOVENSA's earnings were partially offset by available loss carryforwards. In 2006, the fluid catalytic cracking unit was shutdown for approximately 22 days of unscheduled maintenance. During 2005, a crude unit and the fluid catalytic cracking unit at HOVENSA were each shutdown for approximately 30 days of scheduled maintenance. Cash distributions from HOVENSA were $400 million in 2006, $275 million in 2005 and $88 million in 2004.

Pre-tax interest on the PDVSA note was $15 million, $20 million and $25 million in 2006, 2005 and 2004, respectively. Interest income is reflected in non-operating income in the income statement. At December 31, 2006, the remaining balance of the PDVSA note was $137 million, which is scheduled to be fully repaid by February 2009.

Port Reading's after-tax earnings were $99 million in 2006, $100 million in 2005 and $60 million in 2004. Higher refined product sales volumes were offset by lower margins in 2006 compared with 2005. Refined product margins were higher in 2005 compared with 2004. In 2005, the Port Reading facility was shutdown for 36 days of planned maintenance.

The following table summarizes refinery utilization rates:

	Refinery Capacity (Thousands of barrels per day)	Refinery Utilization		
		2006	2005	2004
HOVENSA				
Crude	500	**89.7%**	92.2%	96.7%
Fluid catalytic cracker	150	**84.3%**	81.9%	92.9%
Coker	58	**84.3%**	92.8%	94.5%
Port Reading	65	**97.4%**	85.3%	83.4%

Marketing: Marketing operations, which consist principally of retail gasoline and energy marketing activities, generated income of $108 million in 2006, $112 million in 2005 and $100 million in 2004, excluding the income from liquidation of LIFO inventories and the charge related to a customer bankruptcy described below. The decrease in 2006 primarily reflects lower margins on refined product sales. The increase in 2005 was primarily due to higher margins and increased sales volumes compared with 2004. Total refined product sales volumes were 459,000 barrels per day in 2006, 456,000 barrels per day in 2005 and 428,000 barrels per day in 2004.

The Corporation has a 50% voting interest in a consolidated partnership that trades energy commodities and energy derivatives. The Corporation also takes trading positions for its own account. The Corporation's after-tax results from trading activities, including its share of the earnings of the trading partnership, amounted to income of $46 million in 2006, $33 million in 2005 and $37 million in 2004. Before income taxes, the trading income amounted to $83 million in 2006, $60 million in 2005 and $72 million in 2004 and is included in operating revenues in the income statement.

Marketing expenses increased due to higher expenses resulting from an increased number of retail convenience stores, growth in energy marketing operations, and higher utility and compensation related costs.

Reported Marketing and Refining earnings include the following items of income (expense) before and after income taxes:

	Before Income Taxes			After Income Taxes		
	2006	2005	2004	2006	2005	2004
	(Millions of dollars)					
LIFO inventory liquidation	**$ —**	$ 51	$ 20	**$ —**	$ 32	$ 12
Charge related to customer bankruptcy	**—**	(13)	—	**—**	(8)	—
	$ —	$ 38	$ 20	**$ —**	$ 24	$ 12

In 2005 and 2004, Marketing and Refining earnings include income from the liquidation of prior year LIFO inventories. In 2005, earnings include a charge resulting from the bankruptcy of a customer in the utility industry, which is included in marketing expenses.

The Corporation's future Marketing and Refining earnings may be impacted by volatility in Marketing and Refining margins, competitive industry conditions, government regulatory changes, credit risk and supply and demand factors, including the effects of weather.

Corporate

The following table summarizes corporate expenses:

	2006	2005	2004
		(Millions of dollars)	
Corporate expenses (excluding the items listed below)	**$ 156**	$ 119	$ 116
Income taxes (benefits) on the above	**(46)**	(26)	(31)
	110	93	85
Items affecting comparability between periods, after tax			
Tax on repatriated earnings	**—**	72	—
Premiums on bond repurchases	**—**	26	—
Income tax adjustments	**—**	—	(13)
Insurance accrual	**—**	—	13
Net corporate expenses	**$ 110**	$ 191	$ 85

Excluding the items affecting comparability between periods, the increase in corporate expenses in 2006 compared to 2005 primarily reflects the expensing of stock options commencing January 1, 2006 and increases in insurance costs. Recurring after-tax corporate expenses in 2007 are estimated to be in the range of $115 to $125 million.

In 2005, the American Jobs Creation Act provided for a one-time reduction in the income tax rate to 5.25% on the remittance of eligible dividends from foreign subsidiaries to a United States parent. The Corporation repatriated $1.9 billion of previously unremitted foreign earnings resulting in the recognition of an income tax provision of $72 million. The pre-tax amount of bond repurchase premiums in 2005 was $39 million and is reflected in non-operating income in the income statement. The pre-tax amount of the 2004 corporate insurance accrual was $20 million and is reflected in non-operating income.

Interest

After-tax interest expense was as follows:

	2006	2005	2004
		(Millions of dollars)	
Total interest incurred	**$ 301**	$ 304	$ 295
Less capitalized interest	**100**	80	54
Interest expense before income taxes	**201**	224	241
Less income taxes	**74**	84	90
After-tax interest expense	**$ 127**	$ 140	$ 151

After-tax interest expense in 2007 is expected to be in the range of $170 to $180 million, principally reflecting an anticipated decrease in capitalized interest due to the achievement of first production from several development projects.

Sales and Other Operating Revenues

Sales and other operating revenues totaled $28,067 million in 2006, an increase of 23% compared with 2005. The increase reflects higher selling prices of crude oil, higher sales volumes and reduced crude oil hedge positions in Exploration and Production activities and higher selling prices and sales volumes in marketing activities. In 2005, sales and other operating revenues totaled $22,747 million, an increase of 36% compared with 2004. This increase principally reflects higher selling prices of crude oil and natural gas in Exploration and Production and higher selling prices and sales volumes in marketing activities. The change in cost of goods sold in each year reflects the change in sales volumes and prices of refined products and purchased natural gas.

Liquidity and Capital Resources

The following table sets forth certain relevant measures of the Corporation's liquidity and capital resources as of December 31:

	2006	2005
	(Millions of dollars)	
Cash and cash equivalents	**$ 383**	$ 315
Current portion of long-term debt	**$ 27**	$ 26
Total debt	**$ 3,772**	$ 3,785
Stockholders' equity	**$ 8,111**	$ 6,286
Debt to capitalization ratio*	**31.7%**	37.6%

* *Total debt as a percentage of the sum of total debt plus stockholders' equity.*

Cash Flows

The following table sets forth a summary of the Corporation's cash flows:

	2006	2005	2004
		(Millions of dollars)	
Net cash provided by (used in):			
Operating activities	**$ 3,491**	$ 1,840	$ 1,903
Investing activities	**(3,289)**	(2,255)	(1,371)
Financing activities	**(134)**	(147)	(173)
Net increase (decrease) in cash and cash equivalents	**$ 68**	$ (562)	$ 359

Operating Activities: In 2006, net cash provided by operating activities, including changes in operating assets and liabilities, was $3,491 million, an increase of $1,651 million from 2005, principally reflecting higher earnings, changes in working capital accounts and increased distributions from HOVENSA. Net cash provided by operating activities was $1,840 million in 2005 compared with $1,903 million in 2004. The change was due to higher earnings in 2005, offset by a decrease from changes in operating assets and liabilities, principally working capital, of $408 million. The Corporation received cash distributions from HOVENSA of $400 million in 2006, $275 million in 2005 and $88 million in 2004.

Investing Activities: The following table summarizes the Corporation's capital expenditures:

	2006	2005	2004
		(Millions of dollars)	
Exploration and Production			
Exploration	**$ 590**	$ 229	$ 168
Production and development	**2,164**	1,598	1,204
Acquisitions (including leasehold)	**921**	408	62
	3,675	2,235	1,434
Marketing, Refining and Corporate	**169**	106	87
Total	**$ 3,844**	$ 2,341	$ 1,521

Capital expenditures in 2006 include payments of $359 million to acquire the Corporation's former oil and gas production operations in the Waha concessions in Libya and $413 million to acquire a 55% working interest in the West Med Block in Egypt.

Proceeds from asset sales in 2006 totaled $444 million, including the sale of the Corporation's interests in certain producing properties in the Permian Basin and onshore U.S. Gulf Coast. Proceeds from asset sales were $74 million and $57 million in 2005 and 2004, respectively, principally from the sale of non-producing properties.

Financing Activities: The Corporation reduced debt by $13 million in 2006, $50 million in 2005 and $106 million in 2004. The net reductions in debt in 2006, 2005 and 2004 were funded by available cash and cash flow from operations. In 2005, bond repurchases of $600 million were funded by borrowings on the revolving credit facility in connection with the repatriation of foreign earnings to the United States.

Dividends paid were $161 million in 2006, $159 million in 2005 and $157 million in 2004. The Corporation received proceeds from the exercise of stock options totaling $40 million, $62 million and $90 million in 2006, 2005 and 2004, respectively.

Future Capital Requirements and Resources

The Corporation anticipates $4.0 billion in capital and exploratory expenditures in 2007, of which $3.9 billion relates to Exploration and Production operations. The Corporation has maturities of long-term debt of $27 million in 2007 and $28 million in 2008. The Corporation anticipates that it can fund its 2007 operations, including capital expenditures, dividends, pension contributions and required debt repayments, with existing cash on-hand, cash flow from operations and its available credit facilities.

During 2006, the Corporation amended and restated its existing syndicated, revolving credit facility (the facility) to increase the credit line to $3.0 billion from $2.5 billion and extend the term to May 2011 from December 2009. The facility can be used for borrowings and letters of credit. At December 31, 2006, the Corporation has $2.7 billion available under this facility.

The Corporation has a 364-day asset-backed credit facility securitized by certain accounts receivable from its Marketing and Refining operations, which are sold to a wholly-owned subsidiary. Under the terms of this financing arrangement, the Corporation has the ability to borrow up to $800 million, subject to the availability of sufficient levels of eligible receivables. At December 31, 2006, the Corporation has $318 million in outstanding borrowings under this facility which was collateralized by approximately $1,100 million of receivables. These receivables are not available to pay the general obligations of the Corporation before repayment of outstanding borrowings under the asset-backed facility.

The Corporation has additional unused lines of credit of approximately $370 million, primarily for letters of credit, under uncommitted arrangements with banks. The Corporation also has a shelf registration under which it may issue additional debt securities, warrants, common stock or preferred stock.

Outstanding letters of credit at December 31, were as follows:

	2006	2005
	(Millions of dollars)	
Lines of Credit		
Revolving credit facility	**$ 1**	$ 28
Committed short-term letter of credit facilities	**1,875**	1,675
Uncommitted lines	**1,603**	982
	$ 3,479	$ 2,685

Loan agreement covenants allow the Corporation to borrow up to an additional $9.7 billion for the construction or acquisition of assets at December 31, 2006. The Corporation has the ability to borrow up to an additional $2.2 billion of secured debt at December 31, 2006 under the loan agreement covenants. At December 31, 2006, the maximum amount of dividends or stock repurchases that can be paid from borrowings under the loan agreement covenants is $3.7 billion.

Credit Ratings

There are three major credit rating agencies that rate the Corporation's debt. Two credit agencies have assigned an investment grade rating to the Corporation's debt and one agency has rated it below investment grade. The interest rate and facility fee are subject to adjustment if the Corporation's credit rating changes. In addition, if any one of the three rating agencies were to reduce their rating on the Corporation's senior unsecured debt, margin requirements with non-trading and trading counterparties at December 31, 2006 would increase by up to approximately $140 million.

Contractual Obligations and Contingencies

Following is a table showing aggregated information about certain contractual obligations at December 31, 2006:

		Payments Due by Period			
	Total	2007	2008 and 2009	2010 and 2011	Thereafter
			(Millions of dollars)		
Long-term debt(a)	$ 3,772	$ 27	$ 171	$ 1,340	$ 2,234
Operating leases	2,471	630	567	198	1,076
Purchase obligations					
Supply commitments	25,800	8,381	8,990	8,429	(b)
Capital expenditures	1,109	809	263	37	—
Operating expenses	794	477	187	89	41
Other long-term liabilities	1,316	65	285	220	746

(a) At December 31, 2006, the Corporation's debt bears interest at a weighted average rate of 7.0%.

(b) The Corporation intends to continue purchasing refined product supply from HOVENSA. Estimated future purchases amount to approximately $4.2 billion annually using year-end 2006 prices.

In the preceding table, the Corporation's supply commitments include its estimated purchases of 50% of HOVENSA's production of refined products, after anticipated sales by HOVENSA to unaffiliated parties. The value of future supply commitments will fluctuate based on prevailing market prices at the time of purchase, the actual output from HOVENSA, and the level of sales to unaffiliated parties. Also included are term purchase agreements at market prices for additional gasoline necessary to supply the Corporation's retail marketing system and feedstocks for the Port Reading refining facility. In addition, the Corporation has commitments to purchase refined products, natural gas and electricity for use in supplying contracted customers in its energy marketing business. These commitments were computed based on year-end market prices.

The table also reflects that portion of the Corporation's planned $4 billion capital investment program for 2007 that is contractually committed at December 31, 2006. Obligations for operating expenses include commitments for transportation, seismic purchases, oil and gas production expenses and other normal business expenses. Other long-term liabilities reflect contractually committed obligations on the balance sheet at December 31, including asset retirement obligations and pension plan funding requirements.

At December 31, 2006, the Corporation had a remaining accrual of $49 million for vacated leased office space costs. In 2006, the Corporation recorded an additional $30 million charge for vacated leased office space ($18 million after income taxes) and made payments of $12 million. At December 31, 2005, the accrual was $31 million after reduction for payments of $8 million during 2005.

The Corporation has a contingent purchase obligation, expiring in April 2010, to acquire the remaining interest in WilcoHess, a retail gasoline station joint venture, for approximately $140 million as of December 31, 2006.

The Corporation guarantees the payment of up to 50% of HOVENSA's crude oil purchases from suppliers other than PDVSA. The amount of the Corporation's guarantee fluctuates based on the volume of crude oil purchased and related prices and at December 31, 2006, amounted to $229 million. In addition, the Corporation has agreed to provide funding up to a maximum of $15 million to the extent HOVENSA does not have funds to meet its senior debt obligations.

At December 31, 2006, the Corporation has $3,427 million of letters of credit principally relating to accrued liabilities with hedging and trading counterparties recorded on its balance sheet. In addition, the Corporation is contingently liable under letters of credit and under guarantees of the debt of other entities directly related to its business, as follows:

	Total (Millions of dollars)
Letters of credit	$ 52
Guarantees	301*
	$ 353

* Includes $15 million HOVENSA debt and $229 million crude oil purchase guarantees discussed above. The remainder relates to a loan guarantee of $57 million for an oil pipeline in which the Corporation owns a 2.36% interest.

Off-Balance Sheet Arrangements

The Corporation has leveraged leases not included in its balance sheet, primarily related to retail gasoline stations that the Corporation operates. The net present value of these leases is $490 million at December 31, 2006 compared with $480 million at December 31, 2005. The Corporation's December 31, 2006 debt to capitalization ratio would increase from 31.7% to 34.4% if these leases were included as debt.

See also *"Contractual Obligations and Contingencies"* above, note 5, "Refining Joint Venture," and note 16, "Guarantees and Contingencies," in the notes to the financial statements.

Stock Split

On May 3, 2006, the Corporation's shareholders voted to increase the number of authorized common shares from 200 million to 600 million and the board of directors declared a three-for-one stock split. The stock split was completed in the form of a stock dividend that was issued on May 31, 2006 to shareholders of record on May 17, 2006. The common share par value remained at $1.00 per share. All common share and per share amounts in the financial statements and notes and management's discussion and analysis are on an after-split basis for all periods presented.

Foreign Operations

The Corporation conducts exploration and production activities in the United Kingdom, Norway, Denmark, Equatorial Guinea, Algeria, Malaysia, Thailand, Russia, Gabon, Azerbaijan, Indonesia, Libya, Egypt and other countries. Therefore, the Corporation is subject to the risks associated with foreign operations. These exposures include political risk (including tax law changes) and currency risk.

HOVENSA L.L.C., owned 50% by the Corporation and 50% by Petroleos de Venezuela, S.A. (PDVSA), owns and operates a refinery in the United States Virgin Islands. In the past, there have been political disruptions in Venezuela that reduced the availability of Venezuelan crude oil used in refining operations; however, these disruptions did not have a material adverse effect on the Corporation's financial position. The Corporation has a note receivable of $137 million at December 31, 2006 from a subsidiary of PDVSA. All payments are current and the Corporation anticipates collection of the remaining balance.

Subsequent Events

In February 2007, the Corporation completed the acquisition of a 28% interest in the Genghis Khan oil and gas development located in the deepwater Gulf of Mexico on Green Canyon Blocks 652 and 608 for $371 million. The Genghis Khan development is part of the same geologic structure as the Shenzi development (Hess 28%) and first production from this development is expected in the second half of 2007.

Accounting Policies

Critical Accounting Policies and Estimates

Accounting policies and estimates affect the recognition of assets and liabilities on the Corporation's balance sheet and revenues and expenses on the income statement. The accounting methods used can affect net income, stockholders' equity and various financial statement ratios. However, the Corporation's accounting policies generally do not change cash flows or liquidity.

Accounting for Exploration and Development Costs: Exploration and production activities are accounted for using the successful efforts method. Costs of acquiring unproved and proved oil and gas leasehold acreage, including lease bonuses, brokers' fees and other related costs, are capitalized. Annual lease rentals, exploration expenses and exploratory dry hole costs are expensed as incurred. Costs of drilling and equipping productive wells, including development dry holes, and related production facilities are capitalized.

The costs of exploratory wells that find oil and gas reserves are capitalized pending determination of whether proved reserves have been found. Exploratory drilling costs remain capitalized after drilling is completed if (1) the well has found a sufficient quantity of reserves to justify completion as a producing well and (2) sufficient progress is being made in assessing the reserves and the economic and operating viability of the project. If either of those criteria is not met, or if there is substantial doubt about the economic or operational viability of the project, the capitalized well costs are charged to expense. Indicators of sufficient progress in assessing reserves and the economic and operating viability of a project include: commitment of project personnel, active negotiations for sales contracts with customers, negotiations with governments, operators and contractors and firm plans for additional drilling and other factors.

Crude Oil and Natural Gas Reserves: The determination of estimated proved reserves is a significant element in arriving at the results of operations of exploration and production activities. The estimates of proved reserves affect well capitalizations, the unit of production depreciation rates of proved properties and wells and equipment, as well as impairment testing of oil and gas assets and goodwill.

The Corporation's oil and gas reserves are calculated in accordance with SEC regulations and interpretations and the requirements of the Financial Accounting Standards Board. For reserves to be booked as proved they must be commercially producible, government and project operator approvals must be obtained and depending on the amount of the project cost, senior management or the board of directors, must commit to fund the project. The Corporation's oil and gas reserve estimation and reporting process involves an annual independent third party reserve determination as well as internal technical appraisals of reserves. The Corporation maintains its own internal reserve estimates that are calculated by technical staff that work directly with the oil and gas properties. The Corporation's technical staff updates reserve estimates throughout the year based on evaluations of new wells, performance reviews, new technical data and other studies. To provide consistency throughout the Corporation, standard reserve estimation guidelines, definitions, reporting reviews and approval practices are used. The internal reserve estimates are subject to internal technical audits and senior management reviews the estimates.

The oil and gas reserve estimates reported in the Supplementary Oil and Gas Data in accordance with Statement of Financial Accounting Standards (FAS) No. 69 *Disclosures about Oil and Gas Producing Activities* (FAS No. 69) are determined independently by the consulting firm of DeGolyer and MacNaughton (D&M) and are consistent with internal estimates. Annually, the Corporation provides D&M with engineering, geological and geophysical data, actual production histories and other information necessary for the reserve determination. The Corporation's and D&M's technical staffs meet to review and discuss the information provided. Senior management and the Board of Directors review the final reserve estimates issued by D&M.

Impairment of Long-Lived Assets and Goodwill: As explained below there are significant differences in the way long-lived assets and goodwill are evaluated and measured for impairment testing. The Corporation reviews long-lived assets, including oil and gas fields, for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recovered. Long-lived assets are tested based on identifiable cash flows (the field level for oil and gas assets) and are largely independent of the cash flows of other assets and liabilities. If the carrying amounts of the long-lived assets are not expected to be recovered by undiscounted future net cash flow estimates, the assets are impaired and an impairment loss is recorded. The amount of impairment is based on the estimated fair value of the assets determined by discounting anticipated future net cash flows.

In the case of oil and gas fields, the present value of future net cash flows is based on management's best estimate of future prices, which is determined with reference to recent historical prices and published forward prices, applied to projected production volumes of individual fields and discounted at a rate commensurate with the risks involved. The projected production volumes represent reserves, including probable reserves, expected to be produced based on a stipulated amount of capital expenditures. The production volumes, prices and timing of production are consistent with internal projections and other externally reported information. Oil and gas prices used for determining asset impairments will generally differ from those used in the standardized measure of discounted future net cash flows, since the standardized measure requires the use of actual prices on the last day of the year.

The Corporation's impairment tests of long-lived Exploration and Production producing assets are based on its best estimates of future production volumes (including recovery factors), selling prices, operating and capital costs and the timing of future production, which are updated each time an impairment test is performed. The Corporation could have impairments if the projected production volumes from oil and gas fields were reduced. Significant extended declines in crude oil and natural gas selling prices could also result in asset impairments.

In accordance with FAS No. 142 *Goodwill and Other Intangible Assets* (FAS No. 142), the Corporation's goodwill is not amortized, but is tested for impairment annually in the fourth quarter at a reporting unit level. The reporting unit or units used to evaluate and measure goodwill for impairment are determined primarily from the manner in which the business is managed. The Corporation's goodwill is assigned to the Exploration and Production operating segment and it expects that the benefits of goodwill will be recovered through the operation of that segment.

The Corporation's fair value estimate of the Exploration and Production segment is the sum of: (1) the discounted anticipated cash flows of producing assets and known developments, (2) the estimated risk adjusted present value of exploration assets, and (3) an estimated market premium to reflect the market price an acquirer would pay for potential synergies including cost savings, access to new business opportunities, enterprise control, improved processes and increased market share. The Corporation also considers the relative market valuation of similar Exploration and Production companies.

The determination of the fair value of the Exploration and Production operating segment depends on estimates about oil and gas reserves, future prices, timing of future net cash flows and market premiums. Significant extended declines in crude oil and natural gas prices or reduced reserve estimates could lead to a decrease in the fair value of the Exploration and Production operating segment that could result in an impairment of goodwill.

Because there are significant differences in the way long-lived assets and goodwill are evaluated and measured for impairment testing, there may be impairments of individual assets that would not cause an impairment of the goodwill assigned to the Exploration and Production segment.

Segments: The Corporation has two operating segments, Exploration and Production and Marketing and Refining. Management has determined that these are its operating segments because, in accordance with FAS No. 131 *Disclosures about Segments of an Enterprise and Related Information* (FAS No. 131), these are the segments of the Corporation (i) that engage in business activities from which revenues are earned and expenses are incurred, (ii) whose operating results are regularly reviewed by the Corporation's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance and (iii) for which discrete financial information is available. The Chairman of the Board and Chief Executive Officer of the Corporation, is the CODM as defined in FAS No. 131, because he is responsible for performing the functions within the Corporation of allocating resources to, and assessing the performance of, the Corporation's operating segments.

Derivatives: The Corporation utilizes derivative instruments for both non-trading and trading activities. In non-trading activities, the Corporation uses futures, forwards, options and swaps, individually or in combination to mitigate its exposure to fluctuations in the prices of crude oil, natural gas, refined products and electricity, and changes in foreign currency exchange rates. In trading activities, the Corporation, principally through a consolidated partnership, trades energy commodities derivatives, including futures, forwards, options and swaps, based on expectations of future market conditions.

All derivative instruments are recorded at fair value in the Corporation's balance sheet. The Corporation's policy for recognizing the changes in fair value of derivatives varies based on the designation of the derivative. The changes in fair value of derivatives that are not designated as hedges under FAS No. 133 are recognized currently in earnings. Derivatives may be designated as hedges of expected future cash flows or forecasted transactions (cash flow hedges) or hedges of firm commitments (fair value hedges). The effective portion of changes in fair value of derivatives that are designated as cash flow hedges is recorded as a component of other comprehensive income (loss). Amounts included in accumulated other comprehensive income (loss) for cash flow hedges are reclassified into earnings in the same period that the hedged item is recognized in earnings. The ineffective portion of changes in fair value of derivatives designated as cash flow hedges is recorded currently in earnings. Changes in fair value of derivatives designated as fair value hedges are recognized currently in earnings. The change in fair value of the related hedged commitment is recorded as an adjustment to its carrying amount and recognized currently in earnings.

Derivatives that are designated as either cash flow or fair value hedges are tested for effectiveness prospectively before they are executed and both prospectively and retrospectively on an on-going basis to determine whether they continue to qualify for hedge accounting. The prospective and retrospective effectiveness calculations are performed using either historical simulation or other statistical models, which utilize historical observable market data consisting of futures curves and spot prices.

Income Taxes: Judgments are required in the determination and recognition of income tax assets and liabilities in the financial statements. The Corporation has net operating loss carryforwards in several jurisdictions, including the United States, and has recorded deferred tax assets for those losses. Additionally, the Corporation has deferred tax assets due to temporary differences between the book basis and tax basis of certain assets and liabilities. Regular assessments are made as to the likelihood of those deferred tax assets being realized. If it is more likely than not that some or all of the deferred tax assets will not be realized, a valuation allowance is recorded to reduce the deferred tax assets to the amount that is expected to be realized. In evaluating realizability of deferred tax assets, the Corporation refers to the reversal periods for temporary differences, available carryforward periods for net operating losses, estimates of future taxable income, the availability of tax planning strategies, the existence of appreciated assets and other factors. Estimates of future taxable income are based on assumptions of oil and gas reserves and selling prices that are consistent with the Corporation's internal business forecasts.

Changes in Accounting Policies

Effective January 1, 2006, the Corporation adopted the provisions of FAS No. 123R, *Share-Based Payment* (FAS No. 123R). FAS No. 123R requires that the fair value of all stock-based compensation to employees, including grants of stock options, be expensed over the vesting period. Through December 31, 2005, the Corporation used the intrinsic value method to account for employee stock options. Because the exercise prices of employee stock options equaled or exceeded the market price of the stock on the date of grant, the Corporation did not recognize compensation expense under the intrinsic value method. See note 9, "Share-Based Compensation," in the notes to the consolidated financial statements.

In September 2006, the Financial Accounting Standards Board (FASB) issued FAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (FAS No. 158). FAS No. 158 requires recognition on the balance sheet of the overfunded or underfunded status of a defined benefit postretirement plan measured as the difference between the fair value of plan assets and the benefit obligation. As required, the Corporation prospectively adopted the provisions of FAS No. 158 on December 31, 2006. See note 11, "Retirement Plans," in the notes to the consolidated financial statements.

Recently Issued Accounting Standards

In September 2006, the FASB issued Staff Position (FSP) AUG AIR-1, *Accounting for Planned Major Maintenance Activities.* This FSP eliminates the previously acceptable accrue-in-advance method of accounting for planned major maintenance. As a result, the Corporation will retrospectively change its method of accounting for refinery turnarounds on January 1, 2007, the effective date of this pronouncement, to recognize expenses associated with refinery turnarounds when such costs are incurred. Under the retrospective method of adoption, the Corporation expects to increase 2006 earnings by approximately $4 million, reduce 2005 earnings by approximately $16 million and increase retained earnings as of January 1, 2005 by approximately $66 million.

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 prescribes the financial statement recognition and measurement criteria for a tax position taken or expected to be taken in a tax return. FIN 48 also requires additional disclosures related to uncertain income tax positions. As required, the Corporation will adopt the provisions of FIN 48 effective January 1, 2007. The Corporation has not concluded its evaluation of the impact of adopting FIN 48 on its results of operations, financial position or cash flows.

In September 2006, the FASB issued FAS No. 157, *Fair Value Measurements* (FAS No. 157). FAS No. 157 establishes a fair value hierarchy, which applies broadly to financial and non-financial assets and liabilities measured at fair value under other authoritative accounting pronouncements. Additionally, the standard requires increased disclosure of the methods of determining fair value. The Corporation is currently evaluating the impact of adoption on its financial statements and, as required, the Corporation will adopt the provisions of FAS No. 157 effective January 1, 2008.

Environment, Health and Safety

The Corporation has implemented a values-based, socially-responsible strategy focused on improving environment, health and safety performance and making a positive impact on communities. The strategy is supported by the Corporation's environment, health, safety and social responsibility (EHS & SR) policies and by environment and safety management systems that help protect the Corporation's workforce, customers and local communities. The Corporation's management systems are designed to uphold or exceed international standards and are intended to promote internal consistency, adherence to policy objectives and continual improvement in EHS & SR performance. Improved performance may, in the short-term, increase the Corporation's operating costs and could also require increased capital expenditures to reduce potential risks to assets, reputation and license to operate. In addition to enhanced EHS & SR performance, improved productivity and operational efficiencies may be captured as collateral benefits from investments in EHS & SR. The Corporation has programs in place to evaluate regulatory compliance, audit facilities, train employees and to generally meet corporate EHS & SR goals.

The production of motor and other fuels in the United States and elsewhere has faced increasing regulatory pressures in recent years. In 2004, new regulations went into effect that have already significantly reduced gasoline sulfur content and additional regulations to reduce the allowable sulfur content in diesel fuel went into effect in 2006. Additional reductions in gasoline and fuel oil sulfur content are under consideration. Fuels production will likely continue to be subject to more stringent regulation in future years and as such may require additional capital expenditures.

Capital expenditures necessary to comply with low-sulfur gasoline requirements at Port Reading were $72 million, of which $23 million was spent in 2005 and the remainder was spent in 2006. Capital expenditures to comply with low-sulfur gasoline and diesel fuel requirements at HOVENSA are presently expected to be approximately $420 million in total, $360 million of which has already been spent and the remainder is expected to be spent in 2007. HOVENSA has and continues to plan to finance these capital expenditures through cash flow from operations.

The Energy Policy Act of 2005 eliminated the Clean Air Act's mandatory oxygen content requirement for reformulated gasoline and imposes on refiners a requirement to use specific quantities of renewable content in gasoline. Many states have also enacted bans on the use of MTBE in gasoline, many of which will take effect between 2007 and 2009. As a result, several companies have announced their intention to cease using MTBE, since it will no longer be needed in reformulated gasoline to comply with the Clean Air Act and does not meet the new renewable content requirement. In response to these changes in the gasoline marketplace, the Corporation and HOVENSA phased out the use of ether based oxygenates during 2006. Both companies are reviewing the most cost effective means to replace ether unit processing capabilities, which may necessitate additional capital investments.

As described in Item 3 “Legal Proceedings,” in 2003 the Corporation and HOVENSA began discussions with the U.S. EPA regarding the EPA’s Petroleum Refining Initiative (PRI). The PRI is an ongoing program that is designed to reduce certain air emissions at all U.S. refineries. Since 2000, the EPA has entered into settlements addressing these emissions with petroleum refining companies that control over 77% of the domestic refining capacity. Negotiations with the EPA are continuing and depending on the outcome of these discussions, the Corporation and HOVENSA may experience increased capital expenditures and operating expenses related to air emissions controls. Settlements with other refiners allow for controls to be phased in over several years.

HOVENSA is constructing a new wastewater treatment system at the refinery. This project will significantly enhance the refinery’s ability to treat wastewater and better protect the marine environment of St. Croix. The cost to complete the project is approximately $120 million, of which $55 million has already been incurred.

The Corporation has undertaken a program to assess, monitor and reduce the emission of “greenhouse gases,” including carbon dioxide and methane. The challenges associated with this program are significant, not only from the standpoint of technical feasibility, but also from the perspective of adequately measuring the Corporation’s greenhouse gas inventory. The Corporation has completed a revised monitoring protocol which will allow for better measurement of “greenhouse gases” and is conducting an independently verified audit of its emissions. Once completed, the monitoring protocol will allow for better control of these emissions and assist the Corporation in complying with any future regulatory restrictions.

The Corporation expects continuing expenditures for environmental assessment and remediation related primarily to existing conditions. Sites where corrective action may be necessary include gasoline stations, terminals, onshore exploration and production facilities, refineries (including solid waste management units under permits issued pursuant to the Resource Conservation and Recovery Act) and, although not currently significant, “Superfund” sites where the Corporation has been named a potentially responsible party.

The Corporation accrues for environmental assessment and remediation expenses when the future costs are probable and reasonably estimable. At year-end 2006, the Corporation’s reserve for its estimated environmental liability was approximately $75 million. The Corporation expects that existing reserves for environmental liabilities will adequately cover costs to assess and remediate known sites. The Corporation’s remediation spending was $15 million in 2006 and 2005 and $12 million in 2004. Capital expenditures for facilities, primarily to comply with federal, state and local environmental standards, other than for low sulfur projects discussed above, were $22 million in 2006, $3 million in 2005 and $1 million in 2004.

Forward-Looking Information

Certain sections of Management’s Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures about Market Risk, including references to the Corporation’s future results of operations and financial position, liquidity and capital resources, capital expenditures, oil and gas production, tax rates, debt repayment, hedging, derivative, market risk and environmental disclosures, off-balance sheet arrangements and contractual obligations and contingencies include forward-looking information. Forward-looking disclosures are based on the Corporation’s current understanding and assessment of these activities and reasonable assumptions about the future. Actual results may differ from these disclosures because of changes in market conditions, government actions and other factors.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

In the normal course of its business, the Corporation is exposed to commodity risks related to changes in the price of crude oil, natural gas, refined products and electricity, as well as to changes in interest rates and foreign currency values. In the disclosures that follow, these operations are referred to as non-trading activities. The Corporation also has trading operations, principally through a 50% voting interest in a trading partnership. These activities are also exposed to commodity risks primarily related to the prices of crude oil, natural gas and refined products. The following describes how these risks are controlled and managed.

Controls: The Corporation maintains a control environment under the direction of its chief risk officer and through its corporate risk policy, which the Corporation’s senior management has approved. Controls include volumetric, term and value-at-risk limits. In addition, the chief risk officer must approve the use of new instruments or commodities. Risk limits are monitored daily and exceptions are reported to business units and to senior management. The Corporation's risk management department also performs independent verifications of sources of fair values and validations of valuation models. These controls apply to all of the Corporation's non-trading and trading activities, including the consolidated trading partnership. The Corporation's treasury department administers foreign exchange rate and interest rate hedging programs.

Instruments: The Corporation primarily uses forward commodity contracts, foreign exchange forward contracts, futures, swaps, options and energy commodity based securities in its non-trading and trading activities. These contracts are generally widely traded instruments with standardized terms. The following describes these instruments and how the Corporation uses them:

- *Forward Commodity Contracts:* The forward purchase and sale of commodities is performed as part of the Corporation's normal activities. At settlement date, the notional value of the contract is exchanged for physical delivery of the commodity. Forward contracts that are designated as normal purchase and sale contracts under FAS No. 133 are excluded from the quantitative market risk disclosures.
- *Forward Foreign Exchange Contracts:* Forward contracts include forward purchase contracts for both the British pound sterling and the Danish kroner. These foreign currency contracts commit the Corporation to purchase a fixed amount of pound sterling and kroner at a predetermined exchange rate on a certain date.
- *Exchange Traded Contracts:* The Corporation uses exchange traded contracts, including futures, on a number of different underlying energy commodities. These contracts are settled daily with the relevant exchange and may be subject to exchange position limits.
- *Swaps:* The Corporation uses financially settled swap contracts with third parties as part of its hedging and trading activities. Cash flows from swap contracts are determined based on underlying commodity prices and are typically settled over the life of the contract.
- *Options:* Options on various underlying energy commodities include exchange traded and third party contracts and have various exercise periods. As a seller of options, the Corporation receives a premium at the outset and bears the risk of unfavorable changes in the price of the commodity underlying the option. As a purchaser of options, the Corporation pays a premium at the outset and has the right to participate in the favorable price movements in the underlying commodities. These premiums are a component of the fair value of the options.
- *Energy Securities:* Energy securities include energy related equity or debt securities issued by a company or government or related derivatives on these securities.

Value-at-Risk: The Corporation uses value-at-risk to monitor and control commodity risk within its trading and non-trading activities. The value-at-risk model uses historical simulation and the results represent the potential loss in fair value over one day at a 95% confidence level. The model captures both first and second order sensitivities for options. The following table summarizes the value-at-risk results for trading and non-trading activities. These results may vary from time to time as strategies change in trading activities or hedging levels change in non-trading activities.

	Trading Activities	Non-Trading Activities
	(Millions of dollars)	
2006		
At December 31	**$ 17**	**$ 62**
Average for the year	**20**	**75**
High during the year	**22**	**86**
Low during the year	**17**	**62**
2005		
At December 31	$ 18	$ 93
Average for the year	11	111
High during the year	18	127
Low during the year	7	93

Non-Trading: The Corporation's non-trading activities may include hedging of crude oil and natural gas production. Futures and swaps are used to fix the selling prices of a portion of the Corporation's future production and the related gains or losses are an integral part of the Corporation's selling prices. Following is a summary of the Corporation's outstanding crude oil hedges at December 31, 2006:

	Brent Crude Oil	
Maturity	Average Selling Price	Thousands of Barrels per Day
2007	$ 25.85	24
2008	25.56	24
2009	25.54	24
2010	25.78	24
2011	26.37	24
2012	26.90	24

There were no hedges of WTI crude oil or natural gas production at December 31, 2006. As market conditions change, the Corporation may adjust its hedge percentages. The Corporation also markets energy commodities including refined petroleum products, natural gas and electricity. The Corporation uses futures and swaps to manage the risk in its marketing activities.

Accumulated other comprehensive income (loss) at December 31, 2006 includes after-tax unrealized deferred losses of $1,338 million primarily related to crude oil contracts used as hedges of exploration and production sales. The pre-tax amount of deferred hedge losses is reflected in accounts payable and the related income tax benefits are recorded as deferred tax assets on the balance sheet.

The Corporation uses foreign exchange contracts to reduce its exposure to fluctuating foreign exchange rates by entering into forward purchase contracts for both the British pound sterling and the Danish kroner. At December 31, 2006, the Corporation had $729 million of notional value foreign exchange contracts maturing in 2007. The fair value of the foreign exchange contracts was a receivable of $51 million at December 31, 2006. The change in fair value of the foreign exchange contracts from a 10% change in exchange rates is estimated to be approximately $80 million at December 31, 2006.

The Corporation's outstanding debt of $3,772 million has a fair value of $4,105 million at December 31, 2006. A 15% decrease in the rate of interest would increase the fair value of debt by approximately $300 million at December 31, 2006.

Trading: In trading activities, the Corporation is exposed to changes in crude oil, natural gas and refined product prices. The trading partnership in which the Corporation has a 50% voting interest trades energy commodities and derivatives. The accounts of the partnership are consolidated with those of the Corporation. The Corporation also takes trading positions for its own account. The information that follows represents 100% of the trading partnership and the Corporation's proprietary trading accounts.

Gains or losses from sales of physical products are recorded at the time of sale. Derivative trading transactions are marked-to-market and are reflected in income currently. Total realized gains for the year amounted to $721 million ($297 million of realized losses for 2005). The following table provides an assessment of the factors affecting the changes in fair value of trading activities and represents 100% of the trading partnership and other trading activities.

	2006	2005
	(Millions of dollars)	
Fair value of contracts outstanding at the beginning of the year	**$ 1,109**	$ 184
Change in fair value of contracts outstanding at the beginning of the year and still outstanding at the end of year	**(82)**	6
Reversal of fair value for contracts closed during the year	**(547)**	(23)
Fair value of contracts entered into during the year and still outstanding	**(115)**	942
Fair value of contracts outstanding at the end of the year	**$ 365**	$ 1,109

The Corporation uses observable market values for determining the fair value of its trading instruments. In cases where actively quoted prices are not available, other external sources are used which incorporate information about commodity prices in actively quoted markets, quoted prices in less active markets and other market fundamental analysis. Internal estimates are based on internal models incorporating underlying market information such as commodity volatilities and correlations. The Corporation's risk management department regularly compares valuations to independent sources and models.

The following table summarizes the sources of fair values of derivatives used in the Corporation's trading activities at December 31:

	Total	2007	2008	2009	2010 and Beyond
			(Millions of dollars)		
Source of fair value					
Prices actively quoted	$ 357	$ 198	$ 62	$ 65	$ 32
Other external sources	24	30	(12)	—	6
Internal estimates	(16)	(16)	—	—	—
Total	$ 365	$ 212	$ 50	$ 65	$ 38

The following table summarizes the fair values of net receivables relating to the Corporation's trading activities and the credit ratings of counterparties at December 31:

	2006	2005
	(Millions of dollars)	
Investment grade determined by outside sources	**$ 347**	$ 353
Investment grade determined internally*	**59**	139
Less than investment grade	**41**	70
Fair value of net receivables outstanding at the end of the year	**$ 447**	$ 562

* *Based on information provided by counterparties and other available sources.*

Item 8. ***Financial Statements and Supplementary Data***

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SCHEDULE

* *Schedules other than Schedule II have been omitted because of the absence of the conditions under which they are required or because the required information is presented in the financial statements or the notes thereto.*

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2006.

Our management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2006, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

By	/s/ John P. Rielly	By	/s/ John B. Hess
	John P. Rielly Senior Vice President and Chief Financial Officer		John B. Hess Chairman of the Board and Chief Executive Officer

February 23, 2007

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Hess Corporation

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Hess Corporation (formerly, Amerada Hess Corporation) and consolidated subsidiaries maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Hess Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Hess Corporation and consolidated subsidiaries maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Hess Corporation and consolidated subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheet of Hess Corporation and consolidated subsidiaries as of December 31, 2006 and 2005, and the related statements of consolidated income, cash flows, stockholders' equity and comprehensive income for each of the three years in the period ended December 31, 2006, and our report dated February 23, 2007 expressed an unqualified opinion on these statements.

Ernst + Young LLP

New York, NY
February 23, 2007

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Hess Corporation

We have audited the accompanying consolidated balance sheet of Hess Corporation (formerly, Amerada Hess Corporation) and consolidated subsidiaries as of December 31, 2006 and 2005, and the related statements of consolidated income, cash flows, stockholders' equity and comprehensive income for each of the three years in the period ended December 31, 2006. Our audits also included the Financial Statement Schedule listed in the Index at Item 8. These financial statements and schedule are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hess Corporation and consolidated subsidiaries at December 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related Financial Statement Schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Corporation adopted Statement of Financial Accounting Standards No. 123R, Share-Based Payment, effective January 1, 2006. Also as discussed in Note 11 to the consolidated financial statements, the Corporation adopted the provisions of Statement of Financial Accounting Standards No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, effective December 31, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Hess Corporation's internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2007 expressed an unqualified opinion thereon.

Ernst + Young LLP

New York, NY
February 23, 2007

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HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	At December 31 2006	2005
	(Millions of dollars; thousands of shares)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 383**	$ 315
Accounts receivable		
Trade	**3,659**	3,517
Other	**214**	138
Inventories	**1,005**	855
Other current assets	**587**	465
Total current assets	**5,848**	5,290
INVESTMENTS IN AFFILIATES		
HOVENSA L.L.C.	**1,012**	1,217
Other	**188**	172
Total investments in affiliates	**1,200**	1,389
PROPERTY, PLANT AND EQUIPMENT		
Exploration and Production	**20,199**	17,836
Marketing and Refining	**1,781**	1,628
Total — at cost	**21,980**	19,464
Less reserves for depreciation, depletion, amortization and lease impairment	**9,672**	9,952
Property, plant and equipment — net	**12,308**	9,512
GOODWILL	**1,253**	977
DEFERRED INCOME TAXES	**1,435**	1,544
OTHER ASSETS	**360**	403
TOTAL ASSETS	**$ 22,404**	$ 19,115
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	**$ 4,803**	$ 4,995
Accrued liabilities	**1,477**	1,029
Taxes payable	**432**	397
Current maturities of long-term debt	**27**	26
Total current liabilities	**6,739**	6,447
LONG-TERM DEBT	**3,745**	3,759
DEFERRED INCOME TAXES	**2,099**	1,401
ASSET RETIREMENT OBLIGATIONS	**824**	564
OTHER LIABILITIES AND DEFERRED CREDITS	**886**	658
Total Liabilities	**14,293**	12,829
STOCKHOLDERS' EQUITY		
Preferred stock, par value $1.00, 20,000 shares authorized		
7% cumulative mandatory convertible series		
Authorized — 0 shares in 2006; 13,500 shares in 2005		
Issued — 0 shares in 2006; 13,500 shares in 2005	**—**	14
3% cumulative convertible series		
Authorized — 330 shares		
Issued — 324 shares in 2006 and 2005 ($16 million liquidation preference)	**—**	—
Common stock*, par value $1.00		
Authorized — 600,000 shares		
Issued — 315,018 shares in 2006; 279,197 shares in 2005	**315**	279
Capital in excess of par value*	**1,689**	1,656
Retained earnings	**7,671**	5,914
Accumulated other comprehensive income (loss)	**(1,564)**	(1,526)
Deferred compensation	**—**	(51)
Total stockholders' equity	**8,111**	6,286
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 22,404**	$ 19,115

* *Common stock and Capital in excess of par value as of December 31, 2005 are restated to reflect the impact of a 3-for-1 stock split on May 31, 2006.*

The consolidated financial statements reflect the successful efforts method of accounting for oil and gas exploration and production activities.

See accompanying notes to consolidated financial statements.

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME

	For the Years Ended December 31		
	2006	2005	2004
	(In millions, except per share data)		
REVENUES AND NON-OPERATING INCOME			
Sales (excluding excise taxes) and other operating revenues	**$ 28,067**	$ 22,747	$ 16,733
Non-operating income			
Equity in income of HOVENSA L.L.C.	**203**	376	244
Gain on asset sales	**369**	48	55
Other, net	**81**	84	94
Total revenues and non-operating income	**28,720**	23,255	17,126
COSTS AND EXPENSES			
Cost of products sold (excluding items shown separately below)	**19,912**	17,041	11,971
Production expenses	**1,250**	1,007	825
Marketing expenses	**940**	842	737
Exploration expenses, including dry holes and lease impairment	**552**	397	287
Other operating expenses	**130**	136	195
General and administrative expenses	**471**	357	342
Interest expense	**201**	224	241
Depreciation, depletion and amortization	**1,224**	1,025	970
Total costs and expenses	**24,680**	21,029	15,568
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**4,040**	2,226	1,558
Provision for income taxes	**2,124**	984	588
INCOME FROM CONTINUING OPERATIONS	**1,916**	1,242	970
DISCONTINUED OPERATIONS	**—**	—	7
NET INCOME	**$ 1,916**	$ 1,242	$ 977
Less preferred stock dividends	**44**	48	48
NET INCOME APPLICABLE TO COMMON SHAREHOLDERS	**$ 1,872**	$ 1,194	$ 929
BASIC EARNINGS PER SHARE*			
Continuing operations	**$ 6.73**	$ 4.38	$ 3.43
Net income	**6.73**	4.38	3.46
DILUTED EARNINGS PER SHARE*			
Continuing operations	**$ 6.07**	$ 3.98	$ 3.17
Net income	**6.07**	3.98	3.19
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (DILUTED)*	**315.7**	312.1	306.3

* *Weighted average number of shares and per-share amounts in all periods reflect the impact of a 3-for-1 stock split on May 31, 2006.*

See accompanying notes to consolidated financial statements.

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED CASH FLOWS

	For the Years Ended December 31		
	2006	2005	2004
		(Millions of dollars)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	**$ 1,916**	$ 1,242	$ 977
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation, depletion and amortization	**1,224**	1,025	970
Exploratory dry hole costs	**241**	170	81
Lease impairment	**99**	78	77
Pre-tax gain on asset sales	**(369)**	(48)	(55)
Provision (benefit) for deferred income taxes	**279**	(118)	(211)
Distributed (undistributed) earnings of HOVENSA L.L.C., net	**197**	(101)	(156)
Non-cash effect of discontinued operations	**—**	—	(7)
Changes in other operating assets and liabilities:			
Increase in accounts receivable	**(179)**	(1,042)	(705)
Increase in inventories	**(152)**	(270)	(16)
Increase (decrease) in accounts payable and accrued liabilities	**(44)**	877	783
Increase (decrease) in taxes payable	**47**	(111)	131
Changes in other assets and liabilities	**232**	138	34
Net cash provided by operating activities	**3,491**	1,840	1,903
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures			
Exploration and Production	**(3,675)**	(2,235)	(1,434)
Marketing and Refining	**(169)**	(106)	(87)
Total capital expenditures	**(3,844)**	(2,341)	(1,521)
Proceeds from asset sales	**444**	74	57
Payments received on notes receivable	**76**	60	90
Other	**35**	(48)	3
Net cash used in investing activities	**(3,289)**	(2,255)	(1,371)
CASH FLOWS FROM FINANCING ACTIVITIES			
Debt with maturities of greater than 90 days			
Borrowings	**320**	600	25
Repayments	**(333)**	(650)	(131)
Cash dividends paid	**(161)**	(159)	(157)
Employee stock options exercised	**40**	62	90
Net cash used in financing activities	**(134)**	(147)	(173)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**68**	(562)	359
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**315**	877	518
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 383**	$ 315	$ 877

See accompanying notes to consolidated financial statements.

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED STOCKHOLDERS' EQUITY

	2006		2005		2004	
	Shares	Amount	Shares	Amount	Shares	Amount
			(Millions of dollars; thousands of shares)			
PREFERRED STOCK						
Balance at January 1	**13,824**	**$ 14**	13,827	$ 14	13,827	$ 14
Conversion of preferred stock to common stock	**(13,500)**	**(14)**	(3)	—	—	—
Balance at December 31	**324**	**—**	13,824	14	13,827	14
COMMON STOCK*						
Balance at January 1	**279,197**	**279**	275,145	275	269,604	270
Activity related to restricted common stock awards, net	**903**	**1**	948	1	927	1
Employee stock options exercised	**1,283**	**1**	3,098	3	4,614	4
Conversion of preferred stock to common stock	**33,635**	**34**	6	—	—	—
Balance at December 31	**315,018**	**315**	279,197	279	275,145	275
CAPITAL IN EXCESS OF PAR VALUE*						
Balance at January 1		**1,656**		1,544		1,423
Activity related to restricted common stock awards, net		**36**		37		23
Employee stock options exercised		**68**		75		98
Conversion of preferred stock to common stock		**(20)**		—		—
Reclassification resulting from adoption of FAS 123R		**(51)**		—		—
Balance at December 31		**1,689**		1,656		1,544
RETAINED EARNINGS						
Balance at January 1		**5,914**		4,831		4,011
Net income		**1,916**		1,242		977
Dividends declared on common stock		**(115)**		(111)		(109)
Dividends on preferred stock		**(44)**		(48)		(48)
Balance at December 31		**7,671**		5,914		4,831
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)						
Balance at January 1		**(1,526)**		(1,024)		(350)
Net other comprehensive income (loss)		**104**		(502)		(674)
Cumulative effect of adoption of FAS 158		**(142)**		—		—
Balance at December 31		**(1,564)**		(1,526)		(1,024)
DEFERRED COMPENSATION						
Balance at January 1		**(51)**		(43)		(28)
Change in unearned compensation		**—**		(8)		(15)
Reclassification resulting from adoption of FAS 123R		**51**		—		—
Balance at December 31		**—**		(51)		(43)
TOTAL STOCKHOLDERS' EQUITY at December 31		**$ 8,111**		$ 6,286		$ 5,597

* *Common stock and Capital in excess of par value as of January 1, 2004, December 31, 2004 and December 31, 2005 are restated to reflect the impact of a 3-for-1 stock split on May 31, 2006.*

See accompanying notes to consolidated financial statements.

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HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

	For the Years Ended December 31		
	2006	2005	2004
		(Millions of dollars)	
COMPONENTS OF COMPREHENSIVE INCOME			
Net income	**$ 1,916**	$ 1,242	$ 977
Other comprehensive income (loss):			
Deferred gains (losses) on cash flow hedges, after tax:			
Effect of hedge losses recognized in income	**345**	946	511
Net change in fair value of cash flow hedges	**(379)**	(1,381)	(1,196)
Change in minimum postretirement plan liabilities, after tax	**90**	(33)	(25)
Change in foreign currency translation adjustment and other	**48**	(34)	36
Net other comprehensive income (loss)	**104**	(502)	(674)
COMPREHENSIVE INCOME	**$ 2,020**	$ 740	$ 303

See accompanying notes to consolidated financial statements.

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Nature of Business: On May 3, 2006, Amerada Hess Corporation changed its name to Hess Corporation. Hess Corporation and subsidiaries (the Corporation) engage in the exploration for and the development, production, purchase, transportation and sale of crude oil and natural gas. These activities are conducted in the United States, United Kingdom, Norway, Denmark, Equatorial Guinea, Algeria, Malaysia, Thailand, Russia, Gabon, Azerbaijan, Indonesia, Libya, Egypt and other countries. In addition, the Corporation manufactures, purchases, transports, trades and markets refined petroleum and other energy products. The Corporation owns 50% of HOVENSA L.L.C. (HOVENSA), a refinery joint venture in the United States Virgin Islands. An additional refining facility, terminals and retail gasoline stations, most of which include convenience stores, are located on the East Coast of the United States.

In preparing financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheet and revenues and expenses in the income statement. Actual results could differ from those estimates. Among the estimates made by management are oil and gas reserves, asset valuations, depreciable lives, pension liabilities, legal and environmental obligations, asset retirement obligations and income taxes.

Principles of Consolidation: The consolidated financial statements include the accounts of Hess Corporation and entities in which the Corporation owns more than a 50% voting interest or entities that the Corporation controls. The Corporation's undivided interests in unincorporated oil and gas exploration and production ventures are proportionately consolidated.

Investments in affiliated companies, 20% to 50% owned, including HOVENSA, are stated at cost of acquisition plus the Corporation's equity in undistributed net income since acquisition. The Corporation's equity in net income of these companies is included in non-operating income in the income statement. The Corporation consolidates the trading partnership in which it owns a 50% voting interest and over which it exercises control.

Intercompany transactions and accounts are eliminated in consolidation.

Revenue Recognition: The Corporation recognizes revenues from the sale of crude oil, natural gas, petroleum products and other merchandise when title passes to the customer. Sales are reported net of excise and similar taxes in the consolidated statement of income. The Corporation recognizes revenues from the production of natural gas properties based on sales to customers. Differences between natural gas volumes sold and the Corporation's share of natural gas production are not material. Revenues from natural gas and electricity sales by the Corporation's marketing operations are recognized based on meter readings and estimated deliveries to customers since the last meter reading.

In its exploration and production activities, the Corporation enters into crude oil purchase and sale transactions with the same counterparty that are entered into in contemplation of one another for the primary purpose of changing location or quality. Similarly, in its marketing activities, the Corporation also enters into refined product purchase and sale transactions with the same counterparty. These arrangements are reported net in sales and other operating revenue in the consolidated statement of income.

Derivatives: The Corporation utilizes derivative instruments for both non-trading and trading activities. In non-trading activities, the Corporation uses futures, forwards, options and swaps, individually or in combination, to mitigate its exposure to fluctuations in prices of crude oil, natural gas, refined products and electricity, and changes in foreign currency exchange rates. In trading activities, the Corporation, principally through a consolidated partnership, trades energy commodities derivatives, including futures, forwards, options and swaps based on expectations of future market conditions.

All derivative instruments are recorded at fair value in the Corporation's balance sheet. The Corporation's policy for recognizing the changes in fair value of derivatives varies based on the designation of the derivative. The changes in fair value of derivatives that are not designated as hedges under FAS No. 133 are recognized currently in earnings. Derivatives may be designated as hedges of expected future cash flows or forecasted transactions (cash flow hedges) or hedges of firm commitments (fair value hedges). The effective portion of changes in fair value of derivatives that are designated as cash flow hedges is recorded as a component of other comprehensive income (loss). Amounts included in accumulated other comprehensive income (loss) for cash flow hedges are reclassified into earnings in the same period that the hedged item is recognized in earnings. The ineffective portion of changes in fair value of derivatives designated as cash flow hedges is recorded currently in earnings. Changes in fair value of derivatives designated as fair value hedges are recognized currently in earnings. The change in fair value of the related hedged commitment is recorded as an adjustment to its carrying amount and recognized currently in earnings.

Cash and Cash Equivalents: Cash equivalents consist of highly liquid investments, which are readily convertible into cash and have maturities of three months or less when acquired.

Inventories: Crude oil and refined product inventories are valued at the lower of cost or market. For inventories valued at cost, the Corporation uses principally the last-in, first-out (LIFO) inventory method. Inventories of merchandise, materials and supplies are valued at the lower of average cost or market.

Exploration and Development Costs: Exploration and production activities are accounted for using the successful efforts method. Costs of acquiring unproved and proved oil and gas leasehold acreage, including lease bonuses, brokers' fees and other related costs, are capitalized. Annual lease rentals, exploration expenses and exploratory dry hole costs are expensed as incurred. Costs of drilling and equipping productive wells, including development dry holes, and related production facilities are capitalized.

The costs of exploratory wells that find oil and gas reserves are capitalized pending determination of whether proved reserves have been found. In accordance with Financial Accounting Standards Board (FASB) Staff Position 19-1, *Accounting for Suspended Well Costs*, which amended FAS No. 19, *Financial Accounting and Reporting by Oil and Gas Producing Companies* (FAS No. 19), exploratory drilling costs remain capitalized after drilling is completed if (1) the well has found a sufficient quantity of reserves to justify completion as a producing well and (2) sufficient progress is being made in assessing the reserves and the economic and operating viability of the project. If either of those criteria is not met, or if there is substantial doubt about the economic or operational viability of a project, the capitalized well costs are charged to expense. Indicators of sufficient progress in assessing reserves and the economic and operating viability of a project include commitment of project personnel, active negotiations for sales contracts with customers, negotiations with governments, operators and contractors, firm plans for additional drilling and other factors.

Depreciation, Depletion and Amortization: The Corporation records depletion expense for acquisition costs of proved properties using the units of production method over proved oil and gas reserves. Depreciation and depletion expense for oil and gas production equipment and wells is calculated using the units of production method over proved developed oil and gas reserves. Depreciation of all other plant and equipment is determined on the straight-line method based on estimated useful lives. Retail gas stations and equipment related to a leased property, are depreciated over the estimated useful lives not to exceed the remaining lease period. Provisions for impairment of undeveloped oil and gas leases are based on periodic evaluations and other factors.

Capitalized Interest: Interest from external borrowings is capitalized on material projects using the weighted average cost of outstanding borrowings until the project is substantially complete and ready for its intended use, which for oil and gas assets is at first production from the field. Capitalized interest is depreciated over the useful lives of the assets in the same manner as the depreciation of the underlying assets.

Asset Retirement Obligations: The Corporation accounts for asset retirement obligations as required by FAS No. 143, *Accounting for Asset Retirement Obligations* and FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations.* Under these standards, a liability is recognized for the fair value of legally required asset retirement obligations associated with long-lived assets in the period in which the retirement obligations are incurred. In addition, the fair value of any legally required conditional asset retirement obligations is recorded if the liability can be reasonably estimated. The Corporation capitalizes the associated asset retirement costs as part of the carrying amount of the long-lived assets.

Impairment of Long-Lived Assets: The Corporation reviews long-lived assets, including oil and gas properties at a field level, for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recovered. If the carrying amounts are not expected to be recovered by undiscounted future cash flows, the assets are impaired and an impairment loss is recorded. The amount of impairment is based on the estimated fair value of the assets determined by discounting anticipated future net cash flows. In the case of oil and gas fields, the net present value of future cash flows is based on management's best estimate of future prices, which is determined with reference to recent historical prices and published forward prices, applied to projected production volumes of individual fields and discounted at a rate commensurate with the risks involved. The projected production volumes represent reserves, including probable reserves, expected to be produced based on a stipulated amount of capital expenditures. The production volumes, prices and timing of production are consistent with internal projections and other externally reported information. Oil and gas prices used for determining asset impairments will generally differ from the year-end prices used in the standardized measure of discounted future net cash flows.

Impairment of Equity Investees: The Corporation reviews equity method investments for impairment whenever events or changes in circumstances indicate that an other than temporary decline in value has occurred. The amount of the impairment is based on quoted market prices, where available, or other valuation techniques.

Impairment of Goodwill: In accordance with FAS No. 142, *Goodwill and Other Intangible Assets*, goodwill cannot be amortized; however, it is tested for impairment annually in the fourth quarter. This impairment test is calculated at the reporting unit level, which is the Exploration and Production segment for the Corporation's goodwill. The Corporation identifies potential impairments by comparing the fair value of the reporting unit to its book value, including goodwill. If the fair value of the reporting unit exceeds the carrying amount, goodwill is not impaired. If the carrying value exceeds the fair value, the Corporation calculates the possible impairment loss by comparing the implied fair value of goodwill with the carrying amount. If the implied fair value of goodwill is less than the carrying amount, an impairment would be recorded.

Maintenance and Repairs: Maintenance and repairs are expensed as incurred. The estimated costs of refinery turnarounds are accrued. Capital improvements are recorded as additions in property, plant and equipment.

Environmental Expenditures: The Corporation accrues and expenses environmental costs to remediate existing conditions related to past operations when the future costs are probable and reasonably estimable. The Corporation capitalizes environmental expenditures that increase the life or efficiency of property or that reduce or prevent future environmental contamination.

Share-Based Compensation: Effective January 1, 2006, the Corporation adopted FAS No. 123R, *Share-Based Payment* (FAS No. 123R) which requires that compensation expense be recorded for all share based payments to employees. The Corporation used the modified prospective application method for its adoption of FAS No. 123R, which requires that compensation cost be recorded for restricted stock, previously awarded unvested stock options outstanding at January 1, 2006 based on the grant date fair-values used for disclosure purposes under previous accounting requirements, and stock options awarded subsequent to January 1, 2006 determined under the provisions of FAS No. 123R. The cumulative effect on prior years of this change in accounting was immaterial. Prior to adoption of FAS No. 123R, the Corporation recorded compensation expense for restricted common stock awards and used the intrinsic value method to account for employee stock options. Because the exercise prices of employee stock options equaled or exceeded the market price of the stock on the date of grant, compensation expense was not recorded under this method. All share-based compensation expense is recognized on a straight-line basis over the vesting period of the awards.

Income Taxes: Deferred income taxes are determined using the liability method. The Corporation regularly assesses the realizability of deferred tax assets, based on estimates of future taxable income, the availability of tax planning strategies, the existence of appreciated assets, the available carryforward periods for net operating losses and other factors. The Corporation does not provide for deferred U.S. income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations.

Foreign Currency Translation: The U.S. dollar is the functional currency (primary currency in which business is conducted) for most foreign operations. Adjustments resulting from translating monetary assets and liabilities that are denominated in a nonfunctional currency into the functional currency are recorded in other non-operating income. For operations that do not use the U.S. dollar as the functional currency, adjustments resulting from translating foreign currency assets and liabilities into U.S. dollars are recorded in a separate component of stockholders' equity entitled accumulated other comprehensive income (loss).

Recently Issued Accounting Standards: In September 2006, the FASB issued Staff Position (FSP) AUG AIR-1, *Accounting for Planned Major Maintenance Activities.* This FSP eliminates the previously acceptable accrue-in-advance method of accounting for planned major maintenance. As a result, the Corporation will retrospectively change its method of accounting for refinery turnarounds on January 1, 2007, the effective date of this pronouncement, to recognize expenses associated with refinery turnarounds when such costs are incurred. Under the retrospective method of adoption, the Corporation expects to increase 2006 earnings by approximately $4 million, reduce 2005 earnings by approximately $16 million and increase retained earnings as of January 1, 2005 by approximately $66 million.

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 prescribes the financial statement recognition and measurement criteria for a tax position taken or expected to be taken in a tax return. FIN 48 also requires additional disclosures related to uncertain income tax positions. As required, the Corporation will adopt the provisions of FIN 48 effective January 1, 2007. The Corporation has not concluded its evaluation of the impact of adopting of FIN 48 on its results of operations, financial position or cash flows.

In September 2006, the FASB issued FAS No. 157, *Fair Value Measurements* (FAS No. 157). FAS No. 157 establishes a fair value hierarchy, which applies broadly to financial and non-financial assets and liabilities measured at fair value under other authoritative accounting pronouncements. Additionally, the standard requires increased disclosure of the methods of determining fair value. The Corporation is currently evaluating the impact of adoption on its financial statements and, as required, will adopt the provisions of FAS No. 157 effective January 1, 2008.

2. Items Affecting the Comparability of Income

The following table reflects items affecting comparability of income between periods:

	Before Taxes			After Taxes		
	2006	2005	2004	2006	2005	2004
	(Millions of dollars, income (expense))					
Exploration and Production						
Gains from asset sales	**$ 369**	$ 48	$ 55	**$ 236**	$ 41	$ 54
Income tax adjustments	**—**	—	—	**(45)**	11	19
Accrued office closing costs	**(30)**	—	(15)	**(18)**	—	(9)
Hurricane related costs	**—**	(40)	—	**—**	(26)	—
Legal settlement	**—**	19	—	**—**	11	—
Marketing and Refining						
LIFO inventory liquidation	**—**	51	20	**—**	32	12
Charge related to customer bankruptcy	**—**	(13)	—	**—**	(8)	—
Corporate						
Tax on repatriated earnings	**—**	—	—	**—**	(72)	—
Premiums on bond repurchases	**—**	(39)	—	**—**	(26)	—
Income tax adjustments	**—**	—	—	**—**	—	13
Insurance accrual	**—**	—	(20)	**—**	—	(13)
	$ 339	$ 26	$ 40	**$ 173**	$ (37)	$ 76

Exploration and Production: In the first quarter of 2006, the Corporation completed the sale of its interests in certain oil and gas producing properties located in the Permian Basin in Texas and New Mexico for $358 million. This asset sale resulted in an after-tax gain of $186 million ($289 million before income taxes). These assets were producing at a combined net rate of approximately 5,500 barrels of oil equivalent per day at the time of sale. In June 2006, the Corporation also completed the sale of certain U.S. Gulf Coast onshore oil and gas producing assets for $86 million, resulting in an after-tax gain of $50 million ($80 million before income taxes). These assets were producing at a combined net rate of approximately 2,600 barrels of oil equivalent per day at the time of sale. In 2005, the Corporation sold non-producing properties in the United Kingdom and exchanged a mature North Sea asset for an increased interest in the Pangkah development in Indonesia. In 2004, the Corporation sold an office building in Scotland, a non-producing property in Malaysia and two mature Gulf of Mexico properties.

The Corporation accrued $30 million in 2006 and $15 million in 2004 for vacated leased office space in the United Kingdom. These expenses are reflected principally in general and administrative expense in the income statement. The remaining accrual balance was $49 million at December 31, 2006 and $31 million at December 31, 2005 after payments of $12 million in 2006 and $8 million in 2005.

During 2006, the United Kingdom increased the supplementary tax on petroleum operations from 10% to 20%. As a result, the Corporation recorded a $45 million adjustment to its United Kingdom deferred tax liability. The Exploration and Production income tax adjustments in 2005 reflect the effect on deferred income taxes of a reduction in the income tax rate in Denmark and a tax settlement in the United Kingdom. In 2004, the foreign income tax benefits resulted from a tax law change and a tax settlement.

In 2005, the Corporation incurred incremental expenses, principally repair costs and higher insurance premiums, as a result of hurricane damage in the Gulf of Mexico that are included in production expenses in the income statement. The legal settlement in 2005 resulted from the favorable resolution of contingencies on a prior year asset sale that is reflected in non-operating income in the income statement.

Marketing and Refining: Earnings include income from the liquidation of prior year LIFO inventories in 2005 and 2004. In 2005, earnings included a charge resulting from the bankruptcy of a customer in the utility industry that is included in marketing expenses in the income statement.

Corporate: In 2005, expenses include charges for premiums on bond repurchases, which are reflected in non-operating income (expense) in the income statement. In 2004, the Corporation recorded $20 million of insurance costs related to retrospective premium increases and a $13 million income tax benefit arising from the settlement of a federal tax audit.

3. Acquisitions

2006 Acquisitions: In January 2006, the Corporation, in conjunction with its Oasis Group partners, re-entered its former oil and gas production operations in the Waha concessions in Libya, in which the Corporation holds an 8.16% interest. The re-entry terms included a 25-year extension of the concessions and payments by the Corporation to the Libyan National Oil Corporation of $359 million. This transaction was accounted for as a business combination.

The following table summarizes the allocation of the purchase price to assets and liabilities acquired (in millions):

Property, plant and equipment	$ 362
Goodwill	236
Total assets acquired	598
Current liabilities	(3)
Deferred tax liabilities	(236)
Net assets acquired	$ 359

The goodwill recorded in this transaction relates to the deferred tax liability recorded for the difference in book and tax bases of the assets acquired. The goodwill is not expected to be deductible for income tax purposes. The primary reason for the Libyan investment was to acquire long-lived crude oil reserves. The Corporation's share of production from Libya averaged 23,000 barrels of oil equivalent per day in 2006.

The Corporation acquired a 55% working interest in the deepwater section of the West Mediterranean Block 1 Concession (the West Med Block) in Egypt for $413 million. The Corporation has a 25-year development lease for the West Med Block, which contains four existing natural gas discoveries and additional exploration opportunities. This transaction was accounted for as an acquisition of assets.

2005 Acquisitions: The Corporation spent approximately $400 million during 2005 to acquire a controlling interest in a corporate joint venture, additional licenses and other assets in the Volga-Urals region of Russia. The primary reason for the Russian investments was to acquire long-lived crude oil reserves. Substantially all of the acquisition cost was allocated to unproved and proved properties.

4. Inventories

Inventories at December 31 are as follows:

	2006	2005
	(Millions of dollars)	
Crude oil and other charge stocks	**$ 202**	$ 161
Refined products and natural gas	**1,185**	1,149
Less: LIFO adjustment	**(676)**	(656)
	711	654
Merchandise, materials and supplies	**294**	201
Total	**$ 1,005**	$ 855

The percentage of LIFO inventory to total crude oil, refined products and natural gas inventories was 66% and 68% at December 31, 2006 and 2005, respectively. During 2005 and 2004, the Corporation reduced LIFO inventories, which are carried at lower costs than current inventory costs. The effect of the LIFO inventory liquidations was to decrease cost of products sold by approximately $51 million in 2005 and $20 million in 2004.

5. Refining Joint Venture

The Corporation has an investment in HOVENSA L.L.C., a 50% joint venture with Petroleos de Venezuela, S.A. (PDVSA), which is accounted for using the equity method. HOVENSA owns and operates a refinery in the U.S. Virgin Islands. Summarized financial information for HOVENSA as of December 31 and for the years then ended follows:

	2006	2005	2004
		(Millions of dollars)	
Summarized Balance Sheet, at December 31			
Cash and cash equivalents	**$ 290**	$ 612	$ 518
Short-term investments	**—**	263	39
Other current assets	**943**	814	636
Net fixed assets	**2,123**	1,950	1,843
Other assets	**32**	39	36
Current liabilities	**(1,060)**	(996)	(606)
Long-term debt	**(252)**	(252)	(252)
Deferred liabilities and credits	**(108)**	(57)	(48)
Partners' equity	**$ 1,968**	$ 2,373	$ 2,166
Summarized Income Statement, for the Years Ended December 31			
Total revenues	**$ 11,788**	$ 10,439	$ 7,776
Costs and expenses	**(11,377)**	(9,682)	(7,282)
Net income	**$ 411**	$ 757	$ 494
Hess Corporation's share*	**$ 203**	$ 376	$ 244

	2006	2005	2004
		(Millions of dollars)	
Summarized Cash Flow Statement, for the Years Ended December 31			
Net cash provided by (used in):			
Operating activities	**$ 484**	$ 1,070	$ 656
Investing activities	**(10)**	(426)	(167)
Financing activities	**(796)**	(550)	(312)
Net increase (decrease) in cash and cash equivalents	**$ (322)**	$ 94	$ 177

* *Before Virgin Islands income taxes, which were recorded in the Corporation's income tax provision.*

The Corporation received cash distributions from HOVENSA of $400 million, $275 million and $88 million during 2006, 2005 and 2004, respectively. The Corporation's share of HOVENSA's undistributed income aggregated $302 million at December 31, 2006.

The Corporation guarantees the payment of up to 50% of the value of HOVENSA's crude oil purchases from suppliers other than PDVSA. The guarantee amounted to $229 million at December 31, 2006. This amount fluctuates based on the volume of crude oil purchased and the related crude oil prices. In addition, the Corporation has agreed to provide funding up to a current maximum of $15 million to the extent HOVENSA does not have funds to meet its senior debt obligations.

At formation of the joint venture, PDVSA V.I., a wholly-owned subsidiary of PDVSA, purchased a 50% interest in the fixed assets of the Corporation's Virgin Islands refinery for $62.5 million in cash and a 10-year note from PDVSA V.I. for $562.5 million bearing interest at 8.46% per annum and requiring principal payments over its term. The principal balance of the note was $137 million and $212 million at December 31, 2006 and 2005, respectively, which is due to be fully repaid by February 2009.

6. Property, Plant and Equipment

Property, plant and equipment at December 31 consists of the following:

	2006	2005
	(Millions of dollars)	
Exploration and Production		
Unproved properties	**$ 1,231**	$ 629
Proved properties	**3,298**	3,490
Wells, equipment and related facilities	**15,670**	13,717
Marketing and Refining	**1,781**	1,628
Total — at cost	**21,980**	19,464
Less reserves for depreciation, depletion, amortization and lease impairment	**9,672**	9,952
Property, plant and equipment - net	**$ 12,308**	$ 9,512

The following table discloses the amount of capitalized exploratory well costs pending determination of proved reserves at December 31, and the changes therein during the respective years:

	2006	2005	2004
		(Millions of dollars)	
Beginning balance at January 1	**$ 244**	$ 220	$ 225
Additions to capitalized exploratory well costs pending the determination of proved reserves	**299**	97	150
Reclassifications to wells, facilities, and equipment based on the determination of proved reserves	**(144)**	(12)	(149)
Capitalized exploratory well costs charged to expense	**—**	(61)	(6)
Ending balance at December 31	**$ 399**	$ 244	$ 220
Number of wells at end of year	**28**	16	15

The preceding table excludes exploratory dry hole costs of $241 million, $109 million and $75 million in 2006, 2005 and 2004, respectively, relating to wells that were drilled and expensed in the same year.

At December 31, 2006, expenditures related to exploratory drilling costs in excess of one year old were capitalized as follows (in millions):

2003	$ 46
2004	8
2005	17
	$ 71

The capitalized well costs in excess of one year relate to 5 projects which meet the requirements of FASB Staff Position 19-1. Approximately 75% of the costs relates to two projects for which additional drilling is firmly planned in 2007. The remainder of the costs relate to projects where development approvals or sales contracts are being pursued.

7. Asset Retirement Obligations

The following table describes changes to the Corporation’s asset retirement obligations:

	2006	2005
	(Millions of dollars)	
Asset retirement obligations at January 1	**$ 564**	$ 511
Liabilities incurred	**16**	8
Liabilities settled or disposed of	**(118)**	(26)
Accretion expense	**44**	33
Revisions	**282**	62
Foreign currency translation	**36**	(24)
Asset retirement obligations at December 31	**$ 824**	$ 564

The increase in revisions in 2006 is primarily attributable to higher service and equipment costs in the oil and gas industry.

8. Long-Term Debt

Long-term debt at December 31 consists of the following:

	2006	2005
	(Millions of dollars)	
Revolving credit facility, weighted average rate 6.2%	**$ 300**	$ 600
Asset-backed credit facility, weighted average rate 5.5%	**318**	—
Fixed rate debentures:		
7.4% due 2009	**103**	103
6.7% due 2011	**662**	662
7.9% due 2029	**693**	693
7.3% due 2031	**745**	745
7.1% due 2033	**598**	598
Total fixed rate debentures	**2,801**	2,801
Fixed rate notes, payable principally to insurance companies, weighted average rate 9.1%, due through 2014	**145**	163
Project lease financing, weighted average rate 5.1%, due through 2014	**148**	161
Pollution control revenue bonds, weighted average rate 5.9%, due through 2034	**53**	52
Other loans, weighted average rate 7.0%, due through 2019	**7**	8
	3,772	3,785
Less: amount included in current maturities	**27**	26
Total	**$ 3,745**	$ 3,759

The aggregate long-term debt maturing during the next five years is as follows (in millions): 2007 – $27 (included in current liabilities); 2008 – $28; 2009 – $143; 2010 – $30 and 2011 – $1,310.

At December 31, 2006, the Corporation's fixed rate debentures have a principal amount of $2,816 million ($2,801 million net of unamortized discount). Interest rates on the outstanding fixed rate debentures have a weighted average rate of 7.3%.

During 2006, the Corporation amended and restated its existing syndicated revolving credit facility (the revolving credit facility) to increase the credit line to $3.0 billion from $2.5 billion and extend the term to May 2011 from December 2009. The facility can be used for borrowings and letters of credit. At December 31, 2006, the Corporation has available capacity on the facility of $2.7 billion. Current borrowings under the facility bear interest at 0.525% above the London Interbank Offered Rate and a facility fee of 0.125% per annum is payable on the amount of the credit line. The interest rate and facility fee are subject to adjustment if the Corporation's credit rating changes.

The Corporation has an asset-backed credit facility securitized by certain accounts receivable from its marketing operations, which are sold to a wholly-owned subsidiary. This asset-backed funding arrangement allows the Corporation to borrow up to $800 million subject to sufficient levels of eligible receivables. The credit line has a 364-day maturity. Borrowings under the asset-backed credit facility represent floating rate debt for which the weighted average interest rate was 5.5% for 2006. Outstanding borrowings of $318 million at December 31, 2006 are classified as long term based on the Corporation's available capacity under the committed revolving credit facility. At December 31, 2006, total collateralized accounts receivable of approximately $1,100 million are serviced by the Corporation and recorded on its balance sheet but are not available to pay the general obligations of the Corporation before repayment of outstanding borrowings under the asset-backed facility.

The Corporation's long-term debt agreements contain a financial covenant that restricts the amount of total borrowings, secured debt and cash dividends. At December 31, 2006, the Corporation is permitted to borrow up to an additional $9.7 billion for the construction or acquisition of assets. The Corporation has the ability to borrow up to an additional $2.2 billion of secured debt at December 31, 2006. At year-end, the amount that can be borrowed for the payment of dividends or stock repurchases is $3.7 billion.

The total amount of interest paid (net of amounts capitalized), principally on short-term and long-term debt, was $200 million, $245 million and $243 million in 2006, 2005 and 2004, respectively. The Corporation capitalized interest of $100 million, $80 million and $54 million in 2006, 2005 and 2004, respectively.

9. Share-Based Compensation

The Corporation awards restricted common stock and stock options under its Amended and Restated 1995 Long-Term Incentive Plan. Generally, stock options vest from one to three years from the date of grant, have a 10-year option life, and the exercise price equals or exceeds the market price on the date of grant. Outstanding restricted common stock generally vests three to five years from the date of grant.

Share-based compensation expense was $68 million ($42 million after income taxes) for the year ended December 31, 2006, of which $30 million ($19 million after income taxes) related to stock options and the remainder related to restricted stock. Stock option expense recorded in the year 2006 reduced basic and diluted earnings per share by $.07 and $.06, respectively. Total pre-tax compensation expense for restricted common stock was $28 million in 2005 and $17 million in 2004.

The following pro forma financial information presents the effect on net income and earnings per share as if the Corporation commenced expensing of stock options on January 1, 2004 instead of on January 1, 2006.

	2005	2004
	(Millions of dollars, except per share data)	
Net income	**$ 1,242**	$ 977
Add: stock-based employee compensation expense included in net income, net of taxes	**18**	11
Less: total stock-based employee compensation expense determined using the fair value method, net of taxes	**(37)**	(18)
Pro forma net income	**$ 1,223**	$ 970
Net income per share as reported*		
Basic	**$ 4.38**	$ 3.46
Diluted	**3.98**	3.19
Pro forma net income per share*		
Basic	**$ 4.31**	$ 3.44
Diluted	**3.92**	3.17

* *Per share amounts in both periods reflect the impact of a 3-for-1 stock split on May 31, 2006.*

Based on restricted stock and stock option awards outstanding at December 31, 2006, unearned compensation expense, before income taxes, will be recognized in future years as follows: 2007 — $56 million, 2008 — $34 million and 2009 — $4 million.

The Corporation's stock option and restricted stock activity consisted of the following:

	Stock Options		Restricted Stock	
	Options* (Thousands)	Weighted-Average Exercise Price per Share*	Shares of Restricted Common Stock* (Thousands)	Weighted-Average Price on Date of Grant*
Outstanding at January 1, 2004	12,471	$ 19.51	3,729	$ 17.55
Granted	3,594	24.26	1,268	24.32
Exercised	(4,614)	19.51	—	—
Vested	—	—	(253)	16.99
Forfeited	(90)	21.98	(340)	17.73
Outstanding at December 31, 2004	11,361	21.00	4,404	19.52
Granted	3,282	30.91	1,121	30.79
Exercised	(3,099)	19.96	—	—
Vested	—	—	(989)	19.89
Forfeited	(93)	24.85	(173)	19.67
Outstanding at December 31, 2005	**11,451**	**24.09**	**4,363**	**22.32**
Granted	**2,853**	**49.46**	**984**	**50.40**
Exercised	**(1,283)**	**22.96**	**—**	**—**
Vested	**—**	**—**	**(237)**	**22.78**
Forfeited	**(98)**	**40.07**	**(66)**	**30.24**
Outstanding at December 31, 2006	**12,923**	**29.68**	**5,044**	**27.68**
Exercisable at December 31, 2004	7,821	$ 19.52		
Exercisable at December 31, 2005	8,181	21.36		
Exercisable at December 31, 2006	**6,832**	**22.08**		

* *Stock options, restricted stock and weighted average exercise prices per share in all periods reflect the impact of a 3-for-1 stock split on May 31, 2006.*

The table below summarizes information regarding the Company's outstanding and exercisable stock options as of December 31, 2006:

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Options* (Thousands)	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price per Share*	Options* (Thousands)	Weighted-Average Exercise Price per Share*
$10.01 – $20.00	3,413	4	$ 18.89	3,413	$ 18.89
$20.01 – $40.00	6,528	7	26.39	3,358	24.91
$40.01 – $60.00	2,982	9	49.23	61	45.41
	12,923	7	29.68	6,832	22.08

* *Stock options and weighted average exercise prices per share reflect the impact of a 3-for-1 stock split on May 31, 2006.*

The intrinsic value (or the amount by which the market price of the Corporation's Common Stock exceeds the exercise price of an option) for outstanding options and exercisable options at December 31, 2006 was $257 million and $188 million, respectively. At December 31, 2006, assuming forfeitures of 2% per year, the number of outstanding options that are expected to vest is 12,736,000 shares with a weighted average exercise price of $29.53 per share. At December 31, 2006 the weighted average remaining term of exercisable options was 5 years and the remaining term of all outstanding options was 7 years.

The Corporation uses the Black-Scholes model to estimate the fair value of employee stock options. The following weighted average assumptions were utilized for stock options awarded:

	2006	2005	2004
Risk free interest rate	**4.50%**	3.90%	4.30%
Stock price volatility	**.321**	.300	.293
Dividend yield	**.80%**	1.30%	1.70%
Expected term in years	**5**	7	7
Weighted average fair value per option granted	**$ 16.50**	$ 10.51	$ 7.92

The assumption above for the risk free interest rate is based on the expected terms of the options and is obtained from published sources. The stock price volatility is determined from historical experience using the same period as the expected terms of the options. The expected stock option term is based on historical exercise patterns and the expected future holding period.

At December 31, 2006, the number of common shares reserved for issuance under the 1995 Long-Term Incentive Plan is as follows (in thousands):

Total common shares reserved for issuance	24,621
Less: stock options outstanding	12,923
Available for future awards of restricted stock and stock options	11,698

10. Foreign Currency Translation

Foreign currency gains (losses) before income taxes amounted to $21 million in 2006, $(5) million in 2005 and $29 million in 2004. The balances in accumulated other comprehensive income (loss) related to foreign currency translation were reductions in stockholders' equity of $61 million at December 31, 2006 and $92 million at December 31, 2005.

11. Retirement Plans

The Corporation has funded noncontributory defined benefit pension plans for a significant portion of its employees. In addition, the Corporation has an unfunded supplemental pension plan covering certain employees. The unfunded supplemental pension plan provides for incremental pension payments from the Corporation's funds so that total pension payments equal amounts that would have been payable from the Corporation's principal pension plans, were it not for limitations imposed by income tax regulations. The plans provide defined benefits based on years of service and final average salary. Additionally, the Corporation maintains a postretirement medical plan that provides health benefits to certain qualified retirees from ages 55 through 65. The Corporation uses December 31 as the measurement date for all of these retirement plans.

Effective December 31, 2006, the Corporation prospectively adopted FAS No. 158, *Employer's Accounting For Defined Benefit Pension and Other Postretirement Plans* (FAS No. 158), which requires recognition on the balance sheet of the underfunded status of a defined benefit postretirement plan measured as the difference between the fair value of plan assets and the benefit obligation. The benefit obligation is defined as the projected benefit obligation for pension plans and the accumulated postretirement obligation for postretirement medical plans. The Corporation recognizes on the balance sheet all changes in the funded status of its defined benefit postretirement plans in the year in which such changes occur. As a result of adopting FAS 158, the Corporation recorded an after-tax decrease in stockholders' equity of $142 million ($225 million before-tax) by increasing accumulated other comprehensive income (loss). The following table reflects the impact of adopting FAS No. 158 effective December 31, 2006:

	(Millions of dollars)
Decrease in prepaid benefit cost(a)	$ 78
Decrease in intangible assets(a)	2
Increase in accrued benefit liability(b)	145
Charge to accumulated other comprehensive income (loss)	225

(a) Included within Other assets on the Corporation's balance sheet
(b) Included within Other liabilities and deferred credits on the Corporation's balance sheet

The following table reconciles the benefit obligation and the fair value of plan assets and shows the funded status of the pension and postretirement medical plans:

	Funded Pension Plans		Unfunded Pension Plan		Postretirement Medical Plan	
	2006	2005	**2006**	2005	**2006**	2005
			(Millions of dollars)			
Change in benefit obligation						
Balance at January 1	**$ 1,030**	$ 925	**$ 105**	$ 77	**$ 73**	$ 71
Service cost	**31**	26	**4**	4	**3**	2
Interest cost	**57**	53	**6**	5	**5**	4
Actuarial loss	**16**	60	**4**	24	**11**	—
Benefit payments	**(36)**	(34)	**(5)**	(5)	**(3)**	(4)
Balance at December 31	**1,098**	1,030	**114**	105	**89**	73
Change in fair value of plan assets						
Balance at January 1	**826**	750	**—**	—	**—**	—
Actual return on plan assets	**126**	42	**—**	—	**—**	—
Employer contributions	**45**	68	**5**	5	**3**	4
Benefit payments	**(36)**	(34)	**(5)**	(5)	**(3)**	(4)
Balance at December 31	**961**	826	**—**	—	**—**	—
Funded status (plan assets less than benefit obligations) at December 31	**(137)**	(204)	**(114)***	(105)*	**(89)**	(73)
Unrecognized net actuarial loss	**205**	278	**51**	53	**34**	26
Unrecognized prior service cost	**—**	1	**3**	3	**(2)**	(3)
Net amount recognized	**$ 68**	$ 75	**$ (60)**	$ (49)	**$ (57)**	$ (50)

* *The trust established by the Corporation to fund the supplemental plan held assets valued at $76 million at December 31, 2006 and $53 million at December 31, 2005.*

Amounts recognized in the consolidated balance sheet at December 31 consist of the following:

	Funded Pension Plans		Unfunded Pension Plan		Postretirement Medical Plan	
	2006	2005	2006	2005	2006	2005
	(Millions of dollars)					
Accrued benefit liability	**$ (137)**	$ (93)	**$ (114)**	$ (83)	**$ (89)**	$ (50)
Intangible assets	**—**	1	**—**	3	**—**	—
Accumulated other comprehensive income (loss)*	**205**	167	**54**	31	**32**	—
Net amount recognized	**$ 68**	$ 75	**$ (60)**	$ (49)	**$ (57)**	$ (50)

* *The amount included in accumulated other comprehensive income (loss) after income taxes was $183 million at December 31, 2006 and $131 million at December 31, 2005.*

The accumulated benefit obligation for the funded defined benefit pension plans was $996 million at December 31, 2006 and $919 million at December 31, 2005. The accumulated benefit obligation for the unfunded defined benefit pension plan was $96 million at December 31, 2006 and $83 million at December 31, 2005.

Components of net periodic benefit cost for funded and unfunded pension plans and the postretirement medical plan consisted of the following:

	Pension Plans			Postretirement Medical Plan		
	2006	2005	2004	2006	2005	2004
	(Millions of dollars)					
Service cost	**$ 34**	$ 30	$ 26	**$ 3**	$ 3	$ 2
Interest cost	**63**	58	54	**5**	4	4
Expected return on plan assets	**(63)**	(56)	(56)	**—**	—	—
Amortization of prior service cost	**1**	2	2	**(1)**	(1)	(1)
Amortization of net loss	**30**	24	16	**—**	—	—
Settlement loss	**—**	—	6	**3**	1	1
Net periodic benefit cost	**$ 65**	$ 58	$ 48	**$ 10**	$ 7	$ 6

Prior service costs and gains and losses in excess of 10% of the greater of the benefit obligation or the market value of assets are amortized over the average remaining service period of active employees.

The Corporation’s 2007 pension and postretirement medical expense is estimated to be approximately $70 million, of which $25 million relates to the amortization of estimated actuarial losses.

The weighted-average actuarial assumptions used by the Corporation's funded and unfunded pension plans were as follows:

	2006	2005	2004
Weighted-average assumptions used to determine benefit obligations at December 31			
Discount rate	**5.8%**	5.5%	5.8%
Rate of compensation increase	**4.4**	4.3	4.5
Weighted-average assumptions used to determine net benefit cost for years ended December 31			
Discount rate	**5.5**	5.8	6.2
Expected return on plan assets	**7.5**	7.5	8.5
Rate of compensation increase	**4.3**	4.5	4.5

The actuarial assumptions used by the Corporation's postretirement health benefit plan were as follows:

	2006	2005	2004
Assumptions used to determine benefit obligations at December 31			
Discount rate	**5.8%**	5.5%	5.8%
Initial health care trend rate	**8.0%**	9.0%	10.0%
Ultimate trend rate	**4.5%**	4.5%	4.5%
Year in which ultimate trend rate is reached	**2011**	2011	2011

The assumptions used to determine net periodic benefit cost for each year were established at the end of each previous year while the assumptions used to determine benefit obligations were established at each year-end. The net periodic benefit cost and the actuarial present value of benefit obligations are based on actuarial assumptions that are reviewed on an annual basis. The discount rate is developed based on a portfolio of high-quality, fixed-income debt instruments with maturities that approximate the payment of plan obligations. The overall expected return on plan assets is developed from the expected future returns for each asset category, weighted by the target allocation of pension assets to that asset category. The Corporation engages an independent investment consultant to assist in the development of these expected returns.

The Corporation's investment strategy is to maximize returns at an acceptable level of risk through broad diversification of plan assets in a variety of asset classes. Asset classes and target allocations are determined by the Company's investment committee and include domestic and foreign equities, fixed income securities, and other investments, including hedge funds and private equity. Investment managers are prohibited from investing in securities issued by the Corporation unless indirectly held as part of an index strategy. The majority of plan assets are highly liquid, providing ample liquidity for benefit payment requirements.

The Corporation's funded pension plan assets by asset category are as follows:

Asset Category	Target Allocation	At December 31 2006	At December 31 2005
Equity securities	**55%**	**61%**	61%
Debt securities	**35**	**34**	35
Other	**10**	**5**	4
Total	**100%**	**100%**	100%

Asset allocations are rebalanced on a periodic basis throughout the year to bring assets to within an acceptable range of target levels.

The Corporation has budgeted contributions of approximately $65 million to its funded pension plans in 2007. The Corporation also has budgeted contributions of approximately $15 million to the trust established for the unfunded plan.

Estimated future benefit payments for the funded and unfunded pension plans and the postretirement health benefit plan, which reflect expected future service, are as follows:

	(Millions of dollars)
2007	$ 52
2008	55
2009	59
2010	67
2011	79
Years 2012 to 2016	420

The Corporation also contributes to several defined contribution plans for eligible employees. Employees may contribute a portion of their compensation to the plans and the Corporation matches a portion of the employee contributions. The Corporation recorded expense of $16 million in 2006, $14 million in 2005 and $13 million in 2004 for contributions to these plans.

12. Income Taxes

The provision for (benefit from) income taxes on income from continuing operations consisted of:

	2006	2005	2004
		(Millions of dollars)	
United States Federal			
Current	**$ 4**	$ 50	$ —
Deferred	**93**	(314)	(162)
State	**19**	(14)	(23)
	116	(278)	(185)
Foreign			
Current	**1,836**	1,047	801
Deferred	**143**	220	(28)
	1,979	1,267	773
Adjustment of deferred tax liability for foreign income tax rate change	**29**	(5)	—
Total provision for income taxes on continuing operations*	**$ 2,124**	$ 984	$ 588

* *See note 2 for items affecting comparability of income taxes between years.*

Income (loss) from continuing operations before income taxes consisted of the following:

	2006	2005	2004
		(Millions of dollars)	
United States(a)	**$ 398**	$ (941)	$ (411)
Foreign(b)	**3,642**	3,167	1,969
Total income from continuing operations before income taxes	**$ 4,040**	$ 2,226	$ 1,558

(a) *Includes substantially all of the Corporation's interest expense and the results of hedging activities.*

(b) *Foreign income includes the Corporation's Virgin Islands and other operations located outside of the United States.*

Deferred income taxes arise from temporary differences between the tax bases of assets and liabilities and their recorded amounts in the financial statements. A summary of the components of deferred tax liabilities and assets at December 31 follows:

	2006	2005
	(Millions of dollars)	
Deferred tax liabilities		
Fixed assets and investments	**$ 2,473**	$ 1,657
Foreign petroleum taxes	**347**	324
Other	**179**	97
Total deferred tax liabilities	**2,999**	2,078
Deferred tax assets		
Net operating loss carryforwards	**1,470**	1,578
Accrued liabilities	**372**	314
Asset retirement obligations	**316**	189
Tax credit carryforwards	**182**	197
Other	**260**	140
Total deferred tax assets	**2,600**	2,418
Valuation allowance	**(164)**	(76)
Net deferred tax assets	**2,436**	2,342
Net deferred tax assets (liabilities)	**$ (563)**	$ 264

In the consolidated balance sheet at December 31 deferred tax assets and liabilities from the preceding table are netted by taxing jurisdiction and are recorded in the following captions:

	2006	2005
	(Millions of dollars)	
Other current assets	**$ 152**	$ 121
Deferred income taxes (long-term asset)	**1,435**	1,544
Accrued liabilities	**(51)**	—
Deferred income taxes (long-term liability)	**(2,099)**	(1,401)
Net deferred tax assets (liabilities)	**$ (563)**	$ 264

The difference between the Corporation's effective income tax rate and the United States statutory rate is reconciled below:

	2006	2005	2004
United States statutory rate	**35.0%**	35.0%	35.0%
Effect of foreign operations	**17.5**	7.5	5.0
State income taxes, net of Federal income tax	**0.3**	(0.4)	(0.9)
Tax on repatriation	**—**	3.3	—
Other	**(0.2)**	(1.2)	(1.3)
Total	**52.6%**	44.2%	37.8%

The increase in the 2006 effective income tax rate was primarily due to taxes on Libyan operations and the increase in the supplementary tax on petroleum operations in the United Kingdom from 10% to 20%. During 2006, the Algerian government amended its hydrocarbon tax laws effective August 1, 2006 and the Corporation recorded a net charge of $6 million for the estimated impact of the tax.

The American Jobs Creation Act (the Act) provided for a one-time reduction in the income tax rate to 5.25% on the remittance of eligible dividends from foreign subsidiaries to a U.S. parent. During 2005, the Corporation repatriated $1.9 billion of foreign dividends under the Act and recorded a related income tax provision of approximately $72 million.

The Corporation has not recorded deferred income taxes applicable to undistributed earnings of foreign subsidiaries that are expected to be indefinitely reinvested in foreign operations. The Corporation had undistributed earnings from foreign subsidiaries of approximately $5.4 billion at December 31, 2006. If the earnings of foreign subsidiaries were not indefinitely reinvested, a deferred tax liability of approximately $1.9 billion would be required, excluding the potential use of foreign tax credits in the United States.

At December 31, 2006, the Corporation has net operating loss carryforwards in the United States of approximately $3.2 billion, substantially all of which expire in 2022 through 2025. In addition, a foreign Exploration and Production subsidiary has a net operating loss carryforward of approximately $500 million, which can be carried forward indefinitely. For income tax reporting at December 31, 2006, the Corporation has alternative minimum tax credit carryforwards of approximately $135 million, which can be carried forward indefinitely. The Corporation also has approximately $45 million of general business credits, substantially all of which expire between 2011 and 2025.

Income taxes paid (net of refunds) in 2006, 2005 and 2004 amounted to $1,799 million, $1,139 million and $632 million, respectively.

13. Stockholders' Equity and Net Income Per Share

The weighted average number of common shares used in the basic and diluted earnings per share computations for each year is summarized below*:

	2006	2005	2004
		(Thousands of shares)	
Common shares — basic	**278,100**	272,700	268,355
Effect of dilutive securities			
Convertible preferred stock	**31,656**	34,247	34,976
Stock options	**3,135**	2,507	1,110
Restricted common stock	**2,776**	2,651	1,817
Common shares — diluted	**315,667**	312,105	306,258

* *Weighted average number of shares in all periods reflect the impact of a 3-for-1 stock split on May 31, 2006.*

The table above excludes the effect of out-of-the-money options on 2,080,000 shares, 61,000 shares and 2,582,000 shares in 2006, 2005 and 2004, respectively.

Earnings per share are as follows*:

	2006	2005	2004
Basic			
Continuing operations	**$ 6.73**	$ 4.38	$ 3.43
Discontinued operations	**—**	—	.03
Net income	**$ 6.73**	$ 4.38	$ 3.46
Diluted			
Continuing operations	**$ 6.07**	$ 3.98	$ 3.17
Discontinued operations	**—**	—	.02
Net income	**$ 6.07**	$ 3.98	$ 3.19

* *Per share amounts in all periods reflect the impact of a 3-for-1 stock split on May 31, 2006.*

On May 3, 2006, the Corporation's shareholders voted to increase the number of authorized common shares from 200 million to 600 million and the board of directors declared a three-for-one stock split. The stock split was completed in the form of a stock dividend that was issued on May 31, 2006 to shareholders of record on May 17, 2006. The common share par value remained at $1.00 per share. All common share and per share amounts in these financial statements and notes are on an after-split basis for all periods presented.

On December 1, 2006, all of the Corporation's 13,500,000 outstanding shares of 7% cumulative mandatory convertible preferred shares were converted into common stock. Based on the Corporation's average closing common stock price over the 20-day period before conversion, the conversion rate was 2.4915 shares of common stock for each share of preferred. The Corporation issued 33,635,191 shares of common stock for the conversion of its 7% cumulative mandatory convertible preferred shares. Fractional shares were settled by cash payments.

At December 31, 2006, the Corporation has outstanding 323,715 shares of 3% cumulative convertible preferred stock which have a total liquidation value of $16 million ($50 per share). Each share of the 3% cumulative convertible preferred stock is convertible at the option of the holder into 1.8783 shares of common stock. Holders of the cumulative convertible preferred stock have no voting rights except in certain limited circumstances involving non-payment of dividends.

14. Leased Assets

The Corporation and certain of its subsidiaries lease gasoline stations, drilling rigs, tankers, office space and other assets for varying periods under leases accounted for as operating leases. Certain operating leases provide an option to purchase the related property at fixed prices. At December 31, 2006, future minimum rental payments applicable to noncancelable operating leases with remaining terms of one year or more (other than oil and gas property leases) are as follows:

	(Millions of dollars)
2007	$ 630
2008	343
2009	224
2010	105
2011	93
Remaining years	1,076
Total minimum lease payments	2,471
Less: Income from subleases	88
Net minimum lease payments	$ 2,383

Operating lease expenses for drilling rigs used to drill development wells and successful exploration wells are capitalized.

Rental expense was as follows:

	2006	2005	2004
		(Millions of dollars)	
Total rental expense	**$ 198**	$ 201	$ 238
Less: Income from subleases	**15**	14	58
Net rental expense	**$ 183**	$ 187	$ 180

15. Financial Instruments, Non-trading and Trading Activities

Non-Trading: The Corporation uses futures, forwards, options and swaps, individually or in combination to mitigate its exposure to fluctuations in the prices of crude oil, natural gas, refined products and electricity and changes in foreign currency exchange rates. Hedging activities decreased Exploration and Production revenues by $449 million in 2006, $1,582 million in 2005 and $935 million in 2004. The amount of hedge ineffectiveness losses reflected in revenue in 2006 and 2005 was $5 million and $17 million, respectively, and was not material during the year ended December 31, 2004.

The Corporation's crude oil hedging activities included the use of commodity futures and swap contracts. At December 31, 2006, the Corporation's outstanding hedge positions were as follows:

	Brent Crude Oil	
Maturity	Average Selling Price	Thousands of Barrels per Day
2007	$ 25.85	24
2008	25.56	24
2009	25.54	24
2010	25.78	24
2011	26.37	24
2012	26.90	24

The Corporation had no WTI crude oil or natural gas hedges at year-end 2006. The Corporation also markets energy commodities including refined petroleum products, natural gas and electricity. The Corporation uses futures and swaps to manage the underlying risk in its marketing activities. At December 31, 2006, net after tax deferred losses in accumulated other comprehensive income (loss) from the Corporation's hedging contracts were $1,338 million ($2,101 million before income taxes). At December 31, 2005, net after-tax deferred losses were $1,304 million ($2,063 million before income taxes). The pre-tax amount of all deferred hedge losses is reflected in accounts payable and the related income tax benefits are recorded as deferred tax assets on the balance sheet.

Commodity Trading: The Corporation, principally through a consolidated partnership, trades energy commodities and securities and derivatives including futures, forwards, options and swaps, based on expectations of future market conditions. The Corporation's income before income taxes from trading activities, including its share of the earnings of the trading partnership amounted to $83 million in 2006, $60 million in 2005 and $72 million in 2004.

Other Financial Instruments: The Corporation has $729 million of notional value foreign currency forward contracts maturing through 2007, ($677 million at December 31, 2005). Notional amounts do not quantify risk or represent assets or liabilities of the Corporation, but are used in the calculation of cash settlements under the contracts. The fair value of the foreign currency forward contracts recorded by the Corporation was a receivable of $51 million at December 31, 2006 and a liability of $31 million at December 31, 2005.

The Corporation has $3,479 million in letters of credit outstanding at December 31, 2006 ($2,685 million at December 31, 2005). Of the total letters of credit outstanding at December 31, 2006, $52 million relates to contingent liabilities and the remaining $3,427 million relates to liabilities recorded on the balance sheet.

Fair Value Disclosure: The Corporation estimates the fair value of its fixed-rate notes receivable and debt generally using discounted cash flow analysis based on current interest rates for instruments with similar maturities and risk profiles. Foreign currency exchange contracts are valued based on current termination values or quoted market prices of comparable contracts. The Corporation's valuation of commodity contracts considers quoted market prices where applicable. In the absence of quoted market prices, the Corporation values contracts at fair value considering time value, volatility of the underlying commodities and other factors.

The following table presents the fair values at December 31 of financial instruments and derivatives used in non-trading and trading activities:

	2006	2005
	(Millions of dollars, asset (liability))	
Futures and forwards		
Assets	**$ 632**	$ 199
Liabilities	**(273)**	(115)
Options		
Held	**252**	963
Written	**(265)**	(265)
Swaps		
Assets	**620**	763
Liabilities (including hedging contracts)	**(2,711)**	(2,512)

The carrying amounts of the Corporation's financial instruments and derivatives, including those used in the Corporation's non-trading and trading activities, generally approximate their fair values at December 31, 2006 and 2005, except fixed rate long-term debt which had a carrying value of $3,149 million and a fair value of $3,482 million at December 31, 2006 and a carrying value of $3,174 million and a fair value of $3,675 million at December 31, 2005.

Credit Risks: The Corporation's financial instruments expose it to credit risks and may at times be concentrated with certain counterparties or groups of counterparties. Trade receivables in the Exploration and Production and Marketing and Refining businesses are generated from a diverse domestic and international customer base. The Corporation continuously monitors counterparty concentration and credit risk. The Corporation reduces its risk related to certain counterparties by using master netting agreements and requiring collateral, generally cash or letters of credit.

16. Guarantees and Contingencies

The Corporation's guarantees include $15 million of HOVENSA's senior debt obligations and $229 million of HOVENSA's crude oil purchases, see note 5, "Refining Joint Venture." The remainder relates to a loan guarantee of $57 million for an oil pipeline in which the Corporation owns a 2.36% interest. In addition, the Corporation has $52 million in letters of credit for which it is contingently liable. The maximum potential amount of future payments that the Corporation could be required to make under its guarantees at December 31, 2006 is $353 million ($306 million at December 31, 2005). The Corporation has a contingent purchase obligation expiring in April 2010, to acquire the remaining interest in WilcoHess, a retail gasoline station joint venture, for approximately $140 million as of December 31, 2006.

The Corporation is subject to loss contingencies with respect to various lawsuits, claims and other proceedings, including environmental matters. A liability is recognized in the Corporation's consolidated financial statements when it is probable, a loss has been incurred and the amount can be reasonably estimated. If the risk of loss is probable, but the amount cannot be reasonably estimated or the risk of loss is only reasonably possible, a liability is not accrued; however, the Corporation discloses the nature of those contingencies in accordance with FAS No. 5, *Accounting for Contingencies.*

The Corporation, along with many other companies engaged in refining and marketing of gasoline, is a party to numerous lawsuits and claims related to the use of methyl tertiary butyl ether (MTBE) in gasoline. These cases have been consolidated in the Southern District of New York. The principal allegation in all cases is that gasoline containing MTBE is a defective product and that these parties are strictly liable in proportion to their share of the gasoline market for damage to groundwater resources and are required to take remedial action to ameliorate the alleged effects on the environment of releases of MTBE. In some cases, punitive damages are also sought. In April 2005, the District Court denied the primary legal aspects of the defendants' motion to dismiss these actions. While the damages claimed in these actions are substantial, and it is reasonably possible that a liability may have been incurred, only limited information is available to evaluate the factual and legal merits of these claims. The Corporation also believes that significant legal uncertainty remains regarding the validity of causes of action asserted and availability of the relief sought by plaintiffs. Accordingly, based on the information currently available, there is insufficient information on which to evaluate the Corporation's exposure in these cases.

Over the last several years, many refiners have entered into consent agreements to resolve assertions by the Environmental Protection Agency (EPA) that refining facilities were modified or expanded without complying with New Source Review regulations that require permits and new emission controls in certain circumstances and other regulations that impose emissions control requirements. These consent agreements, which arise out of an EPA enforcement initiative focusing on petroleum refiners and utilities, have typically imposed substantial civil fines and penalties and required significant capital expenditures to install emissions control equipment over a three to eight year time period. The penalties assessed and the capital expenditures required vary considerably between refineries. The EPA initially contacted the Corporation and HOVENSA regarding the petroleum refinery initiative in August 2003 and the Corporation and HOVENSA expect to have further discussions with EPA regarding the initiative. While it is reasonably possible additional capital expenditures and operating expenses may be incurred in the future, the amounts cannot be estimated at this time. The amount of penalties, if any, is not expected to be material to the financial position or results of operations of the Corporation.

The Corporation is also currently subject to certain other existing claims, lawsuits and proceedings, which it considers routine and incidental to its business. The Corporation believes that there is only a remote likelihood that future costs related to any of these other known contingent liability exposures would have a material adverse impact on its financial position or results of operations.

17. Segment Information

The Corporation has two operating segments that comprise the structure used by senior management to make key operating decisions and assess performance. These are (1) Exploration and Production and (2) Marketing and Refining. Exploration and Production operations include the exploration for and the development, production, purchase, transportation and sale of crude oil and natural gas. Marketing and Refining operations include the manufacture, purchase, transportation, trading and marketing of refined petroleum products, natural gas and electricity.

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents financial data by operating segment for each of the three years ended December 31, 2006:

	Exploration and Production	Marketing and Refining	Corporate and Interest	Consolidated(a)
	(Millions of dollars)			
2006				
Operating revenues				
Total operating revenues(b)	**$ 6,860**	**$ 21,480**	**$ 2**	
Less: Transfers between affiliates	**275**	**—**	**—**	
Operating revenues from unaffiliated customers	**$ 6,585**	**$ 21,480**	**$ 2**	**$ 28,067**
Net income (loss)	**$ 1,763**	**$ 390**	**$ (237)**	**$ 1,916**
Equity in income of HOVENSA L.L.C.	**$ —**	**$ 203**	**$ —**	**$ 203**
Interest expense	**—**	**—**	**201**	**201**
Depreciation, depletion and amortization	**1,159**	**61**	**4**	**1,224**
Provision (benefit) for income taxes	**2,019**	**224**	**(119)**	**2,124**
Investments in affiliates	**57**	**1,143**	**—**	**1,200**
Identifiable assets	**14,397**	**6,190**	**1,817**	**22,404**
Capital employed(c)	**9,397**	**2,919**	**(433)**	**11,883**
Capital expenditures	**3,675**	**158**	**11**	**3,844**
2005				
Operating revenues				
Total operating revenues(b)	$ 4,428	$ 18,673	$ 2	
Less: Transfers between affiliates	356	—	—	
Operating revenues from unaffiliated customers	$ 4,072	$ 18,673	$ 2	$ 22,747
Net income (loss)	$ 1,058	$ 515	$ (331)	$ 1,242
Equity in income of HOVENSA L.L.C.	$ —	$ 376	$ —	$ 376
Interest expense	—	—	224	224
Depreciation, depletion and amortization	965	58	2	1,025
Provision (benefit) for income taxes	737	298	(51)	984
Investments in affiliates	43	1,346	—	1,389
Identifiable assets	10,961	6,337	1,817	19,115
Capital employed(c)	7,832	3,074	(835)	10,071
Capital expenditures	2,235	101	5	2,341

	Exploration and Production	Marketing and Refining	Corporate and Interest	Consolidated(a)
		(Millions of dollars)		
2004				
Operating revenues				
Total operating revenues(b)	$ 3,586	$ 13,448	$ 1	
Less: Transfers between affiliates	302	—	—	
Operating revenues from unaffiliated customers	$ 3,284	$ 13,448	$ 1	$ 16,733
Income (loss) from continuing operations	$ 755	$ 451	$ (236)	$ 970
Discontinued operations	7	—	—	7
Net income (loss)	$ 762	$ 451	$ (236)	$ 977
Equity in income of HOVENSA L.L.C.	$ —	$ 244	$ —	$ 244
Interest expense	—	—	241	241
Depreciation, depletion and amortization	918	50	2	970
Provision (benefit) for income taxes	571	158	(141)	588
Investments in affiliates	28	1,226	—	1,254
Identifiable assets	10,407	4,850	1,055	16,312
Capital employed(c)	7,603	2,519	(690)	9,432
Capital expenditures	1,434	85	2	1,521

(a) After elimination of transactions between affiliates, which are valued at approximate market prices.

(b) Sales and operating revenues are reported net of excise and similar taxes in the consolidated statement of income, which amounted to approximately $1,800 million in each year.

(c) Calculated as equity plus debt.

Financial information by major geographic area for each of the three years ended December 31, 2006:

	United States	Europe	Africa	Asia and Other	Consolidated
			(Millions of dollars)		
2006					
Operating revenues	**$ 22,599**	**$ 3,108**	**$ 1,677**	**$ 683**	**$ 28,067**
Property, plant and equipment (net)	**2,402**	**3,255**	**4,495**	**2,156**	**12,308**
2005					
Operating revenues	$ 19,496	$ 2,016	$ 827	$ 408	$ 22,747
Property, plant and equipment (net)	1,836	3,080	2,791	1,805	9,512
2004					
Operating revenues	$ 14,254	$ 1,705	$ 548	$ 226	$ 16,733
Property, plant and equipment (net)	1,880	2,591	2,293	1,741	8,505

18. Related Party Transactions

Related party transactions for the year-ended December 31:

	2006	2005
	(Millions of dollars)	
Purchases of petroleum products:		
HOVENSA*	**$ 4,694**	$ 3,991
Sales of petroleum products and crude oil:		
WilcoHess	**1,664**	1,244
HOVENSA	**179**	98

** The Corporation has agreed to purchase 50% of HOVENSA's production of refined products at market prices, after sales by HOVENSA to unaffiliated parties.*

19. Subsequent Events

In February 2007, the Corporation completed the acquisition of a 28% interest in the Genghis Khan oil and gas development located in the deepwater Gulf of Mexico on Green Canyon Blocks 652 and 608 for $371 million. The Genghis Khan development is part of the same geologic structure as the Shenzi development and first production from this development is expected in the second half of 2007.

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

SUPPLEMENTARY OIL AND GAS DATA
(Unaudited)

The supplementary oil and gas data that follows is presented in accordance with FAS No. 69, *Disclosures about Oil and Gas Producing Activities*, and includes (1) costs incurred, capitalized costs and results of operations relating to oil and gas producing activities, (2) net proved oil and gas reserves, and (3) a standardized measure of discounted future net cash flows relating to proved oil and gas reserves, including a reconciliation of changes therein.

The Corporation produces crude oil and/or natural gas in the United States, United Kingdom, Norway, Denmark, Equatorial Guinea, Algeria, Malaysia, Thailand, Russia, Gabon, Azerbaijan, Indonesia and Libya. Exploration activities are also conducted, or are planned, in additional countries.

Costs Incurred in Oil and Gas Producing Activities

For the Years Ended December 31	Total	United States	Europe (Millions of dollars)	Africa	Asia and Other
2006					
Property acquisitions					
Unproved	**$ 607**	**$ 86**	**$ 32**	**$ 483**	**$ 6**
Proved	**314**	**—**	**8**	**306**	**—**
Exploration	**802**	**544**	**92**	**57**	**109**
Production and development*	**2,462**	**329**	**644**	**1,080**	**409**
2005					
Property acquisitions					
Unproved	$ 193	$ 14	$ 173	$ 6	$ —
Proved	215	—	215	—	—
Exploration	378	197	60	43	78
Production and development*	1,668	162	522	857	127
2004					
Property acquisitions					
Unproved	$ 62	$ 62	$ —	$ —	$ —
Exploration	297	194	22	35	46
Production and development*	1,255	200	459	506	90

* *Includes $298 million, $70 million and $51 million in 2006, 2005 and 2004, respectively, related to the accruals for asset retirement obligations.*

Capitalized Costs Relating to Oil and Gas Producing Activities

	At December 31 2006	2005
	(Millions of dollars)	
Unproved properties	**$ 1,231**	$ 629
Proved properties	**3,298**	3,490
Wells, equipment and related facilities	**15,670**	13,717
Total costs	**20,199**	17,836
Less: Reserve for depreciation, depletion, amortization and lease impairment	**8,910**	9,243
Net capitalized costs	**$ 11,289**	$ 8,593

Results of Operations for Oil and Gas Producing Activities

The results of operations shown below exclude non-oil and gas producing activities, including gains on sales of oil and gas properties, interest expense and gains and losses resulting from foreign exchange transactions. Therefore, these results are on a different basis than the net income from Exploration and Production operations reported in management's discussion and analysis of results of operations and in note 17, "Segment Information," in the notes to the financial statements.

For the Years Ended December 31	Total	United States	Europe	Africa	Asia and Other
			(Millions of dollars)		
2006					
Sales and other operating revenues					
Unaffiliated customers	**$ 6,249**	**$ 957**	**$ 3,052**	**$ 1,637**	**$ 603**
Inter-company	**275**	**275**	**—**	**—**	**—**
Total revenues	**6,524**	**1,232**	**3,052**	**1,637**	**603**
Costs and expenses					
Production expenses, including related taxes	**1,250**	**221**	**631**	**284**	**114**
Exploration expenses, including dry holes and lease impairment	**552**	**353**	**39**	**117**	**43**
General, administrative and other expenses**	**209**	**95**	**74**	**15**	**25**
Depreciation, depletion and amortization	**1,159**	**127**	**490**	**401**	**141**
Total costs and expenses	**3,170**	**796**	**1,234**	**817**	**323**
Results of operations before income taxes	**3,354**	**436**	**1,818**	**820**	**280**
Provision for income taxes	**1,870**	**161**	**1,009**	**609**	**91**
Results of operations	**$ 1,484**	**$ 275**	**$ 809**	**$ 211**	**$ 189**
2005					
Sales and other operating revenues					
Unaffiliated customers	$ 3,854	$ 741	$ 2,004	$ 769	$ 340
Inter-company	356	356	—	—	—
Total revenues	4,210	1,097	2,004	769	340
Costs and expenses					
Production expenses, including related taxes*	1,007	253	478	198	78
Exploration expenses, including dry holes and lease impairment	397	233	26	97	41
General, administrative and other expenses	140	74	39	11	16
Depreciation, depletion and amortization	965	145	408	301	111
Total costs and expenses	2,509	705	951	607	246
Results of operations before income taxes	1,701	392	1,053	162	94
Provision for income taxes	709	141	500	29	39
Results of operations	$ 992	$ 251	$ 553	$ 133	$ 55

For the Years Ended December 31	Total	United States	Europe (Millions of dollars)	Africa	Asia and Other
2004					
Sales and other operating revenues					
Unaffiliated customers	$ 3,114	$ 607	$ 1,753	$ 568	$ 186
Inter-company	302	302	—	—	—
Total revenues	3,416	909	1,753	568	186
Costs and expenses					
Production expenses, including related taxes	825	198	415	171	41
Exploration expenses, including dry holes and lease impairment	287	135	28	78	46
General, administrative and other expenses**	150	57	31	25	37
Depreciation, depletion and amortization	918	147	497	215	59
Total costs and expenses	2,180	537	971	489	183
Results of continuing operations before income taxes	1,236	372	782	79	3
Provision for income taxes	543	132	381	36	(6)
Results of continuing operations	693	240	401	43	9
Discontinued operations	7	—	—	—	7
Results of operations	$ 700	$ 240	$ 401	$ 43	$ 16

* *Includes $40 million of Gulf of Mexico hurricane related costs.*

** *Includes accrued severance and costs for vacated office space of approximately $30 million and $15 million in 2006 and 2004, respectively.*

Oil and Gas Reserves

The Corporation's oil and gas reserves are calculated in accordance with SEC regulations and interpretations and the requirements of the FASB. For reserves to be booked as proved they must be commercially producible; government approvals must be obtained and depending on the amount of the project cost, senior management or the board of directors, must commit to fund the project. The Corporation's oil and gas reserve estimation and reporting process involves an annual independent third party reserve determination as well as internal technical appraisals of reserves. The Corporation maintains its own internal reserve estimates that are calculated by technical staff that work directly with the oil and gas properties. The Corporation's technical staff updates reserve estimates throughout the year based on evaluations of new wells, performance reviews, new technical data and other studies. To provide consistency throughout the Corporation, standard reserve estimation guidelines, definitions, reporting reviews and approval practices are used. The internal reserve estimates are subject to internal technical audits and senior management reviews the estimates.

The oil and gas reserve estimates reported on the following page are determined independently by the consulting firm of DeGolyer and MacNaughton (D&M) and are consistent with internal estimates. Annually, the Corporation provides D&M with engineering, geological and geophysical data, actual production histories and other information necessary for the reserve determination. The Corporation's and D&M's technical staffs meet to review and discuss the information provided. Senior management and the Board of Directors review the final reserve estimates issued by D&M.

	Crude Oil, Condensate and Natural Gas Liquids					Natural Gas			
	United States	Europe	Africa	Asia and Other	Total	United States	Europe	Africa, Asia and Other	Total
	(Millions of barrels)					(Millions of mcf)			
Net Proved Developed and Undeveloped Reserves									
At January 1, 2004	127	305	135	79	646	360	800	1,172	2,332
Revisions of previous estimates(a)	15	20	8	(14)	29	(1)	75	(76)	(2)
Extensions, discoveries and other additions	3	3	53	3	62	13	2	287	302
Purchases of minerals in place	—	—	—	—	—	1	—	—	1
Sales of minerals in place	(1)	—	—	—	(1)	(6)	—	—	(6)
Production	(20)	(46)	(22)	(2)	(90)	(67)	(126)	(34)	(227)
At December 31, 2004	124	282	174	66	646(c)	300(d)	751	1,349	2,400
Revisions of previous estimates(a)	16	23	4	(10)	33	21	70	(99)	(8)
Extensions, discoveries and other additions	3	2	11	2	18	13	2	190	205
Improved recovery	1	—	—	—	1	—	—	—	—
Purchases of minerals in place	—	87	—	—	87	1	—	22	23
Sales of minerals in place	—	(4)	—	—	(4)	—	—	—	—
Production	(20)	(42)	(24)	(3)	(89)	(53)	(108)	(53)	(214)
At December 31, 2005	**124**	**348**	**165**	**55**	**692(c)**	**282(d)**	**715**	**1,409**	**2,406**
Revisions of previous estimates(a)	**7**	**21**	**39**	**(3)**	**64**	**2**	**63**	**45**	**110**
Extensions, discoveries and other additions	**45**	**11**	**6**	**2**	**64**	**32**	**11**	**168**	**211**
Improved recovery	**—**	**—**	**4**	**—**	**4**	**—**	**—**	**—**	**—**
Purchases of minerals in place	**—**	**2**	**121**	**—**	**123**	**—**	**—**	**15**	**15**
Sales of minerals in place	**(21)**	**—**	**—**	**—**	**(21)**	**(37)**	**—**	**—**	**(37)**
Production	**(17)**	**(42)**	**(31)**	**(4)**	**(94)**	**(43)**	**(112)**	**(84)**	**(239)**
At December 31, 2006(b)	**138**	**340**	**304**	**50**	**832(c)**	**236(d)**	**677**	**1,553**	**2,466**
Net Proved Developed Reserves									
At January 1, 2004	105	249	95	16	465	297	518	633	1,448
At December 31, 2004	110	234	80	12	436	260	528	471	1,259
At December 31, 2005	108	233	67	13	421	251	559	496	1,306
At December 31, 2006	**90**	**223**	**194**	**19**	**526**	**195**	**517**	**585**	**1,297**

(a) *Includes the impact of changes in selling prices on production sharing contracts with cost recovery provisions and stipulated rates of return. In 2006 this amount was immaterial for both oil and natural gas. In 2005 and 2004, revisions included reductions of approximately 23 million barrels of crude oil in each year and 63 million and 52 million mcf of natural gas, respectively, relating to higher selling prices.*

(b) *Includes 26% of crude oil reserves and 56% of natural gas reserves held under production sharing contracts. These reserves are located outside of the United States and are subject to different political and economic risks.*

(c) *Includes 23 million barrels in 2006 and 2005, and 3 million barrels in 2004 of crude oil reserves relating to minority interest owners of corporate joint ventures.*

(d) *Excludes approximately 400 million mcf of carbon dioxide gas for sale or use in company operations.*

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves

Future net cash flows are calculated by applying year-end oil and gas selling prices (adjusted for price changes provided by contractual arrangements) to estimated future production of proved oil and gas reserves, less estimated future development and production costs, which are based on year-end costs and existing economic assumptions. Future income tax expenses are computed by applying the appropriate year-end statutory tax rates to the pre-tax net cash flows relating to the Corporation's proved oil and gas reserves. Future net cash flows are discounted at the prescribed rate of 10%. The discounted future net cash flow estimates required by FAS No. 69 do not include exploration expenses, interest expense or corporate general and administrative expenses. The selling prices of crude oil and natural gas are highly volatile. The year-end prices, which are required to be used for the discounted future net cash flows and do not include the effects of hedges, may not be representative of future selling prices. The future net cash flow estimates could be materially different if other assumptions were used.

At December 31	Total	United States	Europe (Millions of dollars)	Africa	Asia and Other
2006					
Future revenues	**$ 55,252**	**$ 8,686**	**$ 19,751**	**$ 18,480**	**$ 8,335**
Less:					
Future development and production costs	**20,355**	**2,098**	**9,398**	**5,629**	**3,230**
Future income tax expenses	**16,765**	**2,331**	**5,625**	**7,908**	**901**
	37,120	**4,429**	**15,023**	**13,537**	**4,131**
Future net cash flows	**18,132**	**4,257**	**4,728**	**4,943**	**4,204**
Less: Discount at 10% annual rate	**5,771**	**1,423**	**1,358**	**1,322**	1,668
Standardized measure of discounted future net cash flows	**$ 12,361**	**$ 2,834**	**$ 3,370**	**$ 3,621**	**$ 2,536**
2005					
Future revenues	$ 50,273	$ 9,449	$ 23,534	$ 8,827	$ 8,463
Less:					
Future development and production costs	14,822	1,622	6,976	3,391	2,833
Future income tax expenses	13,666	2,764	8,703	1,037	1,162
	28,488	4,386	15,679	4,428	3,995
Future net cash flows	21,785	5,063	7,855	4,399	4,468
Less: Discount at 10% annual rate	7,296	1,892	2,448	1,168	1,788
Standardized measure of discounted future net cash flows	$ 14,489	$ 3,171	$ 5,407	$ 3,231	$ 2,680
2004					
Future revenues	$ 34,425	$ 6,542	$ 14,743	$ 6,161	$ 6,979
Less:					
Future development and production costs	11,989	1,623	5,007	2,939	2,420
Future income tax expenses	8,168	1,641	5,190	485	852
	20,157	3,264	10,197	3,424	3,272
Future net cash flows	14,268	3,278	4,546	2,737	3,707
Less: Discount at 10% annual rate	5,091	1,138	1,450	887	1,616
Standardized measure of discounted future net cash flows	$ 9,177	$ 2,140	$ 3,096	$ 1,850	$ 2,091

Changes in Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves

For the Years Ended December 31	2006	2005	2004
		(Millions of dollars)	
Standardized measure of discounted future net cash flows at beginning of year	**$ 14,489**	$ 9,177	$ 7,017
Changes during the year			
Sales and transfers of oil and gas produced during year, net of production costs	**(5,274)**	(3,203)	(2,591)
Development costs incurred during year	**2,164**	1,598	1,204
Net changes in prices and production costs applicable to future production	**(4,329)**	9,334	3,683
Net change in estimated future development costs	**(2,402)**	(1,725)	(1,564)
Extensions and discoveries (including improved recovery) of oil and gas reserves, less related costs	**1,937**	865	997
Revisions of previous oil and gas reserve estimates	**1,235**	1,499	578
Net purchases (sales) of minerals in place, before income taxes	**2,937**	393	(29)
Accretion of discount	**2,308**	1,424	1,057
Net change in income taxes	**(1,381)**	(3,533)	(1,463)
Revision in rate or timing of future production and other changes	**677**	(1,340)	288
Total	**(2,128)**	5,312	2,160
Standardized measure of discounted future net cash flows at end of year	**$ 12,361**	$ 14,489	$ 9,177

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

QUARTERLY FINANCIAL DATA
(Unaudited)

Quarterly results of operations for the years ended December 31:

	Sales and Other Operating Revenues	Gross Profit(a)	Net Income	Diluted Net Income per Share*
	(Million of dollars, except per share data)			
2006				
First	**$ 7,159**	**$ 1,138**	**$ 695(b)**	**$ 2.21**
Second	**6,718**	**1,152**	**565(c)**	**1.79**
Third	**7,035**	**1,225**	**297(d)**	**.94**
Fourth	**7,155**	**1,096**	**359**	**1.13**
2005				
First	$ 4,956	$ 621	$ 219(e)	$ .71
Second	4,963	596	299(f)	.96
Third	5,769	604	272(g)	.87
Fourth	7,059	875	452(h)	1.44

* *Per-share amounts in all periods reflect the impact of a 3-for-1 stock split on May 31, 2006.*

(a) *Gross profit represents sales and other operating revenues, less cost of products sold, production expenses, marketing expenses, other operating expenses and depreciation, depletion and amortization.*

(b) *Includes after-tax income of $186 million from asset sales in the United States.*

(c) *Includes net after-tax income of $32 million from asset sales, partially offset by accrued office closing costs.*

(d) *Includes an after-tax expense of $105 million for income tax adjustments in the United Kingdom.*

(e) *Includes net after-tax expenses of $12 million related to tax on repatriated earnings, partially offset by income related to an asset exchange, a favorable legal settlement and liquidation of prior year LIFO inventories.*

(f) *Includes net after-tax income of $4 million resulting from a favorable foreign tax rate change, partially offset by premiums on repurchased bonds.*

(g) *Includes after-tax expenses of $45 million due to hurricane related expenses and tax on repatriated earnings.*

(h) *Includes net after-tax income of $16 million related to asset sales and liquidation of prior year LIFO inventories, partially offset by hurricane related expenses, premiums on bond repurchases and a charge related to a customer bankruptcy.*

The results of operations for the periods reported herein should not be considered as indicative of future operating results.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Based upon their evaluation of the Corporation's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2006, John B. Hess, Chief Executive Officer, and John P. Rielly, Chief Financial Officer, concluded that these disclosure controls and procedures were effective as of December 31, 2006.

There was no change in internal controls over financial reporting identified in the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 in the quarter ended December 31, 2006 that has materially affected, or is reasonably likely to materially affect, internal controls over financial reporting.

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance of the Registrant***

Information relating to Directors is incorporated herein by reference to "Election of Directors" from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on May 2, 2007.

Information regarding executive officers is included in Part I hereof.

The Corporation has adopted a Code of Business Conduct and Ethics applicable to the Corporation's directors, officers (including the Corporation's principal executive officer and principal financial officer) and employees. The Code of Business Conduct and Ethics is available on the Corporation's website. In the event that we amend or waive any of the provisions of the Code of Business Conduct and Ethics that relate to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, we intend to disclose the same on the Corporation's website at www.hess.com.

Item 11. ***Executive Compensation***

Information relating to executive compensation is incorporated herein by reference to "Election of Directors — Executive Compensation and Other Information," from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on May 2, 2007.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Information pertaining to security ownership of certain beneficial owners and management is incorporated herein by reference to "Election of Directors — Ownership of Voting Securities by Certain Beneficial Owners" and "Election of Directors — Ownership of Equity Securities by Management" from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on May 2, 2007.

See "Equity Compensation Plans" in Item 5.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

Information relating to this item is incorporated herein by reference to "Election of Directors" from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on May 2, 2007.

Item 14. ***Principal Accounting Fees and Services***

Information relating to this item is incorporated by reference to “Ratification of Selection of Independent Auditors” from the Registrant’s definitive proxy statement for the annual meeting of stockholders to be held on May 2, 2007.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules, and Reports on Form 8-K***

(a) 1. and 2. Financial statements and financial statement schedules

The financial statements filed as part of this Annual Report on Form 10-K are listed in the accompanying index to financial statements and schedules in Item 8, “Financial Statements and Supplementary Data.”

3. Exhibits

3(1)	Restated Certificate of Incorporation of Registrant, including amendment thereto dated May 3, 2006 incorporated by reference to Exhibit(3) of Registrant’s Form 10-Q for the three months ended June 30, 2006.
3(2)	By-Laws of Registrant incorporated by reference to Exhibit 3 of Form 10-Q of Registrant for the three months ended June 30, 2002.
4(1)	Certificate of designations, preferences and rights of 3% cumulative convertible preferred stock of Registrant incorporated by reference to Exhibit 4 of Form 10-Q of Registrant for the three months ended June 30, 2000.
4(2)	Five-Year Credit Agreement dated as of December 10, 2004, as amended and restated as of May 12, 2006, among Registrant, certain subsidiaries of Registrant, J.P. Morgan Chase Bank, N.A. as lender and administrative agent, and the other lenders party thereto, incorporated by reference to Exhibit(4) of Form 10-Q of Registrant for the three months ended June 30, 2006.
4(3)	Indenture dated as of October 1, 1999 between Registrant and The Chase Manhattan Bank, as Trustee, incorporated by reference to Exhibit 4(1) of Form 10-Q of Registrant for the three months ended September 30, 1999.
4(4)	First Supplemental Indenture dated as of October 1, 1999 between Registrant and The Chase Manhattan Bank, as Trustee, relating to Registrant’s $7^3/_8$% Notes due 2009 and $7^7/_8$% Notes due 2029, incorporated by reference to Exhibit 4(2) to Form 10-Q of Registrant for the three months ended September 30, 1999.
4(5)	Prospectus Supplement dated August 8, 2001 to Prospectus dated July 27, 2001 relating to Registrant’s 5.30% Notes due 2004, 5.90% Notes due 2006, 6.65% Notes due 2011 and 7.30% Notes due 2031, incorporated by reference to Registrant’s prospectus filed pursuant to Rule 424(b)(2) under the Securities Act of 1933 on August 9, 2001.
4(6)	Prospectus Supplement dated February 28, 2002 to Prospectus dated July 27, 2001 relating to Registrant’s 7.125% Notes due 2033, incorporated by reference to Registrant’s prospectus filed pursuant to Rule 424(b)(2) under the Securities Act of 1933 on February 28, 2002.
	Other instruments defining the rights of holders of long-term debt of Registrant and its consolidated subsidiaries are not being filed since the total amount of securities authorized under each such instrument does not exceed 10 percent of the total assets of Registrant and its subsidiaries on a consolidated basis. Registrant agrees to furnish to the Commission a copy of any instruments defining the rights of holders of long-term debt of Registrant and its subsidiaries upon request.
10(1)	Extension and Amendment Agreement between the Government of the Virgin Islands and Hess Oil Virgin Islands Corp. incorporated by reference to Exhibit 10(4) of Form 10-Q of Registrant for the three months ended June 30, 1981.
10(2)	Restated Second Extension and Amendment Agreement dated July 27, 1990 between Hess Oil Virgin Islands Corp. and the Government of the Virgin Islands incorporated by reference to Exhibit 19 of Form 10-Q of Registrant for the three months ended September 30, 1990.

10(3)	Technical Clarifying Amendment dated as of November 17, 1993 to Restated Second Extension and Amendment Agreement between the Government of the Virgin Islands and Hess Oil Virgin Islands Corp. incorporated by reference to Exhibit 10(3) of Form 10-K of Registrant for the fiscal year ended December 31, 1993.
10(4)	Third Extension and Amendment Agreement dated April 15, 1998 and effective October 30, 1998 among Hess Oil Virgin Islands Corp., PDVSA V.I., Inc., HOVENSA L.L.C. and the Government of the Virgin Islands incorporated by reference to Exhibit 10(4) of Form 10-K of Registrant for the fiscal year ended December 31, 1998.
10(5)*	Incentive Cash Bonus Plan description incorporated by reference to Item 1.01 of Form 8-K of Registrant dated February 7, 2007.
10(6)*	Financial Counseling Program description incorporated by reference to Exhibit 10(6) of Form 10-K of Registrant for fiscal year ended December 31, 2004.
10(7)*	Hess Corporation Savings and Stock Bonus Plan.
10(8)*	Performance Incentive Plan for Senior Officers, incorporated by reference to Exhibit (10) of Form 10-Q of Registrant for the three months ended June 30, 2006.
10(9)*	Hess Corporation Pension Restoration Plan dated January 19, 1990 incorporated by reference to Exhibit 10(9) of Form 10-K of Registrant for the fiscal year ended December 31, 1989.
10(10)*	Amendment dated December 31, 2006 to Hess Corporation Pension Restoration Plan.
10(11)*	Letter Agreement dated May 17, 2001 between Registrant and John P. Rielly relating to Mr. Rielly's participation in the Hess Corporation Pension Restoration Plan, incorporated by reference to Exhibit 10(18) of Form 10-K of Registrant for the fiscal year ended December 31, 2002.
10(12)*	Second Amended and Restated 1995 Long-Term Incentive Plan, including forms of awards thereunder incorporated by reference to Exhibit 10(11) of Form 10-K of Registrant for fiscal year ended December 31, 2004.
10(13)*	Compensation program description for non-employee directors, incorporated by reference to Item 1.01 of Form 8-K of Registrant dated January 1, 2007.
10(14)*	Change of Control Termination Benefits Agreement dated as of September 1, 1999 between Registrant and John B. Hess, incorporated by reference to Exhibit 10(1) of Form 10-Q of Registrant for the three months ended September 30, 1999. Substantially identical agreements (differing only in the signatories thereto) were entered into between Registrant and J. Barclay Collins, John J. O'Connor and F. Borden Walker.
10(15)*	Change of Control Termination Benefits Agreement dated as of September 1, 1999 between Registrant and John A. Gartman incorporated by reference to Exhibit 10(14) of Form 10-K of Registrant for the fiscal year ended December 31, 2001. Substantially identical agreements (differing only in the signatories thereto) were entered into between Registrant and other executive officers (other than the named executive officers referred to in Exhibit 10(15)).
10(16)*	Letter Agreement dated March 18, 2002 between Registrant and John J. O'Connor relating to Mr. O'Connor's participation in the Hess Corporation Pension Restoration Plan incorporated by reference to Exhibit 10(15) of Form 10-K of Registrant for the fiscal year ended December 31, 2001.
10(17)*	Letter Agreement dated March 18, 2002 between Registrant and F. Borden Walker relating to Mr. Walker's participation in the Hess Corporation Pension Restoration Plan incorporated by reference to Exhibit 10(16) of Form 10-K of Registrant for the fiscal year ended December 31, 2001.
10(18)*	Deferred Compensation Plan of Registrant dated December 1, 1999 incorporated by reference to Exhibit 10(16) of Form 10-K of Registrant for the fiscal year ended December 31, 1999.
10(19)	Asset Purchase and Contribution Agreement dated as of October 26, 1998, among PDVSA V.I., Inc., Hess Oil Virgin Islands Corp. and HOVENSA L.L.C. (including Glossary of definitions) incorporated by reference to Exhibit 2.1 of Form 8-K of Registrant dated October 30, 1998.
10(20)	Amended and Restated Limited Liability Company Agreement of HOVENSA L.L.C. dated as of October 30, 1998 incorporated by reference to Exhibit 10.1 of Form 8-K of Registrant dated October 30, 1998.
21	Subsidiaries of Registrant.

23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm, dated February 23, 2007, to the incorporation by reference in Registrant's Registration Statements (Form S-8 Nos. 333-115844, 333-94851 and 333-43569, and Form S-3 Nos. 333-110294 and 333-132145), of its reports relating to Registrant's financial statements, which consent appears on page F-1 herein.
31(1)	Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)).
31(2)	Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)).
32(1)	Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).
32(2)	Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).

* *These exhibits relate to executive compensation plans and arrangements.*

(b) Reports on Form 8-K

During the three months ended December 31, 2006, Registrant filed or furnished the following report on Form 8-K:

1. Filing dated October 25, 2006 reporting under Items 2.02 and 9.01, a news release dated October 25, 2006 reporting results for the third quarter of 2006.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 28th day of February 2007.

HESS CORPORATION
(Registrant)

By /s/ John P. Rielly
(John P. Rielly)
Senior Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ John B. Hess **John B. Hess**	Director, Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	February 28, 2007
/s/ Nicholas F. Brady **Nicholas F. Brady**	Director	February 28, 2007
/s/ J. Barclay Collins II **J. Barclay Collins II**	Director	February 28, 2007
/s/ Edith E. Holiday **Edith E. Holiday**	Director	February 28, 2007
/s/ Thomas H. Kean **Thomas H. Kean**	Director	February 28, 2007
/s/ Dr. Risa Lavizzo-Mourey **Dr. Risa Lavizzo-Mourey**	Director	February 28, 2007
/s/ Craig G. Matthews **Craig G. Matthews**	Director	February 28, 2007
/s/ John H. Mullin **John H. Mullin**	Director	February 28, 2007
/s/ John J. O'Connor **John J. O'Connor**	Director	February 28, 2007
/s/ Frank A. Olson **Frank A. Olson**	Director	February 28, 2007
/s/ John P. Rielly **John P. Rielly**	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 28, 2007
/s/ Ernst H. von Metzsch **Ernst H. von Metzsch**	Director	February 28, 2007
/s/ F. Borden Walker **F. Borden Walker**	Director	February 28, 2007
/s/ Robert N. Wilson **Robert N. Wilson**	Director	February 28, 2007

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-3 Nos. 333-110294 and 333-132145 and Form S-8 Nos. 333-115844, 333-94851 and 333-43569 pertaining to the Second Amended and Restated 1995 Long-Term Incentive Plan, the Amended and Restated 1995 Long- Term Incentive Plan and the Hess Corporation Employees' Savings and Stock Bonus Plan) of Hess Corporation of our reports dated February 23, 2007, with respect to the consolidated financial statements and schedule of Hess Corporation, Hess Corporation management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Hess Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2006.

Ernst + Young LLP

New York, NY
February 23, 2007

Schedule II

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended December 31, 2006, 2005 and 2004

Description	Balance January 1	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions from Reserves	Balance December 31
			(In millions)		
2006					
Losses on receivables	**$ 30**	**$ 14**	**$ —**	**$ 5**	**$ 39**
Deferred income tax valuation	**$ 76**	**$ 24**	**$ 66**	**$ 2**	**$ 164**
2005					
Losses on receivables	$ 17	$ 16	$ 2	$ 5	$ 30
Deferred income tax valuation	$ 77	$ 10	$ 2	$ 13	$ 76
2004					
Losses on receivables	$ 18	$ 2	$ 2	$ 5	$ 17
Deferred income tax valuation	$ 126	$ 9	$ 13	$ 71	$ 77

EXHIBIT INDEX

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10(10)*	Amendment dated December 31, 2006 to Hess Corporation Pension Restoration Plan.
10(11)*	Letter Agreement dated May 17, 2001 between Registrant and John P. Rielly relating to Mr. Rielly's participation in the Hess Corporation Pension Restoration Plan, incorporated by reference to Exhibit 10(18) of Form 10-K of Registrant for the fiscal year ended December 31, 2002.
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10(20)	Amended and Restated Limited Liability Company Agreement of HOVENSA L.L.C. dated as of October 30, 1998 incorporated by reference to Exhibit 10.1 of Form 8-K of Registrant dated October 30, 1998.
21	Subsidiaries of Registrant.
23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm, dated February 23, 2007, to the incorporation by reference in Registrant's Registration Statements (Form S-8 Nos. 333-115844, 333-94851 and 333-43569, and Form S-3 Nos. 333-110294 and 333-132145), of its reports relating to Registrant's financial statements, which consent appears on page F-1 herein.
31(1)	Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)).
31(2)	Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)).
32(1)	Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).
32(2)	Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).

* *These exhibits relate to executive compensation plans and arrangements.*

ACTION TO AMEND AND MERGE
THE AMERADA HESS CORPORATION EMPLOYEES' SAVINGS AND STOCK
BONUS PLAN AND
THE AMERADA HESS CORPORATION SAVINGS AND STOCK BONUS PLAN FOR
RETAIL OPERATIONS EMPLOYEES

WHEREAS, the Hess Corporation maintains the Amerada Hess Corporation Employees' Savings and Stock Bonus Plan, as restated effective July 1, 2002, (the "Corporate Savings Plan") and the Amerada Hess Corporation Savings and Stock Bonus Plan for Retail Operations Employees, as restated effective March 15, 2002, (the "Retail Savings Plan"); and

WHEREAS, Section 12.1B of the Corporate Savings Plan and the Retail Savings Plan provides that the Senior Vice President, Human Resources ("SVP HR") may approve any written amendment that is reasonably expected, when aggregated with any other amendments approved on the same date, to have an annual financial impact on the Hess Corporation of $500,000 or less; and

WHEREAS, the SVP HR, acting on behalf of the Hess Corporation, desires to amend the Corporate Savings Plan and the Retail Savings Plan for the purposes of: (1) merging the Retail Savings Plan into the Corporate Savings Plan and transferring the assets and liabilities of the Retail Savings Plan into the Corporate Savings Plan effective October 1, 2006; (2) providing that the contribution formula under the merged savings plan for compensation earned following such plan merger shall be the same as the Corporate Savings Plan prior to the merger; such merger not being intended to and shall not constitute a termination of the Retail Savings Plan or the Corporate Savings Plan for purposes of the Code and ERISA; (3) changing the plan investments from those currently available to those selected from time to time by the Pension Plan Investment Committee of the plans; (4) allowing participants to divest and reinvest account balances in Hess Corporation common stock beginning October 2, 2006, (5) implementing administrative changes with respect to plan governance matters including authorizing the CEO to appoint the Employee Benefit Plans Committee, the plan's administrative fiduciary, and the Pension Plan Investment Committee, the plan's investment fiduciary, and clarifying the authority and responsibilities these committees, providing indemnification of fiduciaries, and other changes; and (6) making certain other minor and clarifying changes including changes taking into account the Economic Growth and Tax Relief Reconciliation Act of 2001, the Pension Protection Act of 2006; and

WHEREAS, the amendments described in the preceding paragraph have been determined to have an annual financial impact on the Hess Corporation of $500,000 or less;

NOW, THEREFORE, by this Action by the SVP HR, the Corporate Savings Plan and the Retail Savings Plan are hereby merged, amended and restated effective October 1, 2006, substantially in the form attached hereto.

IN WITNESS WHEREOF, the undersigned SVP HR, in accordance with the authority granted to him pursuant to Section 12.1B of the Corporate Savings Plan and the Retail Savings Plan, hereby adopts the foregoing amendments on this 27 day of September 2006.

Senior Vice President, Human Resources
Hess Corporation

By: /s/ Brian J. Bohling
(Signature)

Brian J. Bohling
(Name — type or print)

HESS CORPORATION
EMPLOYEES' SAVINGS PLAN

Amended and Restated as of October 1, 2006

WHEREAS, the HESS CORPORATION as Principal Company established the AMERADA HESS CORPORATION EMPLOYEES' SAVINGS AND STOCK BONUS PLAN (the "Plan") effective February 1, 1972; and

WHEREAS, Section 12.1 of the Plan provides for the amendment thereof by the Principal Company; and

WHEREAS, the Plan has been amended from time to time in accordance with Section 12.1;

WHEREAS, the Employee Benefit Plans Committee of the Principal Company has authorized the restatement of the Plan to incorporate all prior amendments;

WHEREAS, the Hess Corporation established the Amerada Hess Corporation Savings and Stock Bonus Plan for Retail Operations Employees effective January 1, 1998; and

WHEREAS, the Principal Company has also amended the Plan to change the Plan name, to merge the Amerada Hess Corporation Savings and Stock Bonus Plan for Retail Operations Employees into this Plan, to make certain other amendments and to restate the Plan;

NOW, THEREFORE, the Principal Company does hereby amend and restate the HESS CORPORATION EMPLOYEES' SAVINGS PLAN, effective October 1, 2006, as set forth herein. The terms of this Plan applicable to a Member shall be the terms of this Plan as in existence on the date such Member terminated employment with a Participating Company, except as expressly amended retroactively by any amendment or restatement.

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ARTICLE 1
DEFINITIONS

When used in this instrument, the following words and phrases shall have the meanings hereinafter stated unless a different meaning is plainly required by the context:

1.1 Acquired Employee: "Acquired Employee" shall mean a Member who is a former employee of Phillips Petroleum Company or of any of its subsidiaries and who became an Employee of the Principal Company on July 1, 1988, pursuant to an agreement dated as of April 1, 1988 between the Principal Company and Phillips 66 Natural Gas Company relating to the sale of such company's 50% interest in the Tioga Gas Gathering System and Tioga Plant to the Principal Company and an agreement dated as of April 1,1988 between the Principal Company and Phillips Investment Company relating to the sale by such company of 50% of the outstanding capital stock of Solar Gas, Inc. to the Principal Company.

1.2 Acquired Merit Employee: "Acquired Merit Employee" shall mean a Member who is a former employee of Merit Oil Corporation, who became an Employee of a Company in connection with the merger of the Meadville Corporation into the Principal Company in accordance with the terms of an agreement between said companies executed in 2000, and who was an Employee on January 1, 2001.

1.3 Acquired Pick Kwik Employee: "Acquired Pick Kwik Employee" shall mean a Member who is a former employee of Pick Kwik Corporation, who became an Employee of a Company in connection with the acquisition of that corporation by the Principal Company from Pick Kwik Holdings Incorporated in accordance with the terms of an agreement between said companies executed in 1997, and who either was a Member of the Plan on December 31, 1997, or was an Employee on January 1,1998.

1.4 Acquired Transco Employee: "Acquired Transco Employee" shall mean a Member who is a former employee of Transco Energy Company or of any of its subsidiaries and who became an Employee of the Principal Company in connection with the acquisition by the Principal Company from TXP Operating Company, a Texas Limited Partnership, of certain oil and gas producing and developing properties located in the Gulf of Mexico offshore Louisiana and Texas and related shore based facilities in accordance with the terms of an agreement between said companies executed in 1989.

1.5 Acquired Triton Employee: "Acquired Triton Employee" shall mean a Member who is a former employee of Triton Energy Limited (or an affiliate), who became an Employee of a Company in connection with the acquisition of that corporation by the Principal Company and who was an Employee on January 1, 2003.

1.6 Administrator: "Administrator" of the Plan shall mean the Committee.

1.7 Affiliated Company: “Affiliated Company” shall mean the Principal Company and any corporation which is a member of a controlled group of corporations (as defined in Section 414(b) of the Code) which includes the Principal Company; any trade or business (whether or not incorporated) which is under common control (as defined in Section 414(c) of the Code) with the Principal Company; any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Section 414(m) of the Code) which includes the Principal Company; and any other entity required to be aggregated with the Principal Company pursuant to regulations under Section 414(o) of the Code.

1.8 Associated Company: “Associated Company” shall mean OASIS OIL COMPANY OF LIBYA, INC., and any other corporation affiliated with a Company which is designated by the Committee as an “Associated Company.”

1.9 Beneficiary: “Beneficiary” shall mean a person or persons designated in writing as such by a Member on a form prescribed by and filed with the Committee.

A designation of a Beneficiary other than a Member’s Spouse shall not be effective unless (i) the Spouse of the Member consents in writing to such designation and the Spouse’s consent acknowledges the effect of such designation and is witnessed by the Committee or a notary public, or (ii) it is established to the satisfaction of the Committee that the consent required by clause (i) may not be obtained because there is no Spouse, because the Spouse cannot be located, or because of such other circumstances as may be prescribed by regulations. The consent specified shall be effective only with respect to such Spouse.

If a Member shall fail to designate a Beneficiary, if the designation is ineffective due to lack of spousal consent or if no designated Beneficiary shall be living when a payment to a Beneficiary is required to be made, the payment shall be made to the person or persons in the first of the following classes of successive preference beneficiaries then living:

The Member’s: (1) Surviving Spouse,

(2) Children, equally,

(3) Parents, equally,

(4)Brothers and sisters, equally.

If none of the above-described persons shall then be living, the payment shall be made to the Member’s estate. For the purposes of this Section, the term surviving Spouse shall mean the individual to whom the Member was legally married on the date of the Member’s death, or a former spouse described in Section 1.51.

1.10 Board of Directors: “Board of Directors” shall mean the Board of Directors of the Principal Company.

1.11 Break in Service: “Break in Service” shall mean the applicable 12-consecutive-month period which is used to determine Service, commencing on or after January 1, 1976, during which a Member shall not have completed more than 500 hours of Service. An unpaid leave of absence that qualifies under the Family and Medical Leave Act of 1993 and the regulations thereunder, shall not be deemed to be a Break in Service, but no credit for service shall be given for such leave of absence for any of the other purposes of the Plan. The period of military service of a Member who is reemployed by a Company in accordance with the Uniformed Services Employment and Reemployment Rights Act of 1994 and the regulations thereunder, shall not be deemed to be a Break in Service. Notwithstanding the foregoing, for Breaks in Service beginning prior to October 1, 2006, a Break in Service for a Member who was a member of the Retail Operations Plan on the date such Break in Service commenced shall be determined in accordance with the terms of the Retail Operations Plan as in existence on the date such Break in Service began.

1.12 Business Day: “Business Day” shall mean a day when the New York Stock Exchange is open for business.

1.13 Code: “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

1.14 Committee: “Committee” shall mean the Hess Corporation Employee Benefit Plans Committee, as appointed by the CEO of the Principal Company.

1.15 Company: “Company” shall mean the Hess Corporation (prior to May 3, 2006, known as the Amerada Hess Corporation), any Participating Company, any Prior Company, and any Successor Company.

1.16 Compensation: “Compensation” shall mean the actual salary or wages received by a Member from a Company for personal services, determined as follows:

A. Compensation shall include:

1. Overtime.
2. Bonuses, except those granted on an *ad hoc* basis.
3. Incentive compensation, except amounts based on commodity trading activities.
4. Commissions.
5. Holidays (other than those falling during periods in which the Member is receiving no other Compensation).

6. Vacation (including vacation allowance on termination or retirement).

7. Bereavement pay.

8. Jury duty and witness pay.

9. Salary or wages and sick and injury benefits received in any period during which a Member shall be entitled to full-pay sick and injury benefits, including amounts offset by payments such as Workers' Compensation benefits or accident and sickness benefits.

10. Allowance for Military Reserve training (limited to two calendar weeks a year) and full-pay benefits for Military Leave of Absence while on active service.

11. Premium pay for overseas service under letter agreements effective before July 1, 1998.

B. Compensation shall not include:

1. Contributions to any employee benefit deferred compensation plan, including awards made under plans such as the Hess Corporation Executive Long-Term Incentive Compensation and Stock Ownership Plan and the Amerada Hess Corporation 1995 Long-term Incentive Plan or their successors.

2. Housing allowances.

3. Moving expenses.

4. Educational assistance benefits.

5. Severance pay.

6. Payments of premiums for life insurance or medical insurance.

7. Meal allowance.

8. Premium pay for overseas service under letter agreements effective on or after July 1,1998.

C. Any other additional payments shall be determined to be includible or excludible by the Committee on a basis uniformly and consistently applied to all Employees. In the case of the simultaneous employment of a Member by more than one Company, the total Compensation received by such Member from all Companies shall be deemed his Compensation for purposes of the Plan. Actual salary or wages received by a Member from a Company for personal services shall be deemed to include any amounts contributed to this Plan as Elective Deferrals and any amounts contributed to a cafeteria plan by a Company pursuant to a salary or wage reduction election made by a Member. For this purpose, a cafeteria plan shall mean a plan described in Section 125 of the Code.

D. In addition to other applicable limitations which may be set forth in the Plan and notwithstanding any other contrary provision of the Plan, Compensation taken into account under the

Plan shall not exceed $200,000, adjusted for changes in the cost of living as provided in Section 415(d) of the Code, for the purpose of calculating a Plan Member's accrued benefit (including the right to any optional benefit provided under the Plan) for any Plan Year commencing after December 31,1988, and ending prior to January 1, 1994. However, the accrued benefit determined in accordance with this provision shall not be less than the accrued benefit determined on December 31, 1988 without regard to this provision.

E. In addition to other applicable limitations set forth in the Plan, and notwithstanding any other provision of the Plan to the contrary, for Plan Years beginning on or after January 1, 1994, the annual Compensation of each Employee taken into account under the Plan shall not exceed the OBRA '93 annual compensation limit. The OBRA '93 annual compensation limit is $150,000, as adjusted by the Commissioner of Internal Revenue for increases in the cost of living in accordance with Section 401(a)(17)(B) of the Code. The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding 12 months, over which Compensation is determined (determination period) beginning in such calendar year. If a determination period consists of fewer than 12 months, the OBRA '93 annual compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12. For the purposes of this Paragraph E, compensation paid by HOVENSA shall be deemed to have been paid by a Company.

For plan years beginning on or after January 1, 1994, any reference in this Plan to the limitation under Section 401(a)(17) of the Code shall mean the OBRA '93 annual compensation limit set forth in this provision.

If Compensation for any prior determination period is taken into account in determining an employee's benefits accruing in the current plan year, the Compensation for that prior determination period is subject to the OBRA '93 annual compensation limit in effect for that prior determination period. For this purpose, for determination periods beginning before the first day of the first plan year beginning on or after January 1, 1994, the OBRA '93 annual compensation limit is $150,000.

F. Compensation, when spelled without an initial capital throughout the Plan, shall mean the participant's compensation from a Company within the meaning of Code Section 415(c)(3).

G. For limitation years beginning on and after January 1, 2001, for purposes of applying the limitations described in Sections 1.19, 1.21, 1.26, 4.4 B, 4.5 B, 18.2 A 1, 18.2 C 2, 18.3 B, 18.4 and 19.5 of the Plan, compensation paid or made available during such limitation years shall include elective amounts that are not includible in the gross income of the employee by reason of section 132(f)(4). This Section G shall also apply to the definition of Compensation for purposes of Section 1.16 of the Plan for Plan Years beginning on and after January 1, 2001.

1.17 Deemed 125 Compensation: "Deemed 125 Compensation" shall mean, in accordance with Internal Revenue Service Revenue Ruling 2002-27, 2002-20 I.R.B. 925, any amounts not available to an Employee in cash in lieu of group health coverage because an Employee is unable to certify that he or she has other health coverage. An amount shall be treated as Deemed 125 Compensation only if a Company does not request or collect information regarding the Employee's other health coverage as part of the enrollment process for the health plan. For limitation years beginning on and after January 1, 1998, for purposes of applying the limitations described in Sections 1.16, 1.19, 1.21, 1.26, 4.4B, 4.5B, 18.2 A 1, 18.2 C 1, 18.3 B, 18.4 and 19.3 of the Plan, compensation paid or made available during such limitation years shall include elective amounts that are not includible in the gross income of the employee by reason of constituting Deemed 125 Compensation.

1.18 Effective Date: "Effective Date" of the Plan shall mean February 1, 1972.

1.19 Elective Deferrals: "Elective Deferrals" shall mean any Company contributions made to the Plan at the election of the Member, in lieu of cash compensation, and shall include contributions made pursuant to a salary reduction agreement or other deferral mechanism. With respect to any taxable year, a Member's Elective Deferral is the sum of all employer contributions made on behalf of such Member pursuant to an election to defer under any qualified cash or deferred arrangement ("CODA") as described in Section 401 (k) of the Code, any simplified employee pension cash or deferred arrangement as described in Section 402(h)(1)(B) of the Code, any eligible deferred compensation plan under Section 457 of the Code, any plan as described under Section 501(c)(18) of the Code, and any employer contributions made on behalf of a Member for the purchase of any annuity contract under Section 403(b) of the Code pursuant to a salary reduction agreement. Elective Deferrals shall not include any deferrals properly distributed as excess annual additions. A Member shall at all times be fully vested in his Elective Deferrals.

1.20 Eligible Member: "Eligible Member" shall mean any Employee who is eligible to make an Elective Deferral or to receive a Matching Contribution. If an Elective Deferral is required as a condition of participation in the Plan, any Employee who would be a Member of the Plan if such Employee made such a deferral shall be treated as an Eligible Member on behalf of whom no Elective Deferrals are made.

1.21 Employee: "Employee" shall mean any person who is employed by a Company (other than AMERADA HESS CANADA LTD., prior to the date of the sale of that Company by the Principal Company on April 29, 1996), provided that (1) for periods prior to October 1, 2006, "Employee" shall not include any person who is employed in a Company-operated gasoline station or convenience store other than as a manager and (2) “Employee” shall not include any person who is a participant in any other funded employee pension benefit plan to which a Company makes or is obligated to make contributions on his behalf for the accrual of current benefits (other than contributions under the HESS CORPORATION EMPLOYEES’ PENSION PLAN and under Social Security or any other governmental pension plan).

The term “Employee” shall also include any leased employee deemed to be an employee of any Company as provided in Sections 414(n) or (o) of the Code.

The term “leased employee” means any person (other than an Employee of the Company) who pursuant to an agreement between the Company and any other person (leasing organization) has performed services for the Company (or for the Company and related persons determined in accordance with Section 414(n)(6) of the Code) on a substantially full-time basis for a period of at least one year, and such services are performed under primary direction or control by the Company. Contributions or benefits provided a leased employee by the leasing organization which are attributable to services performed for the Company shall be treated as provided by the Company.

A leased employee shall not be considered an employee of the Company if: (i) such employee is covered by a money purchase pension plan providing: (1) a nonintegrated employer contribution rate of at least 10 percent of compensation, as defined in Section 415(c)(3) of the Code, but including amounts contributed pursuant to a salary reduction agreement which are excludible from the employee’s gross income under Section 125, Section 402(e)(3), Section 402(h)(1)(B) or Section 403(b) of the Code, (2) immediate participation, and (3) full and immediate vesting, and (ii) leased employees do not constitute more than 20 percent of the Company’s nonhighly compensated workforce.

The term “Employee” shall not include a self-employed individual or independent contractor. The determination of the status of an individual as self-employed or as an independent contractor made in good faith by a Company shall not be subject to retroactive change for the purposes of the Plan if it subsequently is determined by the Internal Revenue Service, another federal agency, a state agency, or as the result of legal action that such individual should have been classified as an employee of a Company.

1.22 Employee Contribution: “Employee Contribution” shall mean any contribution made to the Plan by or on behalf of a Member that is included in the Member’s gross income in the year in which made and that is maintained under a separate account to which earnings and losses are allocated. No Employee Contribution shall be made to the Plan after December 31, 2001.

1.23 ERISA: “ERISA” shall mean the Employee Retirement Income Security Act of 1974 and any amendments thereto.

1.24 Excess Elective Deferrals: “Excess Elective Deferrals” shall mean those Elective Deferrals that are includible in a Member’s gross income under Section 402(g) of the Code to the extent such Member’s Elective Deferrals for a taxable year exceed the dollar limitation under such Code Section. Excess Elective Deferrals shall be treated as annual additions under the Plan unless such amounts are distributed no later than the first April 15 following the close of the Member’s taxable year. Determination of income or loss: Excess Elective Deferrals shall be adjusted for any income or loss. The income or loss allocable to Excess Elective Deferrals is the income or loss allocable to the Member’s Elective Deferral account for the taxable year multiplied by a fraction, the numerator of which is such Member’s Excess Elective Deferrals for the year and the denominator is the Member’s account balance attributable to Elective Deferrals without regard to any income or loss occurring during such taxable year.

1.25 Fund: “Fund” shall mean one of the separate investment accounts provided for in Section 5.1.

1.26 Highly Compensated Employee: “Highly Compensated Employee” shall mean a highly compensated active Employee and highly compensated former Employee. A highly compensated active Employee includes any Employee who performs service for the Company during the determination year and who: (i) was a 5-percent owner at any time during the year or the preceding year, or (ii) for the preceding year (A) received compensation from the Company in excess of $80,000 (as adjusted pursuant to Section 415(d) of the Code, except that the base period shall be the calendar quarter ending September 30, 1996); and (B) if the Company elects the application of this clause for such preceding year, was in the top-paid group of employees for such preceding year.

For this purpose, the determination year shall be the Plan Year.

A highly compensated former Employee includes any Employee who separated from service (or was deemed to have separated) prior to the determination year, performs no service for the Company during the determination year, and was a highly compensated active Employee for either the separation year or any determination year ending on or after the Employee’s 55th birthday.

The determination of who is a Highly Compensated Employee, including the determinations of the number and identity of Employees in the top-paid group and the compensation that is considered, will be made in accordance with Section 414(q) of the Code and the regulations thereunder.

To the extent permitted under regulations, the Committee may elect to determine the status of Highly Compensated Employees on a current calendar year basis.

For the purposes of this Section 1.26, compensation paid by HOVENSA shall be deemed to have been paid by a Company.

1.27 HOVENSA: “HOVENSA” shall mean HOVENSA L.L.C., and any other business organization with employees eligible for participation in the HOVENSA Plan.

1.28 HOVENSA Plan: “HOVENSA Plan” shall mean the HOVENSA EMPLOYEES’ SAVINGS PLAN.

1.29 Individual Retirement Plan: “Individual Retirement Plan” shall mean an individual retirement account (IRA) described in Section 408(a) of the Code or an individual retirement annuity (other than an endowment contract) described in Section 408(b) of the Code.

1.30 Investment Direction: “Investment Direction” shall mean a direction of a Member on a form or in a manner prescribed by the Committee, specifying the Fund or Funds and the percentages of his contributions to be invested in each, and changes to be made as to contributions previously invested. With respect to changes in amounts previously invested, an Investment Direction may be made either in terms of percentages of the total or in dollar amounts, at the option of the Member, subject to a minimum change of $1.00 ($250 for Investment Directions prior to October 1, 2006) with respect to investments in certain Funds specified by the Investment Committee. The Committee shall cause confirmation to be provided to the Member of the receipt of such Investment Direction within a reasonable time thereafter. The Committee shall be obligated to comply with such Investment Direction except as otherwise provided in Paragraphs (b)(2)(ii)(B) and (d)(2)(ii) of Labor Department Regulations Section 2550.404c-1.

1.31 Layoff: “Layoff” shall mean a Company requested termination of employment: (a) in the case of an Employee who has contractual recall rights for the period covered by such rights; and (b) in the case of any other Employee for a period not to exceed 12 months.

1.32 Leave of Absence: “Leave of Absence” shall mean any period during which an Employee is authorized by a Company to be absent from his normal duties. For purposes of this Plan, an Employee shall not be deemed to be absent from his normal duties if his absence is for a period of 31 days or less, or is due to: vacation, jury duty, military service, or personal illness or injury. In the administration of this provision all Employees in similar circumstances shall be given similar treatment.

1.33 Limitation Year: “Limitation Year” shall mean the Plan Year.”

1.34 Matching Contribution: “Matching Contribution” shall mean a Company contribution made to this or any other defined contribution plan on behalf of a Member on account of a Member’s Elective Deferral, under a plan maintained by the Company.

1.35 Member: “Member” shall mean an Employee (excluding for this purpose, a leased employee) who has been admitted to participation, and who continues to participate in the Plan, including any former Employee who, while participating in the Plan, became employed by an

Associated Company at the request of the Company. A Member who becomes employed by HOVENSA shall be controlled by Section 9.5.

1.36 Merit Plan: “Merit Plan” shall mean the Merit Oil Corporation and Affiliates Employees’ Thrift Plan.

1.37 Merit Plan Participant: “Merit Plan Participant” shall mean an Acquired Merit Employee who was a member of the Merit Plan on December 31, 2000, and whose Merit Plan account is transferred to the Plan as the result of the merger of the Merit Plan into the Plan on that date.

1.38 Non-highly Compensated Employee: “Non-highly Compensated Employee” shall mean any Employee who is not a Highly Compensated Employee.

1.39 Participating Company: “Participating Company” shall mean any business organization, which, by agreement with the Principal Company, shall become a party to the Plan, as provided in Article 14.

1.40 Phillips Plan: “Phillips Plan” shall mean the Thrift Plan of Phillips Petroleum Company and Subsidiary Companies.

1.41 Pick Kwik Plan: “Pick Kwik Plan” shall mean the Pick Kwik Holdings Incorporated Employees’ Profit Sharing and Investment Plan.

1.42 Pick Kwik Plan Participant: “Pick Kwik Plan Participant” shall mean an Acquired Pick Kwik Employee who was a member of the Pick Kwik Plan on December 31, 1997, and whose Pick Kwik Plan account is transferred to the Plan as the result of the merger of the Pick Kwik Plan into the Plan on that date.

1.43 Plan: “Plan” shall mean the HESS CORPORATION EMPLOYEES’ SAVINGS PLAN, prior to October 1, 2006, known as the AMERADA HESS CORPORATION EMPLOYEES’ SAVINGS AND STOCK BONUS PLAN as set forth in this instrument and all amendments hereto.

1.44 Plan Year: “Plan Year” shall mean the annual accounting period of the Plan and of the Trust Fund, beginning on the 1st day of January and ending on the 31st day of December.

1.45 Principal Company: “Principal Company” shall mean the HESS CORPORATION.

1.46 Prior Company: “Prior Company” shall mean HESS OIL & CHEMICAL CORPORATION, and, if so designated by the Committee:

A. Any business organization (i) all or a substantial portion of whose outstanding capital stock or all or a substantial portion of whose assets shall be acquired by any Company on or after the Effective Date; or (ii) all or a substantial number of whose employees shall be employed by any Company on or after the Effective Date; or

B. Any other business organization affiliated or related through stock ownership with any

Company which shall be designated as a Prior Company by the Committee.

1.47 Prior Plan: “Prior Plan” shall mean, where relevant, one of the following plans in effect on January 31, 1972:

A. “Prior Plan A” shall mean the AMERADA HESS CORPORATION EMPLOYEES’ SAVINGS AND STOCK BONUS PLAN.

B. “Prior Plan B” shall mean the HESS PROVIDENT SAVINGS FUND-GENERAL PLAN.

C. “Prior Plan C” shall mean the HESS PROVIDENT SAVINGS FUND-LOCAL 676 Teamsters Plan.

D. “Prior Plan D” shall mean the HESS PROVIDENT SAVINGS FUND-LOCAL 825 INTERNATIONAL UNION OF OPERATING ENGINEERS PLAN.

E. “Prior Plan E” shall mean the HESS PROVIDENT SAVINGS FUND-LOCAL 22026 FEDERAL LABOR UNION PLAN.

F. “Prior Plan F” shall mean the AMERADA HESS CORPORATION SAVINGS-STOCK PLAN.

1.48 Qualified Plan: “Qualified Plan” shall mean a qualified trust described in Section 401 (a) of the Code (with the limitations described in Section 401(a)(31)(D) of the Code) which is exempt from taxation under Section 501 (a) of the Code, or an annuity plan described in Section 403(a) of the Code.

1.49 Retail Operations Plan: “Retail Operations Plan” shall mean the AMERADA HESS CORPORATION SAVINGS AND STOCK BONUS PLAN FOR RETAIL OPERATIONS EMPLOYEES, which plan was merged into this Plan effective October 1, 2006.

1.50 Service: “Service”, as defined in Sections 2.5 and 2.6, shall mean, for the purposes of Article 2 (eligibility computation period) and Article 7 (vesting computation period) of the Plan, any period of employment:

A. With the Principal Company;

B. With a Prior Company whose employee pension plan is maintained by the Principal Company, or, as determined by the Committee, with any other Prior Company;

C. With a Participating Company following the adoption of the Plan by such Participating Company, or any prior period of employment with a Participating Company as determined by the Committee;

D. With any organization which is a member of a group of trades or businesses (whether or not incorporated) under common control (under Code Section 414(c)) of which the Principal Company is a member;

E. With any organization which is a member of an affiliated service group (under Code

Section 414(m)) of which the Principal Company is a member;

F. With any organization which is a member of a controlled group of corporations of which the Principal Company is a member, or which is under common control with the Principal Company;

G. With a Prior Company (to the extent provided in Treasury Regulations) in any case in which the Principal Company maintains a plan which is not the plan maintained by the Prior Company;

H. In the case of an Acquired Employee, with Phillips Petroleum Company, any of its subsidiaries or any other prior employer to the extent that such period of employment was taken into account under the Phillips Plan;

I. With Transco Energy Company or any of its subsidiaries ("Transco") in the case of an Acquired Transco Employee, including employment with other companies for which service was granted for Transco benefit plan purposes as determined by the records of Transco provided to the Principal Company;

J. With Hess Energy Trading Company, LLC, in the case of an Employee who was an employee of that company immediately preceding or following employment by a Company;

K. In the case of an Acquired Pick Kwik Employee, with Pick Kwik Corporation immediately preceding employment by a Company, as determined by the records of the Pick Kwik Plan provided to the Principal Company;

L. With the Company in a Company-operated gasoline station or convenience store immediately preceding or following employment by a Company in another position; and

M. With HOVENSA immediately preceding or following employment by a Company;

N. With Strategic Resource Solutions Corp. ("SRS") immediately preceding employment by a Company in the case of an Employee hired in connection with the purchase by Hess Microgen LLC of the micro-generation business of SRS on February 2, 2000;

O. With Texaco Pipelines LLC ("Texaco") immediately preceding employment by a Company in the case of an Employee hired in connection with the purchase by the Principal Company of the Sea Robin gas plant from Texaco on April 1, 2000;

P. With Statoil Energy Services, Inc. ("Statoil"), or an affiliate thereof immediately preceding employment by a Company in the case of an Employee hired in connection with the purchase by the Principal Company of Statoil on April 1, 2000' and

Q. In the case of an Acquired Merit Employee, with Merit Oil Corporation as of December 31, 2000.

R. In the case of an Acquired Triton Employee, with Triton Energy Limited as of

December 31, 2002.

1.51 Spouse: “Spouse” shall mean the individual, if any, to whom the Member is legally married. However, a Member’s former spouse shall be treated as his Spouse in lieu of his current spouse to the extent required under any judgment, decree, or order which is determined by the Administrator in accordance with its procedures to be a qualified domestic relations order within the meaning of Section 414(p) of the Code.

1.52 Successor Company: “Successor Company” shall mean any business organization which shall acquire a substantial portion or all of the outstanding stock of, or a substantial portion or all of the assets of, or which shall employ a substantial number or all of the employees of, any Company, and which shall succeed such Company as a Company hereunder, or which shall be an employer participating in the AMERADA HESS CANADA LTD. EMPLOYEES’ DEFERRED SAVINGS PLAN until the date of the sale of AMERADA HESS CANADA LTD., by the Principal Company on April 29, 1996.

1.53 Transfer Date: “Transfer Date” shall mean the Valuation Date on which assets are transferred to the HOVENSA Plan from the Plan with respect to those members of the Plan who become Members of the HOVENSA Plan on November 1, 1998, which shall be as soon as practicable following receipt by HOVENSA of a favorable determination letter from the Internal Revenue Service concerning the qualification of the HOVENSA Plan and the exemption of the HOVENSA Plan Trust from income taxes.

1.54 Triton Plan: “Triton Plan” shall mean the Triton Exploration Services, Inc. 401(k) Savings Plan as in effect on December 31, 2002.

1.55 Triton Plan Participant: “Triton Plan Participant” shall mean a Member who was a member of the Triton Plan on December 31, 2002, whose Triton Plan account is transferred to the Plan as the result of the merger of the Triton Plan into the Plan on January 1, 2003.

1.56 Trust Agreement: “Trust Agreement” shall mean the Trust Agreement or Trust Agreements (as amended from time to time) between the Investment Committee and a Trustee or the Principal Company and a Trustee, entered into for purposes of the Plan.

1.57 Trustee: “Trustee” shall mean any bank, trust company, or other fiduciary holding funds or property under a Trust Agreement for the exclusive benefit of the Plan Members and subject to all provisions of the Plan.

1.58 Unit: “Unit” shall mean the basic measure of the Member’s proportionate interest in the funds provided for in Section 5.1.

1.59 Valuation Date: “Valuation Date” shall mean the day on which the value of the Funds is determined as provided in Article 5, and shall be each Business Day, unless changed by the

Committee.

1.60 Withdrawal Authorization: “Withdrawal Authorization” shall mean notice, on a form or in a manner prescribed by the Committee, provided by a Member, requesting a complete or partial withdrawal as provided in Sections 8.1 and 8.2, respectively.

1.61 Year of Service: “Year of Service” shall mean a 12 consecutive month period (computation period) during which an Employee completes at least 1,000 hours of Service.

ARTICLE 2
ELIGIBILITY AND MEMBERSHIP

2.1 A. Each Employee who on the Effective Date shall have completed one year of Service shall be eligible to become a Member of the Plan as of the Effective Date, provided, however, that any Employee who, during the 12-month period preceding the Effective Date made a complete withdrawal from any Prior Plan while still employed by a Company and who remained employed during said 12-month period, shall not be eligible to become a Member until the first day of the calendar month following the completion of such 12-month period.

B. Each Employee who on January 31, 1972 was a Member of Prior Plan A, Prior Plan B, Prior Plan C, Prior Plan D, Prior Plan E, or Prior Plan F, shall be eligible to become a Member of the Plan as of the Effective Date.

C. Each Employee who was a Member of the Plan on December 31, 1975 and who continued as an Employee on January 1, 1976 shall continue as a Member of the Plan on January 1, 1976. Every other Employee shall be eligible to become a Member of the Plan on his first day of employment by the Company.

D. Anything to the contrary herein notwithstanding, an Employee shall not be eligible for membership in the Plan if he is included in a unit of employees covered by a collective bargaining agreement between employee representatives and the Company if retirement benefits were the subject of good faith collective bargaining between such employee representatives and the Company, unless and until the Company and such employee representatives shall agree that such employees shall participate in the Plan, provided that he then meets the eligibility requirements herein above described in this Section 2.1, or if not, then he shall be eligible on the date following the date on which he first meets such eligibility requirements.

E. Each Employee who was a Member of the Retail Operations Plan on September 30, 2006, shall be a Member of this Plan as of October 1, 2006.

2.2 Any eligible Employee who does not elect to become a Member of the Plan on the earliest date when he is entitled to do so may thereafter elect to become a Member as of any future Valuation Date.

2.3 Each eligible Employee, as a condition for membership, must accept and agree to all provisions of the Plan on a form or in a manner prescribed by the Committee, which may include telephone or electronic communication. By so doing, he authorizes the sale or redemption of any securities purchased for his account when necessary or advisable in carrying out the provisions of the Plan.

2.4 If a Member shall cease to be an Employee within the meaning of Section 1.21 his membership shall forthwith terminate, except as described in Sections 9.4 or 9.5.

2.5 A. For the purposes of vesting under Paragraph 7.3E, an Employee or Member shall be credited with one full year of Service for each 12-consecutive-month period commencing on his first date of hire or anniversary thereof during which he completed at least 1,000 hours of Service. In the determination of Years of Service and Breaks in Service for purposes of eligibility, the initial eligibility computation period shall be the 12-consecutive month period beginning on the date the Employee first performs an hour of Service for a Company (employment commencement date). The succeeding 12-consecutive month periods shall be the Plan Years beginning with the Plan Year which includes the first anniversary of the Employee's employment commencement date, regardless of whether the Employee is entitled to be credited with 1,000 hours of Service during the initial eligibility computation period. An Employee who is credited with 1,000 hours of Service in both the initial eligibility computation period and the Plan Year which includes the first anniversary of the Employee's employment commencement date will be credited with two years of Service for purposes of eligibility to participate.

The foregoing is subject to the following rules:

1. Years of Service for periods of employment prior to January 1, 1976 shall be determined under the Plan in effect on December 31, 1975, without regard to the provisions of Section 2.6 (Break in Service rule). If, for any period prior to January 1, 1976, accessible records are insufficient to permit an approximation of the number of hours of Service for a particular employee or group of employees, a reasonable estimate of the hours of Service completed by such employee or employees during the particular period may be made. In making any such estimate, all persons employed under similar circumstances shall be given similar treatment.

2. Hours of Service after December 31, 1975, but before September 1996, shall be recorded on a monthly basis and, for the purpose of determining the total of an Employee's hours of Service during his initial eligibility computation period, all hours recorded during the month which includes the first anniversary of his employment commencement date shall be deemed to have been completed prior to said anniversary date. For the purpose of determining an Employee's hours of Service thereafter for periods prior to September 1996, each 12-consecutive-month period shall commence on the first day of the month which includes the anniversary of such Employee's employment commencement date.

3. The provisions of Section 2.6 (Break in Service rule) shall apply in the

determination of years of Service for periods of employment after December 31, 1975.

4. For the purposes of eligibility after September 4, 1996, an Employee who is not credited with 1,000 hours of Service during his initial eligibility computation period shall be deemed to have completed a Year of Service as soon as he is credited with 1,000 hours of Service in any Plan Year.

B. For the purposes of this Article 2, an Employee or Member will be deemed to have completed an hour of Service for each hour of Service:

1. for which he is paid, or entitled to payment, for the performance of duties for a Company during the applicable computation period;

2. for which he is paid, or entitled to payment, by a Company on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence, provided however, that

(a) No more than 501 hours of Service shall be credited under this subparagraph 2 to an Employee on account of any single continuous period during which the Employee performs no duties (whether or not such period occurs in a single computation period);

(b) An hour for which an Employee is directly or indirectly paid, or entitled to payment, on account of a period during which no duties are performed shall not be credited to the Employee if such payment is made or due under a plan maintained solely for the purpose of complying with applicable workers' compensation, or unemployment compensation or disability insurance laws; and

(c) Hours of Service shall not be credited for a payment which solely reimburses an Employee for medical or medically related expenses incurred by the Employee;

and for purposes of this subparagraph 2, a payment shall be deemed to be made by or due from a Company regardless of whether such payment is made by or due from the Company directly, or indirectly through, among others, a trust fund, or insurer, to which the Company contributes or pays premiums and regardless of whether contributions made or due to the trust fund, insurer or other entity are for the benefit of particular Employees or are on behalf of a group of Employees in the aggregate;

3. for which back pay, irrespective of mitigation of damages, has been either awarded or agreed to by the Company, provided, however, that no credit shall be given for any hour which is credited under subparagraph 1 or subparagraph 2 of this Paragraph B, and crediting of hours

of Service for back pay awarded or agreed to with respect to periods described in subparagraph 2 shall be subject to the limitations set forth in that subparagraph; and

4. The determination and crediting of hours where no duties are performed will be made in accordance with Department of Labor Regulations, Section 2530.200b — 2(b) and (c).

C. Except as provided in subparagraph 2 of Paragraph B for the purposes of this Article 2 Service will not include any period of Layoff.

D. For the purposes of this Article 2, an Employee or Member who is a non-hourly employee exempt from the overtime provisions of the Fair Labor Standards Act and for whom no records of hours worked are maintained will be deemed to have completed 190 hours of Service in any calendar month in which he is paid Compensation. An Employee or Member employed by an Associated Company at the request of a Company shall be deemed to have completed 190 hours of Service in each calendar month of such employment.

2.6 Break in Service rule:

A. Years of Service credited in accordance with Section 2.5 prior to a Break in Service shall not be deemed to be years of Service for any of the purposes of the Plan unless and until the Employee or Member is credited with an hour of Service following such Break in Service.

B. Years of Service credited in accordance with Section 2.5 after five consecutive one-year Breaks in Service shall not be taken into account for the purpose of determining a Member's vested interest in the assets of the Plan derived from Company contributions credited to his account prior to such Breaks in Service.

C. In the case of a Member who does not have a nonforfeitable right to benefits in accordance with Section 7.3 at the time of a Break in Service, years of Service prior to such Break in Service shall not be taken into account for any of the purposes of the Plan if the number of consecutive Breaks in Service equals or exceeds the greater of (i) 5 or (ii) the aggregate number of years of Service credited to the Member prior to such Break in Service. In computing such aggregate number of years of Service prior to such Break in Service, years of Service previously disregarded under this Section 2.6 shall not be taken into account.

D. The 12-consecutive month period beginning on an Employee's reemployment commencement date (and, if necessary, Plan Years beginning with the Plan Year that includes the first anniversary of the reemployment commencement date) shall be used to measure an Employee's completion of a year of Service for the purposes of eligibility upon his return to employment after a Break in Service. For this purpose an Employee's reemployment commencement date shall be the first day on which he is entitled to be credited with an hour of Service (within the meaning of Section 2.5B) after the first eligibility computation period in which he incurs a Break in Service.

The reemployment commencement date of a rehired Employee who has incurred a Break in Service and who is recalled from Layoff within the period specified in Section 1.31 shall be the first day on which he is entitled to be credited with an hour of Service (within the meaning of Section 2.5B) after such recall.

E. 1. In the case of a Member who is absent from work for any period (i) by reason of the pregnancy of the Member, (ii) by reason of the birth of a child of the Member, (iii) by reason of the placement of a child with the Member in connection with the adoption of such child by such Member, or (iv) for purposes of caring for such child for a period beginning immediately following such birth or placement, the 12-consecutive month period beginning on the first anniversary of the first date of such absence shall not constitute a Break in Service.

2. No credit will be given pursuant to this Paragraph unless the affected Member furnishes to the Committee (i) a copy of the birth certificate or proof of adoption of the child involved and (ii) a statement signed by the Member to the effect that the absence from work is for reasons referred to in subparagraph 1, and the number of days for which there was such an absence. To be effective, such statement must be received by the Committee no later than the first anniversary of the first day of such absence as specified in subparagraph 1.

3. The hours described in subparagraph 2 shall be treated as hours of Service as provided in this Paragraph, (i) only in the computation period in which the absence from work begins, if the crediting is necessary to prevent a Break in Service in such period, or (ii) in any other case, in the immediately following computation period.

4. No credit will be given pursuant to this Paragraph unless the affected Member furnishes to the Committee (i) a copy of the birth certificate or proof of adoption of the child involved and (ii) a statement signed by the Member to the effect that the absence from work is for reasons referred to in subparagraph 1, and the number of days for which there was such an absence. To be effective, such statement must be received by the Committee no later than the end of the computation period specified in subparagraph 3.

F. Due to the change made to the Plan on January 1, 2002 (October 1, 2006 with respect to Members who were members of the Retail Operations Plan as of September 30, 2006) to provide for immediate vesting of Company contributions, the Break in Service provisions of this Section 2.6 will no longer apply on or after that date. The above provisions will remain in effect, however, for the purposes of determining whether balances forfeited before that date may be restored in accordance with Article 10.

2.7 Credit shall be given for Service with only one Company during any period of simultaneous employment with two or more Companies.

2.8 Notwithstanding any other provisions of the Plan, for the purposes of the pension requirements of Section 414(n)(3) of the Code, the employees of the Company shall include individuals defined as Employees in Section 1.21 of the Plan.

2.9 For the purposes of determining Years of Service and Breaks in Service under this Article 2, periods of employment with HOVENSA immediately preceding or following employment by a Company shall be treated as employment by a Company.

ARTICLE 3
MEMBER CONTRIBUTIONS

3.1 To become a Member of the Plan, an eligible Employee must authorize contributions to the Plan as he may designate on a form or in a manner prescribed by the Committee. Such contributions shall be designated in whole percentages and may consist of any whole number percentage of Elective Deferrals at the election of the Employee between 1% and 25% of his Compensation.

For the purposes of the Plan, these Elective Deferrals and any after-tax contributions made under the Plan as it existed before January 1, 2002 shall be referred to as Member contributions, except as otherwise specifically indicated.

Catch up Contributions. All Members who are eligible to make Elective Deferrals under this Plan and who have attained age 50 before the close of the Plan Year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of, section 414(v) of the Code. Such catch-up contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of sections 402(g) and 415 of the Code. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of section 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416 of the Code, as applicable, by reason of the making of such catch-up contributions. Catch-up contributions shall apply to contributions after March 31,2002.

3.2 A Member may change the percentage of his Elective Deferrals on a form or in a manner prescribed by the Committee. Such change shall be effective as soon as practicable after it is elected.

3.3 A Member’s contributions will be paid to the Trustee, for investment in accordance with the provisions of the Plan and in accordance with the requirements of U.S. Department of Labor regulations, as promptly as practicable following the deduction of his contributions by the Company.

3.4 A Member may voluntarily suspend and resume his contributions without affecting his membership in the Plan. The suspension and resumption of contributions shall be requested by the Member by executing a form or in a manner prescribed by the Committee, and shall be effective as soon as practicable after such request.

3.5 A Member’s contribution will be suspended automatically, without affecting his membership in the Plan, for the period of any Leave of Absence, or employment with an Associated Company at the request of a Company.

ARTICLE 4
COMPANY CONTRIBUTIONS

4.1 A. Regular Contributions.

Each Company shall contribute for the account of each Member an amount equal to 100% of the Member's Elective Deferrals, but not exceeding 6% of his Compensation.

B. The Company reserves the right to make a Qualified Non-Elective Contribution on behalf of any affected Plan Member to correct an operational failure of the Plan as permitted under the applicable Treasury rules. Qualified Non-elective Contributions shall mean contributions (other than Matching Contributions or Qualified Matching Contributions) made by the Company and allocated to Members' accounts that the Members may not elect to receive in cash until distributed from the Plan; that are nonforfeitable when made; and that are distributable only in accordance with the distribution provisions that are applicable to Elective Deferrals and Qualified Matching Contributions. Qualified Matching Contributions shall mean Matching Contributions which are subject to the distribution and nonforfeitability requirements under section 401(k) of the Code when made.

4.2 Regular Company contributions shall be paid to the Trustee at the same time as the Member contributions to which they relate, except as described in Section 19.6. Company contributions are subject to the limitations of Paragraphs 4.4A and 4.4E.

4.3 While a Member's contributions are suspended, Company contributions for the account of such Member will also be suspended, unless they are being continued in accordance with Section 4.2. Such suspended contributions may not be made up later.

4.4 A. If a Member does not participate in, and has never participated in another Qualified Plan maintained by the Company or a welfare benefit fund, as defined in Section 419(e) of the Code maintained by the Company, or an individual medical account, as defined in Section 415(l)(2) of the Code, maintained by the Company, or a simplified employee pension plan, as defined in Section 408(k) of the Code, maintained by the Company, which provides an annual addition as defined in Paragraph D of this Section 4.4, the amount of annual additions which may be credited to the Member's account for any Limitation Year will not exceed the lesser of the maximum annual addition or any other limitation contained in this Plan. If the Company contribution that would otherwise be contributed or allocated to the member's account would cause the annual additions for the Limitation Year to exceed the maximum annual addition, the amount contributed or allocated will be reduced so that the annual addition for the Limitation Year will equal the maximum annual addition.

B. The maximum annual addition that may be contributed or allocated to a Member’s account under the Plan for any Limitation Year, excluding catch-up contributions as described in Section 3.1, shall not exceed the lesser of:

1. the defined contribution dollar limitation, or

2. 100 percent of the Member’s compensation for the Limitation Year.

C. The defined contribution dollar limitation is $40,000, adjusted for changes in the cost of living as provided in Section 415(d) of the Code.

D. “Annual addition” shall mean the amount allocated to a Member’s account during the Limitation Year as a result of:

(i) Company contributions,

(ii) Employee contributions,

(iii) forfeitures, and

(iv) amounts described in Sections 415(l)(1) and 419A(d)(2) of the Code.

E. The Committee may direct that Company contributions be reduced in any Plan Year to the extent necessary to prevent the annual addition for such Plan Year from exceeding the limitation described in Paragraph B, above.

4.5 A. In case of a Member of the Plan who is also a Member of a defined benefit plan maintained by the Company, the sum of the defined benefit plan fraction and the defined contribution plan fraction for any Limitation Year shall not exceed I.O. If in any Limitation Year it appears that the limitations of this Section shall be exceeded for any reason with respect to any Member, the Company contribution required to be made under the Plan on behalf of such Member shall be reduced to the extent necessary to prevent such result, after the reduction first of the benefit under any defined benefit plans maintained by the Company and then of the Company contribution to any other defined contribution plans maintained by the Company on behalf of such Member.

B. The defined benefit plan fraction for any Limitation Year shall mean a fraction of which the numerator is the total projected annual retirement benefits of a Member from all defined benefit plans (whether or not terminated) maintained by the Company and of which the denominator is the lesser of:

(a) 125 percent of the dollar limitation in effect for the Limitation Year under Section 415(b) and (d) of the Code,

or

(b) 140 percent of the Member's highest average compensation for the three consecutive years of Service with the Company that produce the highest average, including any adjustments under Section 415(b) of the Code.

If the Member was a Member as of January 1, 1987 of one or more defined benefit plans maintained by the Company which were in existence on May 6, 1986, the denominator of this fraction will not be less than 125 percent of the sum of the annual benefits under such plans which the Member had accrued as of December 31,1986, disregarding any changes in the terms and conditions of the plans after May 5, 1986. The preceding sentence shall apply only if the defined benefit plans individually and in the aggregate satisfied the requirements of Section 415 of the Code for all Limitation Years before January 1, 1987.

C. The defined contribution fraction for any Limitation Year shall mean a fraction, the numerator of which is the sum of the annual additions to a Member's account under all the defined contribution plans (whether or not terminated) maintained by the Company, for the current and all prior Limitation Years (including the annual additions attributable to the Member's nondeductible Employee contributions to all defined benefit plans, whether or not terminated, maintained by the Company), and the denominator of which is the sum of the maximum aggregate amounts for the current and all prior Limitation Years of Service with the Company (regardless of whether a defined contribution plan was maintained by the Company). The maximum aggregate amount in any Limitation Year is the lesser of 125 percent of the dollar limitation in effect under Section 415(b) and (d) of the Code or 35 percent of the Member's Compensation for such year.

If the Employee was a Member as of January 1,1987 in one or more defined contribution plans maintained by the Company which were in existence on May 6,1986, the numerator of this fraction will be adjusted if the sum of this fraction and the defined benefit fraction would otherwise exceed 1.0 under the terms of this Plan. Under the adjustment, an amount equal to the product of (1) the excess of the sum of the fractions over 1.0 times (2) the denominator of this fraction, will be permanently subtracted from the numerator of this fraction. The adjustment is calculated using the fractions as they would be computed as of December 31, 1986, and disregarding any changes in the terms and conditions of the plans made after May 5, 1986, but using the Code Section 415 limitation applicable to the Limitation Year beginning on January 1, 1987.

The annual addition for any Limitation Year beginning before January 1, 1987, shall not be recomputed to treat all Employee contributions as annual additions.

D. The provisions of this Section 4.5 shall not be effective for Plan Years beginning on or after January 1,2000.

4.6 A. As soon as is administratively feasible after the end of the Limitation Year, the maximum annual addition for the Limitation Year will be determined on the basis of the Member's actual compensation for the Limitation Year.

B. If there is an excess amount the excess will be disposed of as follows:

1. Any nondeductible voluntary Employee contributions, to the extent they would reduce the excess amount, will be returned to the Member.

2. If after the application of subparagraph 1 an excess amount still exists, and the Member is covered by the Plan at the end of the Limitation Year, the excess amount in the Member's account will be used to reduce Company contributions (including any allocation of forfeitures) for such Member in the next Limitation Year, and each succeeding Limitation Year if necessary.

3. If after the application of subparagraph 2 an excess amount still exists, and the Member is not covered by the Plan at the end of the Limitation Year, the excess amount will be held unallocated in a suspense account. The suspense account will be applied to reduce future Company contributions (including allocation of any forfeitures) for all remaining Members in the next Limitation Year, and each succeeding Limitation Year if necessary.

4. If a suspense account is in existence at any time during the Limitation Year pursuant to this Section, it will not participate in the allocation of the Trust's investment gains and losses.

C. This Section applies if, in addition to this Plan, the Member is covered under another qualified defined contribution plan maintained by the Company during any Limitation Year. The annual additions which may be credited to a Member's account under this Plan for any such Limitation Year will not exceed the maximum annual additions reduced by the annual additions credited to a Member's account under the other plans for the same Limitation Year. If the annual additions with respect to the Member under other defined contribution plans maintained by the Company are less than the maximum annual additions and the Company contribution that would otherwise be contributed or allocated to the Member's account under this Plan would cause the annual additions for the Limitation Year to exceed this limitation, the amount contributed or allocated will be reduced so that the annual additions under all such plans for the Limitation Year will equal the maximum annual additions. If the annual additions with respect to the Member under such other defined contribution plans in the aggregate are equal to or greater than the maximum annual additions, no amount will be contributed or allocated to the Member's account under this Plan for the Limitation Year.

4.7 Records of Member Elective Deferrals and after-tax contributions shall be maintained separately.

4.8 For the purposes of this Article, "Company" shall include any Affiliated Company as defined in Section 1.7 of this Plan.

ARTICLE 5
INVESTMENT OF CONTRIBUTIONS

5.1 Member Contributions

A. Member contributions received by the Trustee for each Member’s account will be invested by the Trustee on the next Valuation Date in one or more Funds, in accordance with the Member’s Investment Direction, in multiples of 1%.

B. Except as otherwise provided below, the Funds available for investment under the Plan shall be selected by the Investment Committee.

In addition to the Funds selected by the Investment Committee, a Company Stock Fund shall also be available for investment under the Plan. The Company Stock Fund shall invest solely in the common stock of the HESS CORPORATION purchased on the open market and apportioned to the accounts of Members and such cash as necessary to provide adequate liquidity to comply with Members’ Investment Directions. Dividends received on investments made in accordance with the preceding sentence shall be similarly invested and apportioned. The Company Stock Fund will be measured on a unit basis, as described in Section 5.2A.

With the exception of the Company Stock Fund, the Investment Committee may authorize changes in each of the Funds or the removal of any of the Funds, and may establish additional Funds.

5.2 Company Contributions

A. On July 29, 1996, the whole and fractional shares and cash balance in each Member’s account representing Company contributions in the Company Stock Fund shall be unitized and future transactions will be recorded on the basis of units of participation rather than in shares, subject to the following provisions.

1. Company contributions made prior to October 1, 2006 that are invested in the Company Stock Fund as of that date shall remain invested in the Company Stock Fund to the extent such amounts are not reinvested or redirected in other Funds in accordance with Section 6.3.

2. Company contributions made on or after October 1, 2006 shall be invested in accordance with Members’ Investment Direction.

B. Dividends received on investments made in accordance with Paragraph A shall be similarly invested.

5.3 Separate records shall be maintained for Member Elective Deferrals invested in the various Funds, after-tax Member contributions invested in the various Funds, and Company contributions matching each such contribution.

5.4 Section 16(b) of the Exchange Act. Solely to the extent required under Section 16(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), all elections and transactions under the Plan by persons subject to Section 16 of the Exchange Act involving shares of Common Stock of the Hess Corporation (“Employer Stock”) are intended to comply with all exemptive conditions under Rule 16b-3 promulgated under the Exchange Act. The Principal Company may establish and adopt written administrative guidelines designed to facilitate compliance with Section 16(b) of the Exchange Act, as it may deem necessary or proper for the administration and operation of the Plan. Without limiting the generality of the foregoing, this Section 5.4 is intended to apply to a Member’s election to diversify his Employer Stock solely to the extent that such diversification election is more than that required by law.

5.5 Member Deemed Named Fiduciary. Notwithstanding anything in the Plan to the contrary, each Member is, solely with respect to Employer Stock held in his account, hereby designated a “named fiduciary”, within the meaning of Section 402(a)(1) of ERISA, with regard to his account.

5.6 Sale of Employer Stock. If all or a portion of the Member’s (or, in the event of the Member’s death, the Member’s Beneficiary’s) account receiving a cash distribution is invested in Employer Stock, the Trustee shall, to the extent necessary, sell or otherwise transfer to the accounts of other Members who have elected to have a portion of their accounts invested in Employer Stock so many of the shares of Employer Stock as are to be distributed, and the Member or his Beneficiary shall receive in cash the amount of such sale or the value of the Employer Stock transferred. If a number of such sales or transfers are to be made by the Trustee at any one time, the sales price of all shares of Employer Stock sold or transferred at such time shall be averaged to determine the amount to be distributed to each Member or his Beneficiary.

5.7 Adjustments for Changes in Capital Structure. The existence of this Plan shall not affect in any way the right or power of the Board of Directors of the Principal Company or the stockholders of the Principal Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Principal Company’s capital structure or its business, any merger, consolidation or separation, including a spin-off, or other distribution of stock or property of the Principal Company or an Affiliated Company, any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting Employer Stock, the authorization or issuance of additional shares of Employer Stock, the dissolution or liquidation of the Principal Company or an Affiliated Company, any sale or transfer of all or part of its assets or business or any other corporate act or proceeding. In the event of any change in the capital structure or business of the Principal Company by reason of any stock dividend or extraordinary dividend, stock split or reverse stock split, recapitalization, reorganization, merger, consolidation, spin-off or exchange of shares, distribution with respect to its outstanding Employer Stock or capital stock other than Employer Stock, reclassification of its capital stock, any sale or transfer of all or part of the Principal Company's assets or business, or any similar change affecting the Principal Company's capital structure or business and the Committee determines an adjustment is appropriate under this Plan, then the aggregate number and kind of shares which thereafter may be issued under this Plan, the number and kind of shares or other property (including cash) held under this Plan shall be appropriately adjusted consistent with such change in such manner as the Committee may deem equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, Members under this Plan or as otherwise necessary to reflect the change, and any such adjustment determined by the Investment Committee in good faith shall be binding and conclusive on the Principal Company and all Members, Beneficiaries and employees and their respective heirs, executors, administrators, successors and assigns.

ARTICLE 6
MEMBERS' INVESTMENT DIRECTIONS

6.1 A. Member contributions

Pursuant to Paragraph A of Section 5.1, a Member shall elect to invest his contributions in one or more of the Funds in multiples of 1% of the amount contributed, by providing an Investment Direction on a form or in a manner prescribed by the Committee. Such an Investment Direction shall relate to the percentage of his future contributions to be invested in each Fund, the percentage of his previous investments to be invested in each Fund, or both.

B. Company contributions

Pursuant to Paragraph A of Section 5.2, a Member shall elect to invest his Company contributions in one or more of the Funds in multiples of 1% of the amount contributed, subject to the limitations of Section 6.3, by providing an Investment Direction on a form or in a manner prescribed by the Committee. Such an Investment Direction shall relate to the percentage of his future Company contributions to be invested in each Fund, the percentage of his previous investments to be invested in each Fund, or both.

6.2 An Investment Direction with respect to a Member's future contributions or future Company contributions will be given effect as soon as practicable after the date the request is made by the Member. An Investment direction with respect to a Member's past investments or past Company investments will be given effect on the Valuation Date coincident with or next following the date of the Member's request.

6.3 By submitting a new Investment Direction, a Member may make any or all of the following changes:

A. Change his direction as to the percentage of his future contributions to be invested in each Fund;

B. Change all or part of the total number of shares previously invested in any Fund for his account to an investment for his account in one or more of the other Funds;

C. Change his direction as to the percentage of his future Company contributions to be invested in each Fund;

D. Change all or part of the total number of shares previously invested as Company contributions in any Fund for his account to an investment for his account in one or more of the other Funds;

E. For periods prior to October 1, 2006, if a Member is less than 55 years of age on the date of his request to change his Investment Direction with respect to Company contributions, fifty percent (50%) of the total number of shares allocated to the Member's account attributable to Company contributions must at all times be invested in the Company Stock Fund.

6.4 The Investment Committee shall establish such procedures and provide such forms as it shall deem necessary or desirable to comply with the provisions of Section 404(c) of ERISA and the Regulations issued thereunder.

ARTICLE 7
VESTING OF COMPANY CONTRIBUTIONS

7.1 The word “vest” with respect to contributions and income attributable thereto, means the granting to a Member, subject to the provisions of the Plan, of full rights to his interest in the assets of the Plan.

7.2 The interest of a Member derived from his Employee Contributions and Elective Deferrals shall at all times be vested.

7.3 The interest in the assets of the Plan derived from Company contributions made with respect to Plan Years beginning before December 31, 2001 on behalf of a Member who is an Employee of the Company on January 1, 2002 shall vest on January 1, 2002, if not already vested under the terms of the Plan in effect on December 31, 2001.

The interest in the assets of the Plan derived from Company contributions of a former Employee who has not received his Plan distribution before January 1, 2002 shall be determined in accordance with the provisions of the Plan in effect when his employment ended.

The interest in the assets of the Plan derived from Company contributions of a Member who withdrew from the Plan but who has not received his Plan distribution before January 1, 2002 shall be determined in accordance with the provisions of the Plan in effect when his withdrawal was requested.

The interest of a Member in the assets of the Plan derived from Company contributions made for Plan Years beginning on or after January 1, 2002 shall at all times be vested.

The interest of a Member in the assets of the Plan derived from Company contributions to the Retail Operations Plan shall be vested upon transfer to the Plan in accordance with the provisions of Paragraph 22.4 F.

7.4 The interest of a Member in the assets of the Plan transferred to this Plan from the Retail Operations Plan upon October 1, 2006 shall be vested on October 1, 2006.

ARTICLE 8
IN-SERVICE WITHDRAWALS AND LOANS

8.1 Complete Withdrawals.

A. Subject to the limitations of Sections 8.1 B and 8.4 (In-Service Distribution Limitations), a Member may, at any time, elect to make a complete withdrawal of his vested interest attributable to his after-tax contributions, Matching Contributions, amounts rolled-over into the Plan, and, if the Member is at least age 59½ at the time of the withdrawal, Elective Deferrals. Notwithstanding the foregoing, a Member who has not attained age 59½ is not permitted to withdraw Matching Contributions (and income allocable thereto) that were contributed to the Plan on or after January 1, 2002 (January 1, 2003 in the case of a Triton Plan Participant and October 1, 2006 with respect to Members who were members of the Retail Operations Plan as of September 30, 2006), other than as provided in Sections 8.3 (Hardship Withdrawals) or upon termination of employment or if his employer has ceased to be a Participating Company.

B. Notwithstanding the foregoing, subject to the limitations of Section 8.4 (In-Service Distribution Limitations), if a Member elects to withdraw his total vested interest from the Plan during his continued employment by the Company prior to the fifth anniversary of the earliest of the date of his initial participation in the Plan, the Retail Operations Plan, the HOVENSA Plan, the Merit Plan or the Triton Plan:

1. The distribution of the Member’s interest in mutual funds and the Company Stock Fund will be made as specified in Sections 16.8 and 16.9.

2. The distribution of the Member’s interest in the portion of the assets attributable to Company contributions (including employer matching contributions made to the Retail Operations Plan, the HOVENSA Plan, the Merit Plan or the Triton Plan) will be limited to the portion of said assets which exceeds an amount equal to the Company contributions paid to the Trustee under the Plan (including employer matching contributions made to the Retail Operations Plan, the HOVENSA Plan, the Merit Plan or the Triton Plan) on said Member’s behalf within two years of the date payment is requested by the Member.

8.2 Partial Withdrawals.

A. At any time following the first anniversary of the date a Member commenced participation in the Plan (including participation in a Prior Plan, the Retail Operations Plan, the HOVENSA Plan, the Merit Plan or the Triton Plan), a Member may elect to withdraw, without the penalty of suspension, a portion of his account, subject to the in-service distribution limitations of Section 8.4, as follows:

1. If he is at least age 59½ at the time of the withdrawal, any portion of the sum of his entire account in the Plan, less the sum of his prior withdrawals as of the effective date of the withdrawal; provided, however, that no partial withdrawal may be made in an amount less than $500.00 (or the Member's remaining account balance, if less).

2. If he is not at least age 59½ at the time of the withdrawal, 50% of the sum of his total contributions excluding his Elective Deferrals less the sum of his prior withdrawals as of the effective date of the withdrawal; provided, however, that no partial withdrawal may be made in an amount less than $500.00 (or the Member's remaining account balance eligible for withdrawal, if less). Notwithstanding the foregoing, a Member is not permitted to withdraw Matching Contributions (and income allocable thereto) that were contributed to the Plan on or after January 1, 2002 (January 1, 2003 in the case of a Triton Plan Participant and October 1, 2006 with respect to Members who were members of the Retail Operations Plan as of September 30, 2006) pursuant to this Section 8.2 A 2.

In no event, however, may the amount withdrawn exceed the value of a Member's account attributable to the contributions to be withdrawn.

B. A period of at least 12 months must elapse between partial withdrawals. If a Member makes a partial withdrawal under the terms of the Retail Operations Plan, or the HOVENSA Plan or the Merit Plan less than twelve months prior to commencement of his membership in the Plan, a partial withdrawal shall not be permitted under the terms of the Plan until the expiration of the twelve month period beginning on the date of such withdrawal.

Notwithstanding the foregoing, a Member may make a partial withdrawal in June 1996, if he would have completed his first year of membership or 12 months would have elapsed since his last partial withdrawal during the months of July, August or September 1996.

Notwithstanding the foregoing, a Member who has not attained age 59½ is not permitted to withdraw amounts that were contributed to the Plan on or after January 1, 2002 (and income allocable thereto), other than as provided in Sections 8.3 (Hardship Withdrawals) or upon termination of employment.

8.3 Hardship Withdrawals.

Distribution of Elective Deferrals (excluding income allocable to such Elective Deferrals) may be made to a Member in the event of hardship. For the purposes of this Section, hardship is defined as an immediate and heavy financial need of the Employee where such Employee lacks other available resources. A request for a hardship withdrawal shall be made on a form or in a manner prescribed by the Committee. Such distribution shall be effective on the earliest practicable Valuation Date following the approval of the request by the Committee.

Special Rules:

A. The following are the only financial needs considered immediate and heavy: expenses incurred or necessary for medical care, described in Section 213(d) of the Code, of the Employee, the Employee’s Spouse, children, or dependents; the purchase (excluding mortgage payments) of a principal residence for the Employee; payment of tuition, room and board and related educational fees for the next 12 months of post-secondary education for the Employee, the Employee’s Spouse, children or dependents; the need to prevent the eviction of the Employee from, or a foreclosure on the mortgage of, the Employee’s principal residence; funeral expenses for the Employee’s deceased parent, the Employee’s Spouse, children or dependents; or expenses for the repair of damage to the Employee’s principal residence that qualify for the casualty loss deduction under Section 165 of the Code (without regard to whether the loss exceeds 10% of adjusted gross income).

B. A distribution will be considered as necessary to satisfy an immediate and heavy financial need if the Committee relies upon the Employee’s written representation, unless the Committee has knowledge to the contrary, that the need cannot be relieved:

(i) through reimbursement or compensation by insurance or otherwise;

(ii) by reasonable liquidation of the Member’s assets to the extent such liquidation would not itself cause an immediate and heavy financial need;

(iii) by cessation of Elective Deferrals and Employee Contributions under the Plan; or

(iv) by other distributions or nontaxable (at the time of the loan) loans from plans maintained by the Company or by any other employer, or by borrowing from commercial sources on reasonable commercial terms.

C. A hardship distribution shall not require suspension of membership.

D. Effective October 1, 2006, no hardship withdrawal may be made in an amount less than $500.

E. Effective for withdrawals made on or after October 1, 2006, a Participant may not take more than one hardship withdrawal every 12 months.

8.4 In-Service Distribution Limitations

Elective Deferrals and matching contributions made on or after January 1, 2002 (or made on or after January 1, 2003 in the case of a Triton Plan Participant or October 1, 2006 with respect to

Members who were members of the Retail Operations Plan as of September 30, 2006), and income allocable thereto are not distributable to a Member or his Beneficiary or Beneficiaries, in accordance with such Member's Beneficiary or Beneficiaries election, earlier than upon termination of employment or termination of a Member's employer's participation in the Plan, death or disability.

Such amounts may also be distributed upon:

A. Termination of the Plan without the establishment of another defined contribution plan other than an employee stock ownership plan (as defined in Section 4975(e) or Section 409 of the Code) or a simplified employee pension plan as defined in Section 408(k).

B. The disposition by a corporation to an unrelated corporation of substantially all of the assets (within the meaning of Section 409(d)(2) of the Code) used in a trade or business of such corporation if such corporation continues to maintain this Plan after the disposition, but only with respect to employees who continue employment with the corporation acquiring such assets.

C. The disposition by a corporation to an unrelated entity of such corporation's interest in a subsidiary (within the meaning of Section 409(d)(3) of the Code) if such corporation continues to maintain this Plan, but only with respect to Employees who continue employment with such subsidiary.

D. The attainment of age 59 1/2.

E. The hardship of the Member as described in Section 8.3.

All distributions that may be made pursuant to one or more of the foregoing distributable events are subject to the Member consent requirements (if applicable) contained in Sections 411 (a)(11) of the Code. In addition, distributions that are triggered by any of the first three events enumerated above must be made in a lump sum.

8.5 Loans to Members

A. Loans from Member accounts shall be made available to all Members on a reasonably equivalent basis. A request for a loan shall be made on a form or in a manner prescribed by the Committee. To be effective as of a particular Valuation Date in a given month, the request must be received on behalf of the Committee not later than such date.

B. Loans shall not be made available to Highly Compensated Employees in an amount greater than the amount made available to other Employees.

C. Loans must be adequately secured by 50% of the Member's vested interest in the Plan and must bear a reasonable interest rate. The rate will be commensurate with the interest rate being charged by persons in the business of lending money for loans which would be made under similar circumstances, and shall be 1% above the prime rate in effect at the time the loan is made, or such other rate as may be determined by the Committee from time to time on a nondiscriminatory basis. In addition, the Member must pay the loan origination fee and annual loan recordkeeping fee charged by the Plan's recordkeeper.

D. Failure by the Member to make required loan payments when due shall cause the loan to be in default. In the event of default, foreclosure on the note and attachment of security will not occur until a distributable event occurs in the Plan, but if the default is not cured by the end of the calendar quarter following the calendar quarter in which the default occurred, the unpaid balance plus accrued unpaid interest shall be reported as taxable income to the Member.

E. Notwithstanding any other provision of this Plan, the portion of the Member's vested account balance used as a security interest held by the Plan by reason of a loan outstanding to the Member shall be taken into account for purposes of determining the amount of the account balance payable at the time of death or distribution, but only if the reduction is used as repayment of the loan. If less than 100% of the Member's vested account balance (determined without regard to the preceding sentence) is payable to the surviving Spouse, then the account balance shall be adjusted by first reducing the vested account balance by the amount of the security used as repayment of the loan, and then determining the benefit payable to the surviving Spouse.

F. No loan to any Member can be made to the extent that such loan when added to the outstanding balance of all other loans to the Member would exceed the lesser of (a) $50,000 reduced by the highest outstanding balance of loans during the one year period ending on the day before the loan is made, or (b) one-half the vested account balance of the Member. For the purpose of the above limitation, all loans from all plans of the Company and other members of a group of employers described in Sections 414(b), 414(c), and 414(m) and (o) of the Code are aggregated. Furthermore, any loan shall by its terms require that repayment (principal and interest) be amortized in level payments, not less frequently than monthly, over a period not extending beyond five years from the date of the loan, unless such loan is used to acquire a dwelling unit which within a reasonable time (determined as the time the loan is made) will be used as the principal residence of the Member. An assignment or pledge of any portion of the Member's interest in the Plan and a loan, pledge, or assignment with respect to any insurance contract purchased under the Plan, will be treated as a loan under this paragraph.

G. No loan will be made in an amount less than $500.00, and only two loans may be outstanding to a Member at any time.

H. A Member may prepay an outstanding loan in full at any time without penalty.

I. If at any time prior to the full repayment of a loan, the Member should cease to be a Member by reason of his termination of employment (other than as the result of employment by

HOVENSA), the unpaid balance owed by the Member on the loan shall be due and payable upon the later of the date of such termination of employment or the date of final payment of any salary continuation payments received by the Member in connection with such termination from which loan payments are deducted, and the amount of the distribution otherwise payable to the Member (or, in the case of his death to his Beneficiary) shall be reduced by the amount owed on the loan at the time of such distribution. If at any time prior to the full repayment of a loan, the Member should cease to be a Member by reason of his employment by HOVENSA, the Member's unpaid loan balance shall be handled as follows:

1. Prior to the Transfer Date, loan repayments will be made through payroll deductions and transmitted by HOVENSA to the Company for forwarding to the Trustee.

2. On and after the Transfer Date the loan balance will be transferred to the HOVENSA Plan with the other assets in the Member's Plan account, the loan shall be treated as having been made under the terms of the HOVENSA Plan, and shall be repaid to the HOVENSA Plan in accordance with the terms of the loan.

J. For the purposes of this Section 8.5, loans outstanding under the terms of the HOVENSA Plan which have not been repaid by the date that a HOVENSA Plan member's account is transferred to the Plan also will be transferred to the Plan, treated as having been made under the terms of the Plan, and repaid to the Plan in accordance with the terms of such loan.

ARTICLE 9
TERMINATION OF EMPLOYMENT AND TERMINATION OF MEMBERSHIP

9.1 If a Member's employment by a Company shall terminate for any reason (other than by transfer to HOVENSA, another Company or to an Associated Company) or if his membership in the Plan shall terminate (other than pursuant to the provisions of Sections 8.1, 9.4, or 9.5) his vested interest in the Plan, determined as of the Valuation Date coincident with or next following the date his employment or membership is terminated, shall be distributed to him (or to his Beneficiary if his employment shall terminate because of his death), as follows:

A. If the Member's employment shall terminate because of his death his entire vested interest shall be distributed to his Beneficiary as soon as practicable after such Valuation Date in the manner specified in Section 16.9 B.

B. If the Member's employment shall terminate for a reason other than his death, or if his membership shall terminate (other than pursuant to the provisions of Section 8.1, 9.4 or 9.5), his entire vested interest, as determined above, shall be distributed to him. The Member's interest attributable to Employee Contributions and Elective Deferrals shall be distributed in the manner specified in subparagraphs 1 and 2 of Section 16.9 B, and his vested interest attributable to Company contributions shall be distributed to him in the manner specified in subparagraph 3 of Section 16.9 B, both as follows:

1. If the value of his entire vested interest shall not exceed $1,000 it shall be distributed to him as soon as practicable after such Valuation Date.

2. If the value of his entire vested interest shall exceed $1,000, it shall be distributed to him as soon as practicable following his submission of a completed election to withdraw as described in Section 16.8, but not later than the required beginning date described in Section 16.9D4. On receipt of such request, the distribution of such vested interest shall be made to the Member at the appropriate time in the manner requested.

9.2 If a Member shall be fully vested in his account balances at the time he receives a distribution pursuant to the provisions of Section 8.1 or Section 9.1, then the service performed by him with respect to such distribution shall be disregarded for the purpose of determining the balance in his account on his reentry into the Plan and there shall be no restoration of his account balances.

9.3 A. 1. Distribution of benefits to a Member will be made no later than the 60th day after the close of the Plan Year in which the latest of the following events occurs:

i. the Member attains age 65 ;

ii. the 10th anniversary of the date on which the Member commenced participation in the Plan;

iii. the Member terminates employment with the Company;

iv. the date specified in an election made pursuant to Paragraph B of this section, but no later than April 1 of the year following the year in which the Member will attain age 70 1/2.

2. Notwithstanding the foregoing, effective as of October 1, 2006, distributions of benefits to a Member will be made no later than April 1 of the year following the year in which the Member attains age 70 ½.

B. Notwithstanding the provisions of Subparagraph 9.1B2, a Member may, on a statement signed by him and submitted to the Committee (or in a manner prescribed by the Committee), elect that the payment to him of any benefit under the Plan will be made in a lump sum at a date later than the dates specified under Subparagraphs i, ii and iii of Paragraph A1 of this Section. The statement shall describe the benefit and specify the date on which payment of the benefit shall be made, subject, however, to the distribution requirements of Section 16.10 of the Plan.

9.4 Notwithstanding any provision of the Plan to the contrary, upon the establishment by the Principal Company of the Retail Operations Plan, which shall have essentially the same provisions as the Plan, the Committee shall direct the Trustee to allocate and segregate the portion of the assets of the Plan held for the benefit of all Members of the Plan who are employed in Company-operated gasoline stations or convenience stores. The Committee then shall direct the Trustee to transfer such assets and the accounts and records of such Members to the Retail Operations Plan. If any Members of the Plan subsequently become eligible for participation in the Retail Operations Plan, the assets, accounts and records of such Members shall be allocated, segregated and transferred in a similar manner. As the result of these transfers, all accrued rights and interests of such Members as of the date of such transfers shall be preserved under the Retail Operations Plan, and in no event shall any such Member be deprived of any benefits under the Plan which shall have accrued to him as of the effective date of the transfer. Effective October 1, 2006, the Retail Operations Plan shall be merged into the Plan, and the Committee shall direct the Trustee to accept the assets of the Retail Operations Plan for the benefit of all members of the Retail Operations Plan. As a result of these transfers, all rights and interests of such members of the Retail Operations Plan with respect to the amounts transferred on October 1, 2006, shall be preserved under the Plan.

9.5 Notwithstanding any provision of the Plan to the contrary, upon the establishment by HOVENSA of the HOVENSA Plan, which shall have essentially the same provisions as the Plan, the

Committee shall direct the Trustee to allocate and segregate the portion of the assets of the Plan held for the benefit of all Members of the Plan employed by HESS OIL VIRGIN ISLANDS CORP., who become employees of HOVENSA on the date HOVENSA commences operations. The Committee then shall direct the Trustee to transfer such assets and the accounts and records of such Members to the HOVENSA Plan on the Transfer Date. If any Members of the Plan subsequently become employed by HOVENSA, the assets, accounts and records of such Members shall be allocated, segregated and transferred in a similar manner. As the result of these transfers, all accrued rights and interests of such Members as of the date of such transfers shall be preserved under the HOVENSA Plan, and in no event shall any such Member be deprived of any benefits under the Plan which shall have accrued to him as of the effective date of the transfer. Upon the transfer of a Member's accounts and records to the HOVENSA Plan, such Member's membership in the Plan shall terminate. Upon the transfer of a Member's accounts and records to the Retail Operations Plan, such Member's membership in the Plan shall terminate.

ARTICLE 10
FORFEITURES

10.1 The interest of a Member in the assets of the Plan derived from Company contributions which shall be unvested at the time of his termination of membership or termination of employment shall be forfeited and shall reduce the future contributions of the Company or Companies of which such Member was an Employee. If a Member shall make a complete withdrawal pursuant to Section 8.1 of his vested interest in the assets of the Plan attributable to his after-tax contributions and Elective Deferrals, if any, his unvested interests in the assets of the Plan derived from Company matching contributions attributable to the contributions withdrawn by the Member shall be forfeited. Forfeitures shall occur in a similar manner in the case of a complete withdrawal under Section 8.1 of the Member's account balances attributable to his after-tax contributions or his after-tax contributions and Elective Deferrals, if any, but shall apply to the interest of such Member in the assets of the Plan derived from Company contributions that matched the Member's contributions to the withdrawn accounts which shall be unvested at the time of his withdrawal. For the purposes of this Section 10.1, assets representing employer contributions to the HOVENSA Plan which are transferred to the Plan shall be treated as Company contributions.

10.2 In the event an Employee whose interest in the assets of the Plan has been forfeited in whole or in part upon withdrawal under Section 8.1 or termination of his membership during his continued employment shall continue or resume membership in the Plan, the value of his account balances shall be restored to their value as of the Valuation Date described in Section 16.8 if such Employee shall, within five years of the date of such withdrawal or termination, repay to the Plan the full amount of any distribution received by him upon such withdrawal or termination of membership.

10.3 In the event an Employee whose interest in the assets of the Plan has been forfeited in whole or in part on termination of his employment shall be reemployed and shall resume membership in the Plan, the value of his account balances shall be restored to their value as of the Valuation Date described in Section 9.1 if such Employee shall, within the earlier to occur of (i) his having incurred five consecutive one-year Breaks in Service and (ii) the fifth anniversary of his resumption of employment covered by the Plan, repay to the Plan the full amount of any distribution received by upon such termination.

10.4 If an Employee described in Section 10.2 or in Section 10.3 shall not make the repayments in the amounts and in the manner described therein then the service performed by him with respect to which he received a complete distribution of his account balances derived from both after-tax contributions and Elective Deferrals pursuant to the provisions of Section 8.1 or Section 9.1 shall be disregarded for the purpose of determining the balance in his account on his re-entry into the Plan or continuation of his membership in the Plan and there shall be no restoration of his account balances.

10.5 A. If a forfeiture occurs under the comparable terms of the Retail Operations Plan or the HOVENSA Plan with respect to a member of either of those plans who subsequently becomes a Member of the Plan, and such Member repays the full amount of his distribution to the Retail Operations Plan or the HOVENSA Plan in accordance with the terms of those plans, such repaid amount and the value of his account balances restored under the applicable plan shall be transferred to the Plan as soon as practicable after such repayment and restoration, and shall be invested in accordance with the Member's then current Investment Direction.

B. Notwithstanding any provisions of the Plan to the contrary, if a forfeiture occurs in accordance with the provisions of Section 10.1, and the individual involved subsequently becomes a member of the Retail Operations Plan or the HOVENSA Plan before repaying the full amount of his distribution to the Plan, such individual shall be deemed eligible for participation in the Plan for the sole purpose of repaying such distribution and restoring the value of his account balances under the Plan. Such repaid amount and the value of his account balances restored under the Plan shall be invested in accordance with the individual's then current Investment Direction in the Retail Operations Plan or the HOVENSA Plan, as the case may be, and transferred to the applicable plan as soon as practicable after such repayment and restoration.

10.6 For the purposes of this Article 10, the nonvested portion of the participating company contributions account under the Merit Plan of a Merit Plan Participant or a former employee of Merit Oil Corporation that was forfeited or scheduled to be forfeited under the terms of the Merit Plan shall be subject to restoration under the same terms that apply to other Members of the Plan under this Article.

10.7 Due to the change made on January 1, 2002 (October 1, 2006 with respect to Members who were members of the Retail Operations Plan as of September 30, 2006) to provide for the immediate vesting of Company contributions to the Plan, there will be no forfeitures under this Article 10 on or after that date. The above provisions will remain in effect, however, to allow for the restoration of account balances forfeited before that date, and to provide for proper coordination with the Retail Operations Plan (prior to the date it was merged into this Plan) and the HOVENSA Plan.

ARTICLE 11
ADMINISTRATION OF THE PLAN

11.1 The Plan shall be administered by the Committee. The Committee shall be the “plan administrator” within the meaning of Title I of ERISA and shall be the named fiduciary with respect to control or management of the operation and administration of the Plan.

11.2 The CEO of the Principal Company shall appoint at least three persons to serve on the Committee. Any member of the Committee may resign by delivering his or her written resignation to the CEO prior to the effective date of such resignation. In addition, if a member of the Committee is an Employee at the time of his or her appointment, he or she will automatically cease to be a member of the Committee when his or her employment with the Company terminates. The CEO may remove any member of the Committee by so notifying the member and the other Committee members in writing prior to the effective date of such removal. In the event a member of the Committee dies or is removed (automatically or by the CEO), the CEO shall appoint a successor member. The Committee shall continue to act with full power until the vacancy is filled.

11.3 A. The Committee shall have the authority to allocate, from time to time, by a written instrument filed in its records, all or any part of its responsibilities under the Plan to one or more of its members, including a subcommittee, as may be deemed advisable, and in the same manner to revoke such allocation of responsibilities. In the exercise of such allocated responsibilities, any action of the member or subcommittee to whom responsibilities are allocated shall have the same force and effect for all purposes hereunder as if such action had been taken by the Committee. The Committee shall not be liable for any acts or omissions of such member or subcommittee. The member or subcommittee to whom responsibilities have been allocated shall periodically report to the Committee concerning the discharge of the allocated responsibilities.

B. The Committee shall have the authority to delegate from time to time, by a written instrument filed in its records, all or any part of its responsibilities under the Plan to such person or persons as the Committee may deem advisable (and may authorize such person to delegate such responsibilities to such other person or persons as the Committee may authorize) and in the same manner to revoke any such delegation or responsibilities. Any action of the delegate in the exercise of such delegated responsibilities shall have the same force and effect for all purposes hereunder as if such action had been taken by the Committee. The Committee shall not be liable for any acts or omissions of any such delegate. The delegate shall periodically report to the Committee concerning the discharge of the delegated responsibilities. The Committee will periodically monitor the delegate to verify that the delegation is prudent.

C. Except where responsibilities have been allocated or delegated to another fiduciary, including the Investment Committee, the Committee shall have the general responsibility for the administration of the Plan and for carrying out its provisions, including the specific responsibilities set forth in Sections 11.4.

11.4 The Committee shall have the discretion and authority to control and manage the operation and administration of the Plan.

A. The Committee's authority shall specifically include, but not be limited to, the following:

1. To communicate the terms of the Plan to Members and Beneficiaries;

2. To appoint, discharge, and periodically monitor the performance of third party administrators, service providers, and any other agents in the administration of the Plan;

3. To consult with counsel;

4. To prepare and file any reports or returns with respect to the Plan required by the Code, ERISA or any other laws;

5. To determine all questions arising in the administration of the Plan, to the extent the determination is not the responsibility of another fiduciary or entity;

6. To direct the Trustee to pay benefits and Plan expenses properly chargeable to the Plan; and

7. Such other duties or powers provided in the Plan.

B. In addition to the authority described above, the Committee shall have complete discretion to interpret and construe the provisions of the Plan, make findings of fact, correct errors, and supply omissions, with respect to determining the benefits payable and eligibility for benefits under the Plan or any other matter of Plan interpretation or construction. All decisions and interpretations of the Committee made pursuant to the Plan shall be final, conclusive and binding on all persons and may not be overturned unless found by a court of competent jurisdiction to be arbitrary and capricious. The Committee shall have the powers necessary or desirable to carry out these responsibilities, including but not limited to the following:

1. To prescribe rules, procedures and related forms (which may be electronic in nature) to be followed by Members in filing and appealing claims for benefits;

2. To receive from Members and Beneficiaries such information as shall be necessary for the proper determination of benefits payable under the Plan;

3. To keep records related to claims for benefits filed and paid under the Plan;

4. to submit such information to the Actuary as the Actuary may require from time to time for making actuarial determinations with respect to the Plan;

5. To determine and enforce any limits on benefit elections hereunder;

6. To correct errors and make equitable adjustments for mistakes made in the payment or nonpayment of benefits under the Plan, specifically, and without limitation, to recover erroneous overpayments made by the Plan to a Member or Beneficiary, in whatever manner deemed appropriate and permitted by law, including suspensions or recoupment of, or offsets against, future payments, including benefit payments or wages, due that Member or Beneficiary;

7. To determine questions relating to coverage and participation under the Plan and the rights of Members or to delegate such authority to make such determination to a third party administrator, insurer or some other entity;

8. To propose and accept settlements and offsets of claims, overpayments and other disputes involving claims for benefits under the Plan; and

9. To compute the amount and kind of benefits payable to Members and Beneficiaries, to the extent such determination is not the responsibility of a third party administrator, insurer, or some other entity.

11.5 The Committee may employ one or more persons to render advice with regard to any of its responsibilities under the Plan.

11.6 Plan Expenses. All fees and expenses incurred in connection with the operation and administration of the Plan, including but not limited to, legal, accounting, investment management, and administrative fees and expenses, shall be paid out of the assets of the Plan to the extent it is legally permissible for such fees and expenses to be so paid. The Company may, but shall not be required to, directly pay such fees and expenses and thereby release the Plan from the obligation of making such payments; provided, however that, to the extent that it would be legally permissible for such fees to have been paid by the Plan, the Plan shall not be released from the obligation to make payment by reimbursing the Company.

11.7 Claims Procedure:

A. Initial Claim. (i) Any claim by an Employee, Member or Beneficiary (‘Claimant’) with respect to eligibility, participation, contributions, benefits or other aspects of the operation of the Plan shall be made in writing to the Committee for such purpose. The Committee shall provide the Claimant with the necessary forms and make all determinations as to the right of any person to a disputed benefit. If a Claimant is denied benefits under the Plan, the Committee or its designee shall notify the Claimant in writing of the denial of the claim within ninety (90) days (or within forty-five (45) days if the claim involves a determination of a Claimant's Disability) after the Committee receives the claim, provided that in the event of special circumstances such period may be extended.

(ii) In the event of special circumstances, the maximum period in which a claim must be determined may be extended as follows:

(a) With respect to any claim, other than a claim that involves a determination of a Claimant's Disability, the ninety (90) day period may be extended to up to ninety (90) days (for a total of one hundred eighty (180) days). If the initial ninety (90) day period is extended, the Committee or its designee shall notify the Claimant in writing within ninety (90) days of receipt of the claim. The written notice of extension shall indicate the special circumstances requiring the extension of time and provide the date by which the Committee expects to make a determination with respect to the claim. If the extension is required due to the Claimant's failure to submit information necessary to decide the claim, the period for making the determination shall be tolled from the date on which the extension notice is sent to the Claimant until the earlier of (i) the date on which the Claimant responds to the Plan's request for information, or (ii) expiration of the forty-five (45) day period commencing on the date that the Claimant is notified that the requested additional information must be provided.

(b) With respect to a claim that involves a determination of a Claimant's Disability, the forty-five (45) day period may be extended as follows:

(I) Initially, the forty-five (45) day period may be extended to up to an additional thirty (30) days (the 'Initial Disability Extension Period'), provided that the Committee determines that such an extension is necessary due to matters beyond the control of the Plan and within forty-five (45) days of receipt of the claim, the Committee or its designee notifies the Claimant in writing of such extension, the special circumstances requiring the extension of time, the date by which the Committee expects to make a determination with respect to the claim and such information as required under clause (III) below.

(II) Following the Initial Disability Extension Period the period for determining the Claimant's claim may be extended for an additional thirty (30) day extension period (for a total of one hundred five (105) days), provided that the Committee determines that such an extension is necessary due to matters beyond the control of the Plan and within the Initial Disability Extension Period, notifies the Claimant in writing of such additional extension, the special circumstances requiring the extension of time, the date by which the Committee expects to make a determination with respect to the claim and such information as required under clause (III) below.

(III) Any notice of extension pursuant to this Paragraph (B) shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim, and the additional information needed to resolve those issues, and the Claimant shall be afforded forty-five (45) days within which to provide the specified information

(IV) If an extension is required due to the Claimant's failure to submit information necessary to decide the claim, the period for making the determination shall be tolled from the date on which the extension notice is sent to the Claimant until the earlier of (i) the date on which the Claimant responds to the Plan's request for information, or (ii) expiration of the forty-five (45) day period commencing on the date that the Claimant is notified that the requested additional information must be provided.

(iii) If notice of the denial of a claim is not furnished within the required time period described herein, the claim shall be deemed denied as of the last day of such period.

(iv) If a claim is wholly or partially denied, the notice to the Claimant shall set forth:

(a) The specific reason or reasons for the denial;

(b) Specific reference to pertinent Plan provisions upon which the denial is based;

(c) A description of any additional material or information necessary for the Claimant to complete the claim request and an explanation of why such material or information is necessary;

(d) Appropriate information as to the steps to be taken and the applicable time limits if the Claimant wishes to submit the adverse determination for review; and

(e) A statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse determination on review.

B. Claim Denial Review.

1. If a claim has been wholly or partially denied, the Claimant may submit the claim for review by the Committee. Any request for review of a claim must be made in writing to the Committee no later than sixty (60) days (or within one hundred and eighty (180) days if the claim involves a determination of a Claimant's Disability) after the Claimant receives notification of denial or, if no notification was provided, the date the claim is deemed denied. The Claimant or his duly authorized representative may:

(a) Upon request and free of charge, be provided with reasonable access to, and copies of, relevant documents, records, and other information relevant to the Claimant's claim; and

(b) Submit written comments, documents, records, and other information relating to the claim. The review of the claim determination shall take into account all comments, documents, records, and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial claim determination.

2. The decision of the Committee shall be made within sixty (60) days (or within forty-five (45) days if the claim involves a determination of a Claimant's Disability) after receipt of the Claimant's request for review, unless special circumstances (including, without limitation, the need to hold a hearing) require an extension. In the event of special circumstances, the maximum period in which a claim must be determined may be extended as follows:

(a) With respect to any claim, other than a claim that involves a determination of a Claimant's Disability, the sixty (60) day period may be extended for a period of up to one hundred twenty (120) days.

(b) With respect to a claim that involves a determination of a Claimant's Disability, the forty-five (45) day period may be extended for a period of up forty-five (45) days.

If the sixty (60) day period (or forty-five (45) day period where the claim involves a determination of a Claimant's Disability is extended, the Committee or its designee shall, within sixty (60) days (or within forty-five (45) days if the claim involves a determination of a Claimant's Disability) of receipt of the claim for review, notify the Claimant in writing. The written notice of extension shall indicate the special circumstances requiring the extension of time and provide the date by which the Committee expects to make a determination with respect to the claim upon review. If the extension is required due to the Claimant's failure to submit information necessary to decide the claim, the period for making the determination shall be tolled from the date on which the extension notice is sent to the Claimant until the earlier of (i) the date on which the Claimant responds to the Plan's request for information, or (ii) expiration of the forty-five (45) day period commencing on the date that the Claimant is notified that the requested additional information must be provided. If notice of the denial of a claim is not furnished within the required time period described herein, the claim shall be deemed denied as of the last day of such period.

3. If notice of the decision upon review is not furnished within the required time period described herein, the claim on review shall be deemed denied as of the last day of such period.

4. The Committee, in its sole discretion, may hold a hearing regarding the claim and require the Claimant to attend. If a hearing is held, the Claimant shall be entitled to be represented by counsel.

5. The Committee's decision upon review on the Claimant's claim shall be communicated to the Claimant in writing. If the claim upon review is denied, the notice to the Claimant shall set forth:

(a) The specific reason or reasons for the decision, with references to the specific Plan provisions on which the determination is based;

(b) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim; and

(c) A statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA.

6. Any review of a claim involving a determination of a Claimant's Disability shall not afford deference to the initial adverse benefit determination and shall not be determined by any individual who made the initial adverse benefit determination or a subordinate of such individual. In deciding a review of any adverse benefit determination that is based in whole or in part on a medical judgment, including determinations with regard to whether a particular treatment, drug, or other item is experimental, investigational, or not medically necessary or appropriate, the Committee shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment.

C. All interpretations, determinations and decisions of the Committee with respect to any claim, including without limitation the appeal of any claim, shall be made by the Committee, in its sole discretion, based on the Plan and comments, documents, records, and other information presented to it, and shall be final, conclusive and binding.

D. The claims procedures set forth in this section are intended to comply with United States Department of Labor Regulation § 2560.503-1 and should be construed in accordance with such regulation. In no event shall it be interpreted as expanding the rights of Claimants beyond what is required by United States Department of Labor Regulation § 2560.503-1.

11.8 Exhaustion and Limitations Period. Claimants must follow the claims procedures described in Section 11.7 before taking action in any other forum regarding a claim for benefits under the Plan. Any suit or legal action initiated by a Claimant under the Plan must be brought by the Claimant no later than one (1)-year following a final decision on the claim for benefits under these claims procedures.

The one (1)-year statute of limitations on suits for benefits shall apply in any forum where a Claimant initiates such suit or legal action. If a civil action is not filed within this period, the Claimant's benefit claim will be deemed permanently waived and abandoned, and the claimant will be precluded from reasserting it.

11.9 Failure to Supply Correct Information

A. If a person claiming benefits under the Plan makes a false statement that is material to such person's claim for benefits, the Committee may adjust the benefits payable to the person or require that the payments be returned to the Plan, or take any other action as the Committee deems reasonable.

B. Failure on the part of a Member to comply with a request by the Committee for information or proof within a reasonable period of time is sufficient grounds for delay in the payment of any benefits that may be due under the Plan until such information or proof is received by the Committee.

11.10 Any person or group of persons may serve in more than one fiduciary capacity under the Plan.

11.11 Electronic Administration. For purposes of the Plan, any forms, elections, loans, regulations, rules, notices and disclosure of information may, to the extent permitted by the Principal Company or the Committee and by applicable law, be made by paper, telephonic or electronic means.

11.11 Indemnification for Liability

A. Indemnification by the Plan. To the extent permitted by applicable law and subject to the limitations described in this Section 11.11A, each current and former member of the Committee and of the Investment Committee, and each employee, officer, director, and agent of the Company, and all persons formerly serving in such capacity ("Covered Persons") are indemnified and saved harmless by the Plan from and against any and all claims of liability arising in connection with the exercise of their duties and responsibilities with respect to the Plan, including all expenses reasonably incurred in the defense of such act or omission, unless (a) it is established by final judgment of a court of competent jurisdiction that such act or omission involved a violation of the duties imposed by Part 4 of Title I of ERISA or gross negligence or willful misconduct on the part of such Covered Person; or (b) in the event of settlement or other disposition of a claim involving the Plan, it is determined by written opinion of independent counsel that such act or omission involved a violation of duties imposed by Part 4 of Title I of ERISA or gross negligence or willful misconduct on the part of such Covered Person.

To the extent permitted by applicable law, all expenses (including reasonable attorneys fees and disbursements), judgments, fines and amounts paid in settlement incurred by the Covered Person in connection with any of the proceedings described above shall be paid from the Plan, provided that (a) the Covered Person shall repay such advances to the Plan, with reasonable interest, if it is established by a final judgment of a court of competent jurisdiction, or by a written opinion of independent counsel, that the Covered Person violated Part 4 of Title I of ERISA, was grossly negligent or engaged in willful misconduct, and (b) the Covered Person shall provide a bond, letter of credit or make other appropriate arrangements for repayment of advances. Notwithstanding the foregoing, no such advances shall be made in connection with any claim against the Covered Person that is made by the Plan or Trustee, provided that upon the final disposition of such claim, the expenses (including reasonable attorneys fees and disbursements), judgments, fines, and amounts paid in settlement shall be reimbursed by the Plan to the extent provided above.

The indemnification provided under this Section 11.11A applies only to claims and expenses not actually covered by insurance.

B. Indemnification by the Company. To the extent not covered by insurance or reimbursed by the Plan as provided in Section 11.11A, the Company indemnifies each current and former member of the Committee and of the Investment Committee, and each employee, officer, director, and agent of the Company, and all persons formerly serving in such capacity, acting on behalf of the Plan, against any and all liabilities or expenses, including all legal fees relating thereto, arising in connection with the exercise of their duties and responsibilities with respect to the Plan, provided however that the Company does not indemnify any person for liabilities or expenses due to that person’s own gross negligence or willful misconduct.

ARTICLE 12
AMENDMENT OF THE PLAN

12.1 A. The Compensation and Management Development Committee of the Board of Directors (the “Board Committee”) of the Company by written resolution, may amend the Plan at any time and in any respect.

B. The Chief Executive Officer (“CEO”) or Senior Vice President, Human Resources (“SVP HR”) may approve any written amendment (i) that is required by law or necessary or appropriate to maintain the Plan as a plan meeting the requirements of Code section 401(a), retroactively if necessary or appropriate, (ii) that is necessary to make clarifying changes or to correct a drafting error, or (iii) that is reasonably expected, when aggregated with any other amendment or amendments approved on the same date, to have an annual financial impact on the Company of $5 million or less if amended by the CEO, or $500,000 or less if amended by the SVP HR. The CEO or SVP HR may not approve any amendment to this section 12.1(B).

12.2 No amendment shall vest in any Company, directly or indirectly, any right, title or interest in or to assets of the Plan, or any portion thereof. No assets of the Plan shall, by reason of any amendment, be used for, or diverted to, purposes other than for the exclusive benefit of Members, former Members, and their Beneficiaries. No amendment shall, without his consent, reduce any accrued right or interest to which any Member, former Member, or Beneficiary is entitled as of the date of such amendment, but this provision shall not be construed as preventing any change in the Plan which lessens or restricts benefits or rights not actually accrued as of the date of such amendment.

12.3 In the discretion of the amending authority as specified in Section 12.1, any amendment may be made effective as of a date prior to its execution.

ARTICLE 13
TERMINATION OF PARTICIPATION BY A COMPANY
AND TERMINATION OF THE PLAN

13.1 A. It is the expectation of each Company that it will continue the Plan and the payment of its contributions hereunder indefinitely; but continuation of the Plan is not assumed as a contractual obligation of any Company, and the right is reserved by each Company at any time to reduce, suspend or discontinue its contributions hereunder, and to terminate its participation in the Plan in whole or in part. Except in the case of a termination in operation, the termination by a Company of its participation in the Plan shall be evidenced by a written instrument executed by the Company effective as of the date stated therein, and by a certified copy of a duly enacted resolution of the board of directors of such Company authorizing such termination. Copies of such instrument and of such resolution shall be delivered to the Committee and to the Trustee. Participation of a Company in the Plan may be terminated in operation without formal notice.

B. The right is also reserved by the Principal Company to terminate the Plan. Except in the case of a termination in operation, termination of the Plan shall be evidenced by a written instrument executed by the Principal Company effective as of the date stated therein, and by a certified copy of a duly enacted resolution of the Board of Directors authorizing such termination. Copies of such instrument and of such resolution shall be delivered to the Committee and to the Trustee. The Plan may be terminated in operation without formal notice.

13.2 If the Plan is terminated by a participating Company with respect to all or a designated group of its Employees, then and in that event, from and after the termination date and with respect to the group as to which the Plan is being terminated: (a) no contribution shall be made to the Plan by the terminating Company or by its Employees, (b) no Employees of such group shall become Members of the Plan, and (c) no further payments of benefits with respect to Members of such group shall be made except in distribution of assets of the Plan as provided in Section 13.4. (The term “Members” as used in this ARTICLE 13 includes, where appropriate, former Members and Beneficiaries of such former Members.)

13.3 Upon termination of a Company’s participation in the Plan in whole or in part, or upon complete discontinuance of its contributions to the Plan, the right of each Employee of such Company whose membership in the Plan is thereby terminated to his interest in the assets of the Plan shall be and become nonforfeitable.

Upon termination or partial termination of the Plan, or upon complete discontinuance of contributions under the Plan, the amounts credited to the accounts of the Members shall be nonforfeitable.

13.4 A. Upon termination of a Company's participation in the Plan, in whole or in part, or upon termination of the Plan or complete discontinuance of all Company contributions thereto, as above provided, the Investment Committee shall direct the Trustee to allocate and segregate the portion of the assets of the Plan held for the benefit of those Members whose membership in the Plan is being terminated. The Investment Committee may direct the Trustee to continue to hold such assets, under the Plan, to convert such assets into cash, to distribute such assets or such cash to such Members, or to transfer such portion, or all of the assets, as the case may be, to another trust fund for the benefit of the Members as to whom the Plan is terminated, including, but not limited to, a fund or trust under another savings plan of the terminating Company or of another business organization.

B. In the event that the termination of any Company's participation in the Plan, or the termination of the Plan, or the complete discontinuance of all Company contributions thereto, shall not be accompanied by a termination of the Trust, then those assets allocated pursuant to Paragraph A of this Section 13.4 which, at the direction of the Investment Committee, shall continue to be held by the Trustee under the Plan, shall be distributed to Members and former Members in accordance with the provisions of the Plan relating to distribution of withdrawals and distribution on termination of employment.

C. The Investment Committee shall, on termination of the Trust, and may, in its discretion, on termination of a Company's participation, termination of the Plan, or complete discontinuance of all Company contributions thereto, direct the Trustee to distribute to each Member his interest in the assets of the Plan then held by the Trustee.

13.5 Any other provision to the contrary herein notwithstanding, no Member's participation in the Plan shall be deemed terminated if immediately following the termination of his employer's participation in the Plan, in whole or in part, such Member shall be employed by another Company. In such event the interest of such Member in the Plan shall continue to be held by the Trustee under the Plan to furnish benefits provided by the Plan.

13.6 A. The participation of any Company in the Plan shall terminate upon the dissolution of the Company.

B. In the event of a merger, consolidation, or reorganization of any Company the participation of such Company in the Plan shall continue unless the Company or any Successor Company shall terminate such participation in the manner provided in Section 13.1A.

C. In the event of any merger of the Plan or consolidation of the Plan with, or transfer of assets or liabilities of the Plan to, any other plan, each Member (if either the Plan or the other plan shall then be terminated) shall be entitled to receive a benefit immediately after the merger, consolidation, or transfer, equal to or greater than the benefit he would have been entitled to receive immediately before such merger, consolidation, or transfer if the Plan had then been terminated.

13.7 A. In the event that a Successor Company shall succeed any Company hereunder, provision may be made by agreement between such Successor Company and the Principal Company for the transfer of a portion of the assets of the Plan, allocable to Members who shall then be employed by the Successor Company, to a trust under any savings plan adopted or to be adopted by such Successor Company.

B. In the event of such transfer, the Committee shall direct the Trustee to set aside assets equal in value to that portion of the assets of the Plan determined pursuant to Paragraph A to be allocable to Members employed by the Successor Company, and to deliver such assets to a trustee designated by the Successor Company.

C. In the event of such transfer, the Plan shall not be deemed terminated with respect to any Member who shall participate in the Successor Company's savings plan, provided, however, that in no event shall any Member be deprived of any benefits under the Plan which shall have accrued to him as of the effective date of the transfer.

ARTICLE 14
ADOPTION OF THE PLAN BY PARTICIPATING COMPANIES

14.1 Any Participating Company may join in and become a party to the Plan, provided that:

A. The Committee shall approve the admission of such Participating Company into the Plan; and

B. Such Participating Company shall notify the Committee of its agreement: to adopt the Plan, together with all amendments thereto then in effect; to be bound thereby as though it were an original signatory thereto; and to be bound by any other terms and conditions which may be imposed by the Committee, provided that the same shall not be inconsistent with the purposes and provisions of the Plan.

14.2 A Participating Company adopting the Plan shall file with the Committee such information as may be required concerning its Employees who shall be eligible for membership in the Plan.

14.3 Upon such Participating Company's adopting the Plan it shall thereafter be deemed to be a Company for all purposes hereof except as may be otherwise expressly provided herein.

14.4 Notwithstanding the provisions of Section 14.1, any wholly owned subsidiary of the Principal Company or of a Participating Company organized in the United States of America shall automatically become a Participating Company on the date it adopts the Plan, unless the Committee excludes such company from admission into the Plan.

ARTICLE 15
PLAN INVESTMENTS

15.1 The named fiduciary with respect to control or management of the assets of the Plan shall be the Investment Committee. The CEO of the Principal Company shall appoint at least three persons to serve on the Investment Committee. Any member of the Committee may resign by delivering his or her written resignation to the CEO prior to the effective date of such resignation. In addition, if a member of the Committee is an employee at the time of his or her appointment, he or she will automatically cease to be a member of the Committee when his or her employment with the Company terminates. The CEO may remove any member of the Committee by so notifying the member and the other Committee members in writing prior to the effective date of such removal. In the event a member of the Committee dies or is removed (automatically or by the CEO), the CEO shall appoint a successor member. Until such time as a successor member's appointment is effective, the Committee shall continue to act with full power until the vacancy is filled.

15.2 A. The Investment Committee shall have the authority to allocate, from time to time, by a written instrument filed in its records, all or any part of its responsibilities under the Plan to one or more of its members, including a subcommittee, as may be deemed advisable, and in the same manner to revoke such allocation of responsibilities. In the exercise of such allocated responsibilities, any action of the member or subcommittee to whom responsibilities are allocated shall have the same force and effect for all purposes hereunder as if such action had been taken by the Investment Committee. The Investment Committee shall not be liable for any acts or omissions of such member or subcommittee. The member or subcommittee to whom responsibilities have been allocated shall periodically report to the Investment Committee concerning the discharge of the allocated responsibilities.

B. The Investment Committee shall have the authority to delegate from time to time, by a written instrument filed in its records, all or any part of its responsibilities under the Plan to such person or persons as the Investment Committee may deem advisable (and may authorize such person to delegate such responsibilities to such other person or persons as the Investment Committee may authorize) and in the same manner to revoke any such delegation or responsibilities. Any action of the delegate in the exercise of such delegated responsibilities shall have the same force and effect for all purposes hereunder as if such action had been taken by the Investment Committee. The Committee shall not be liable for any acts or omissions of any such delegate. The delegate shall periodically report to the Investment Committee concerning the discharge of the delegated responsibilities. The Investment Committee will periodically monitor the delegate to verify that the delegation is prudent.

C. Except where responsibilities have been allocated or delegated to another fiduciary, the Investment Committee shall have the general responsibility for the management of the assets of the Plan, including the specific responsibilities set forth in Section 15.3.

15.3 The powers of the Investment Committee shall include, but not be limited to, the following:

A. To establish the a funding policy for the Plan consistent with the objectives of the Plan;

B. To establish the Plan's overall investment policy, including asset allocation, investment policy statement or investment guidelines;

C. To issue reports on the performance of the Plan's investments;

D. To appoint and remove a Trustee or Trustees (including one or more successor trustees) with respect to a portion of or all of the assets of the Trust, including the power to enter into (and amend or terminate) any agreement or agreements with a bank, trust company, or other institution (including, in the Investment Committee's discretion, the power to maintain (and amend or terminate) any agreement entered into by the Principal Company on behalf of the Plan, or any such agreement in effect under any Prior Plan), to hold and invest the contributions made under the Plan;

E. To direct such Trustee with respect to the investment and management (including the exercise of any voting rights) of the Plan's assets;

F. To appoint, monitor, and remove one or more investment managers as defined in section 3(38) of ERISA to manage, acquire and dispose of any portion of the Trust or an insurance company single client or pooled separate account, including the exercise of any voting rights or any securities managed by the investment manager.

15.4 The Trustee shall vote, in person or by proxy, the shares of common stock of the HESS CORPORATION held by the Trustee. Each Member shall be entitled to give instructions to the Trustee with respect to voting the number of shares of such common stock, including any fractional share, credited to his account in the Company Stock Fund, and the Trustee shall be obliged to follow such instructions. Written notice of any meeting of stockholders of the HESS CORPORATION and a request for instructions shall be given, at such time and in such manner as the Committee shall determine, to each Member entitled to give such instructions. Shares held in the Company Stock Fund with respect to which no instructions are received shall be voted by the Trustee in accordance with the terms of the agreement with the Trustee. Records of the instructions given by individual Members shall be confidential and not disclosed to the Company by the Trustee.

15.5 In the event a tender or exchange offer (within the meaning of the Securities Exchange Act of 1934, as amended) is made by any potential acquirer in respect of all or a portion of the outstanding shares of common stock of the HESS CORPORATION, each Member shall be entitled to respond and give tender or exchange instructions to the Trustee regarding, among other things, whether or not any such Member desires to tender or exchange all or a portion of the number of shares of such common stock, including any fractional share, credited to his account in the Company Stock Fund. The Trustee shall be obliged to follow such tender or exchange instructions and respond in accordance therewith. Shares of common stock held in the Company Stock Fund with respect to which no instructions are received shall not be tendered or exchanged by the Trustee to or with any such potential acquirer. Written notice of any such tender or exchange offer, and a copy of all of the materials distributed to shareholders of the HESS CORPORATION in connection therewith, relating to any such tender or exchange offer and the potential acquirer, shall be delivered in a timely manner by the Trustee to each Member entitled hereunder to give tender or exchange instructions. Records of the instructions given by individual Members shall be confidential and shall not be disclosed, divulged or released by the Trustee (or any affiliates or employer of the Trustee) to any person, including without limitation, the HESS CORPORATION, any affiliate of the HESS CORPORATION, or any officer, director or employee of any such companies.

15.6 Information relating to the purchase, holding, and sale of common stock of HESS CORPORATION in the Company Stock Fund, and the exercise of voting, tender and similar rights with respect to such securities by Members and beneficiaries, shall be maintained in accordance with procedures which are designed to safeguard the confidentiality of such information, except to the extent necessary to comply with federal or state laws not preempted by ERISA. The Investment Committee is the fiduciary responsible for ensuring that said procedures are sufficient to safeguard such information and that such procedures are being followed. If the Investment Committee determines that any situations involve a potential for undue influence on Members or beneficiaries by the Company with regard to the direct or indirect exercise of shareholder rights, the Investment Committee shall appoint an independent fiduciary to carry out activities relating to such situations. The independent fiduciary shall not be affiliated with the Company.

ARTICLE 16
GENERAL PROVISIONS GOVERNING PAYMENT OF BENEFITS

16.1 All benefits payable under the Plan shall be paid or provided for solely from the assets of the Plan, and no Company assumes any liability or responsibility therefor. The obligations of each Company, which are expressly stated to be noncontractual, are limited solely to the making of contributions to the Trust Fund, as provided for in the Plan.

16.2 In the event that any benefit hereunder becomes payable to a minor, or to a person under legal disability, or to a person judicially declared incompetent, then the Committee shall direct the same to be paid out by the Trustee in such of the following ways as the Committee may deem best:

A. Directly to such person.

B. In the case of a minor, to the guardian or other person having the care and control of such minor.

C. To the legally appointed guardian or conservator of such person.

D. To any institution maintaining or having the custody of such person in accordance with the order of a court of competent jurisdiction.

16.3 If at any time any doubt shall exist as to the identity of any person entitled to payment of any benefit hereunder, or as to the amount or time of any such payment, or if the Committee is unable to authorize payment of benefits to any person because his whereabouts cannot be ascertained, the Committee shall certify such fact to the Trustee, and shall direct the Trustee to hold the amount of benefit in trust until the Committee's further order or until final order of a court of competent jurisdiction.

In the event a Member or Beneficiary to whom payment of a benefit under the Plan is due cannot be located, or has not presented benefit checks for payment within one year after Plan distributions shall have been made to him, such benefit shall be treated as having been forfeited, provided that if a claim therefor is subsequently made by, or on behalf of, such Member or Beneficiary such benefit shall be reinstated. For the sole purpose of this Section, the term Member or Beneficiary shall include a former member or beneficiary of the former Amerada Hess Corporation Employees' Stock Ownership Plan who could not be located by the former trustee of that plan, and with respect to whom said trustee transferred unpaid amounts to the Plan.

16.4 All benefits hereunder shall be payable at the office of the Trustee, unless otherwise directed to the Trustee.

16.5 In order to facilitate the administration of the Plan, benefits payable hereunder may be paid by the Trustee directly or through an agent, including the Committee or one of its agents.

16.6 Benefits payable under this Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary, prior to actually being received by the person entitled to the benefit under the terms of the Plan except in the case of a qualified domestic relations order as defined in Code Section 414(p), or in the case of an offset of a Member's benefits against an amount that the Member is ordered or required to pay to the Plan as described in Code Section 401(a)(13)(C), if (i) the order or requirement to pay arises (A) under a judgment of conviction for a crime involving such Plan, (B) under a civil judgment (including a consent order or decree) entered by a court in an action brought in connection with a violation (or alleged violation) of part 4 of subtitle B of title I of ERISA, or (C) pursuant to a settlement agreement between the Secretary of Labor and the participant, in connection with a violation (or alleged violation) of part 4 of such subtitle by a fiduciary or any other person, and (ii) the judgment, order, decree, or settlement agreement expressly provides for the offset of all or part of the amount ordered or required to be paid to the Plan against the Member's benefits provided under the Plan; and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to benefits payable hereunder, except in the case of a qualified domestic relations order or in accordance with Code Section 401(a)(13)(C) shall be void. In the case of a qualified domestic relations order, the portion of the participant's interest in the Plan designated for the benefit of the alternate payee shall be distributed to such alternate payee as soon as practicable after the qualification of the order. If a portion of the alternate payee's interest in the Plan is derived from Company contributions or employer matching contributions made to the HOVENSA Plan in which the participant is not vested, such portion shall not be distributed to the alternate payee, but shall be retained in the alternate payee's Plan account until vested or forfeited, based on the status of the participant. Notwithstanding any other provisions of the Plan, partial withdrawals, hardship withdrawals, loans and rollovers from other plans or from rollover individual retirement accounts shall not be available to an alternate payee. The Committee shall establish reasonable procedures to determine the qualified status of domestic relations orders and to administer distributions under such qualified orders.

16.7 This Section applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Section, a distributee may elect, at the time and in the manner prescribed by the Committee, to have all or any portion of an eligible rollover distribution made directly to an eligible retirement plan or plans specified by the distributee in a direct rollover. The following definitions apply for the purposes of this Section 16.7.

A. “Eligible rollover distribution” shall mean any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include:

1. any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee’s designated beneficiary, or for a specified period of ten years or more;

2. any distribution to the extent such distribution is required under Section 401(a)(9) of the Code;

3. the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities); and

4. any hardship withdrawal made in accordance with Section 8.3 on or after January 1, 1999.

A portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in section 408(a) or (b) of the Code, or to a qualified defined contribution plan described in section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

B. “Eligible retirement plan” shall mean an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, an annuity contract described in section 403(b) of the Code, a qualified trust described in Section 401(a) of the Code, or an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political sub-division of a state and which agrees to separately account for amounts transferred into such plan from this Plan, that accepts the distributee’s eligible rollover distribution. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in section 414(p) of the Code.

C. “Distributee” shall include an Employee or former Employee. In addition, the Employee’s or former Employee’s surviving Spouse and the Employee’s or former Employee’s Spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are distributees with regard to the interest of the Spouse of former spouse.

D. "Direct rollover" shall mean a payment by the Plan to the eligible retirement plan specified by the distributee.

16.8 Withdrawal Procedures.

A. An election to withdraw shall be made on a Withdrawal Authorization form or in a manner prescribed by the Committee.

B. All withdrawals shall be effective as of a Valuation Date.

C. To be effective as of a particular Valuation Date the Withdrawal Authorization must be received on behalf of the Committee not later than 4:00 PM Eastern Time on such Valuation Date; otherwise, the withdrawal will be effective on the next following Valuation Date.

16.9 Distribution of Withdrawals.

A. Distribution of a withdrawal shall be made as soon as practicable after the Valuation Date on which the withdrawal becomes effective.

B. A complete withdrawal shall be distributed as follows:

1. The Member's interest in mutual funds in cash.

2. The Member's interest in the Company Stock Fund in whole shares of the HESS CORPORATION common stock plus the cash equivalent of any fractional shares and any cash balance, except that distributions made under Subparagraph 9.1B1 shall be made in cash, subject to the provisions of subparagraph 4 of this Paragraph.

3. The Member's vested interest attributable to Company contributions in whole shares of the HESS CORPORATION common stock, plus the cash equivalent of any fractional shares of any cash balance, except that distributions made under Subparagraph 9.1B1 shall be made in cash, subject to the provisions of subparagraph 4 of this paragraph.

4. At the request of the Member, the Trustee shall distribute in cash the value of the total number of shares of the HESS CORPORATION common stock that would be issued to the Member in accordance with subparagraphs 2 and 3 of this Paragraph, or in the case of distributions made under Subparagraph 9.1B1, at the request of the Member, the Trustee shall distribute the total number of whole shares of the HESS CORPORATION common stock equivalent to the cash that would be paid to the Member in accordance with subparagraphs 2 and 3 of this Paragraph, plus the remaining cash.

5. The Committee shall establish such procedures as it shall deem necessary or desirable to effectuate the distribution of cash or stock pursuant to the Member's elections under subparagraph 4.

C. A partial withdrawal shall be distributed in cash on a pro rata basis, to the extent possible, in proportion to the amount of the Member's contributions to each fund in which his contributions are invested that are attributable to the after-tax contributions (or after-tax contributions and elective Deferrals, if he is at least age 59 1/2 at the time of the withdrawal) to be withdrawn on the Valuation Date on which the withdrawal becomes effective.

D. A hardship distribution made under Section 8.3 which is less than the Member's vested account balance attributable to Elective Deferrals shall be distributed in cash on a pro rata basis, to the extent possible, in proportion to the amount of the Member's Elective Deferrals in each fund in which his Elective Deferrals are invested on the Valuation Date on which the withdrawal becomes effective.

16.10 Distribution Requirements

A. General Rules

1. The requirements of this Section shall apply to any distribution of a Member's interest and will take precedence over any inconsistent provisions of this Plan. Unless otherwise specified, the provisions of this Section apply to calendar years beginning after December 31, 1984.

2. All distributions required under this Section shall be determined and made in accordance with the Proposed Income Tax Regulations under Section 401(a) (9) of the Code, including the minimum distribution incidental benefit requirement of Section 1.401(a) (9)-2 of the Proposed Income Tax Regulations. With respect to distributions under the Plan made for calendar years beginning on or after January 1, 2002, the Plan will apply the minimum distribution requirements of section 401(a)(9) of the Internal Revenue Code in accordance with the regulations under section 401(a)(9) that were proposed on January 17, 2001, notwithstanding any provision of the Plan to the contrary. This amendment shall continue in effect until the end of the last calendar year beginning before the effective date of final regulations under section 401(a)(9) or such other date as may be specified in guidance published by the Internal Revenue Service.

B. Required Beginning Date

The entire interest of a Member must begin to be distributed no later than the Member's required beginning date, as defined in Subparagraph 16.10D4.

C. Death Distribution Provisions:

1. If the Member dies after distribution of his or her interest has begun, the remaining portion of such interest will continue to be distributed at least as rapidly as under the method of distribution being used prior to the Member's death.

2. If the Member dies before distribution of his or her interest begins, distribution

of the Member's entire interest shall be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death except to the extent that an election is made to receive distributions in accordance with (a) or (b) below:

(a) if any portion of the Member's interest is payable to a designated Beneficiary, distributions may be made over the life or over a period certain not greater than the life expectancy of the designated Beneficiary commencing on or before December 31 of the calendar year immediately following the calendar year in which the Member died;

(b) if the designated Beneficiary is the Member's surviving Spouse, the date distributions are required to begin in accordance with (a) above shall not be earlier than the later of (1) December 31 of the calendar year immediately following the calendar in which the Member died and (2) December 31 of the calendar year in which the Member would have attained age 70-1/2.

If the Member has not made an election pursuant to this Subparagraph 2 by the time of his or her death, the Member's designated Beneficiary must elect the method of distribution no later than the earlier of (1) December 31 of the calendar year in which distributions would be required to begin under this Section, or (2) December 31 of the calendar year which contains the fifth anniversary of the date of death of the Member. If the Member has no designated Beneficiary, or if the designated Beneficiary does not elect a method of distribution, distribution of the Member's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

3. For purposes of Subparagraph 2 above, if the surviving Spouse dies after the Member, but before payments to such Spouse begin, the provisions of Subparagraph 2, with the exception of Subdivision (b) therein, shall be applied as if the surviving Spouse were the Member.

4. For purposes of this Paragraph C, any amount paid to a child of the Member will be treated as if it had been paid to the surviving Spouse if the amount becomes payable to the surviving Spouse when the child reaches the age of majority.

5. For the purposes of this Paragraph C, distribution of a Member's interest is considered to begin on the Member's required beginning date (or, if Subparagraph 3 above is applicable, the date distribution is required to begin to the surviving Spouse pursuant to Subparagraph 2 above).

D. Definitions:

1. Designated Beneficiary. The individual who is designated as the Beneficiary pursuant to Section 1.9 of this Plan.

2. Distribution calendar year. A calendar year for which a minimum distribution is required. For distributions beginning before the Member's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Member's required

beginning date. For distributions beginning after the Member's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to Paragraph C above.

3. Member's benefit:

(a) The account balance as of the last Valuation Date in the calendar year immediately preceding the distribution year (valuation calendar year) increased by the amount of any contributions or forfeitures allocated to the account balance as of dates in the valuation calendar year after the Valuation Date and decreased by distributions made in the valuation calendar year after the Valuation Date.

(b) Exception for second distribution calendar year. For the purposes of subdivision (a) above, if any portion of the minimum distribution for the first distribution calendar year is made in the second distribution calendar year on or before the required beginning date, the amount of the minimum distribution made in the second distribution calendar year shall be treated as if it had been made in the immediately preceding distribution calendar year.

4. Required beginning date.

(a) General rule. The required beginning date of a Member shall be determined in accordance with (1) or (2) below:

(1) Non-5-percent owners. The required beginning date of a Member who is not a "5-percent owner" (as defined in (b) below) is the first day of April of the calendar year following the calendar year in which the later of retirement or attainment of age 70-1/2 occurs.

(2) 5-percent owners. The required beginning date of a Member who is a 5-percent owner during any year beginning after December 31, 1979, is the first day of April following the later of:

(i) the calendar year in which the Member attains age 70-1/2, or

(ii) the earlier of the calendar year with or within which ends the Plan Year in which the Member becomes a 5-percent owner, or the calendar year in which the Member retires.

(b) 5-percent owner. A Member is treated as a 5-percent owner for purposes of this Section if such Member is a 5-percent owner as defined in Section 416(i) of the Code (determined in accordance with Section 416 but without regard to whether the Plan is top-heavy) at any time during the Plan Year ending with or within the calendar year in which such owner attains age 70-1/2 or any subsequent Plan Year.

(c) Once distributions have begun to a 5-percent owner under this Section, they must continue to be distributed, even if the Member ceases to be a 5-percent owner in a subsequent year.

16.11 Although the Code was amended to eliminate the requirement for commencement of benefit distributions during continued employment to non-5-percent owners who attained age 70 1/2 in years beginning after December 31, 1996, automatic distributions in the amounts that would have been required under prior law will continue to be made under the Plan with respect to such Employees if they attain age 70 1/2 before the Plan Year beginning after December 31,1999. This Section does not apply to 5-percent owners as defined in subparagraph 16.10D4.

16.12 Notwithstanding any provision of the Plan to the contrary, effective January 1, 2003, with respect to distributions under the Plan made in calendar years beginning on or after January 1, 2003, the Plan shall apply the minimum distribution requirements of Code Section 401(a)(9) in accordance with the final regulations under Code Section 401(a)(9) as set forth in Article 26 hereof.

ARTICLE 17
MISCELLANEOUS PROVISIONS

17.1 The adoption and maintenance of the Plan shall not be deemed to constitute a contract of employment or otherwise between any Company and any Employee or Member, or to be a consideration for, or an inducement or condition of, any employment. Nothing contained herein shall be deemed to give any Employee the right to be retained in the service of any Company or to interfere with the right of any Company to discharge any Employee or Member at any time.

17.2 The adoption of the Plan by any Company shall not create a joint venture or partnership relation between it and any other Company, nor shall such action in any manner be construed as having such effect. Any rights, duties, liabilities, and obligations assumed hereunder by each Company, or imposed upon it under or as a result of the terms and provisions of the Plan, shall relate to and affect such Company alone.

17.3 Whenever any act provided for herein shall be at the discretion, or with the approval, of a Company, the Board of Directors, the Committee, the Investment Committee, or any other person, there shall be no discrimination in the taking of such action in favor of or against any Member or group of Members similarly situated.

17.4 No Member, or any other person claiming any benefits hereunder, shall have any right to inspect the books and accounts of any Company or to obtain any information relating to the financial affairs of any Company, or to inquire as to the method of determining the amount of any Company contribution, except as provided by law.

17.5 Each Company, the Committee, the Investment Committee, the Trustee, and any person or persons involved in the administration of the Plan shall be entitled to rely upon any certification, statement, or representation made or evidence furnished by an Employee, Member, or other person with respect to any facts required to be determined under any of the provisions of the Plan, and shall not be liable on account of the payment of any monies or the doing of any act or failure to act in reliance thereon. Any such certification, statement, representation, or evidence, upon being duly made or furnished, shall be conclusively binding upon such Employee, Member, or other person but not upon any Company, the Committee, the Investment Committee, or any other person or persons involved in the administration of the Plan. Nothing herein contained shall be construed to prevent any of such parties from contesting any such certification, statement, representation, or evidence or to relieve the Employee, Member, or other person from the duty of submitting satisfactory proof of any such fact.

17.6 Any notice delivered or mailed to any person will be deemed properly given if delivered or mailed, postage prepaid, to such person at his last post office address shown on the record of the Company. Any notice or other communication from an Employee, Member or other person to the Committee, the Plan recordkeeper or to any Company, shall be in such form as may be prescribed by the Committee, and shall be properly given or filed if delivered or mailed, postage prepaid, to the Committee or to the Company, as the case may be, at such address or in such a manner as may be specified from time to time by the Committee, which may include telephone or electronic communication.

17.7 Each Company shall furnish in writing to the Committee, the Investment Committee, and to the Trustee, at their request, such information as may be necessary or desirable in order that the Committee and the Trustee may be able to carry out their duties hereunder; and the Committee and the Trustee shall be entitled to rely upon such information as correct.

17.8 In no event shall any part of the corpus or income of the Trust Fund hereunder (within the taxable year or thereafter) be used for, or diverted to, purposes other than for the exclusive benefit of the Members or their Beneficiaries. No assets of the Trust Fund shall revert to any Company, provided, however, that any contribution made by a Company by a mistake of fact may be returned to such Company within one year after the payment of the contribution.

17.9 The Plan and the Trust incorporated herein by reference are intended to qualify as a qualified stock bonus plan and a tax exempt trust, pursuant to the provisions of Sections 401(a) and 501(a) of the Code, respectively. Any provision of this Plan that would cause the Plan to fail to comply with the requirements for tax-qualified plans under the Code shall, to the extent necessary to maintain the tax-qualified status of the Plan, be null and void ab initio and of no force and effect, and the Plan shall be construed as if the provision had never been inserted in the Plan.

17.10 The contributions made by each Company pursuant to the Plan are intended to be deductible under the provisions of Section 404 of the Code.

17.11 The Plan shall be governed by, construed, administered, and regulated in all respects under the laws of the State of New York to the extent that such laws are not preempted by ERISA.

17.12 The titles to the Articles in the Plan are placed herein for convenience or reference only, and in case of any conflicts, the text of this instrument, rather than such titles, shall control.

17.13 Wherever necessary or appropriate, the use herein of any gender shall be deemed to include the other genders, and the use herein of either the singular or the plural shall be deemed to include the other.

17.14 This instrument may be executed in any number of counterparts, each of which shall be deemed to be the original, although the others shall not be produced.

17.15 Notwithstanding any other provisions of the Plan to the contrary, in connection with the assumption of Plan recordkeeping responsibilities by Fidelity Institutional Retirement Services Company, no requests will be accepted for changes in Member contributions under Article 3, changes in Members' Investment Directions under Article 6, or In-Service Withdrawals, Hardship Withdrawals, or Loans under Article 8, and there will be no distributions due to termination of employment or membership under Article 9 from June 20, 1996 to September 4, 1996, and no rollover amounts will be accepted from other plans under Article 20 during the month of July 1996.

17.16 Notwithstanding any provision of this plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Internal Revenue Code. Loan repayments will be suspended under this plan as permitted under Section 414(u)(4) of the Internal Revenue Code.

ARTICLE 18
TOP-HEAVY PROVISIONS

18.1 If the Plan is or becomes top-heavy in any Plan year beginning after December 31, 1983, the provisions of Sections 18.2 through 18.6 will supersede any conflicting provision in the Plan.

18.2 Definitions:

A. 1. Key Employee: Any Employee or former employee (and the Beneficiaries of such Employee) who at any time during the determination period was an officer of the Company, if such individual's annual compensation exceeds 50 percent of the dollar limitation under Code Section 415(c)(1)(A), an owner (or considered an owner under Code Section 318) of one of the ten largest interests in the Company if such individual's compensation exceeds 100 percent of such dollar limitation, a 5-percent owner of the Company, or a 1-percent owner of the Company who has an annual compensation of more than $150,000. The determination period is the Plan Year containing the determination date and the 4 preceding Plan years. The determination of who is a key employee will be made in accordance with Code Section 416(i)(1) and the regulations thereunder. For these purposes, (i) no more than 50 Employees (or, if less, the greater of 3 or 10 percent of the Employees) shall be treated as officers, and (ii), if 2 Employees have the same interest in the Company, the Employee having greater annual compensation from the Company shall be treated as having a larger interest.

2. Solely for the purpose of determining if the Plan, or any other plan included in a required aggregation group of which this Plan is a part, is top-heavy (within the meaning of Section 416(g) of the Code) the accrued benefit of an Employee other than a key employee (within the meaning of Section 416(i)(1) of the Code) shall be determined under (a) the method, if any, that uniformly applies for accrual purposes under all plans maintained by the Affiliated Companies, or (b) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional accrual rate of Section 411(b)(1)(C) of the Code.

B. Top-heavy plan: For any Plan Year beginning after December 31,1983, this Plan is top-heavy if any of the following conditions exists:

1. If the top-heavy ratio for this Plan exceeds 60 percent and this Plan is not part of any required aggregation group or permissive aggregation group of plans.

2. If this Plan is a part of a required aggregation group of plans but not part of a permissive aggregation group and the top-heavy ratio for the group of plans exceeds 60 percent.

3. If this Plan is a part of a required aggregation group and part of a permissive aggregation group of plans and the top-heavy ratio for the permissive aggregation group exceeds 60 percent.

C. Top-heavy ratio:

1. The top-heavy ratio shall be a fraction, the numerator of which is the sum of account balances under all defined contribution plans of the Company for all key employees and the present value of accrued benefits under all defined benefit plans of the Company for all key employees as of the determination date, and the denominator of which is the sum of the account balances under the defined contribution plans for all Members and the present value of accrued benefits under the defined benefit plans for all Members as of the determination date. Both the numerator and denominator of the top-heavy ratio shall be adjusted for any distribution of an account balance or an accrued benefit made in the five-year period ending on the determination date and any contribution due but unpaid as of the determination date.

2. For purposes of subparagraph 1 above, the value of account balances and the present value of accrued benefits will be determined as of the most recent valuation date that falls within or ends with the 12-month period ending on the determination date. The account balances and accrued benefits of a Member (i) who is not a key employee but who was a key employee in a prior year or (ii) who has not received any compensation from any Company maintaining the Plan at any time during the 5-year period ending on the determination date will be disregarded. The calculation of the top-heavy ratio, and the extent to which distributions, rollovers, and transfers are taken into account will be made in accordance with Code Section 416 and the regulations thereunder. Deductible employee contributions will not be taken into account for purposes of computing the top-heavy ratio. When aggregating plans the value of account balances and accrued benefits will be calculated with reference to the determination dates that fall within the same calendar year.

D. Permissive aggregation group: The required aggregation group of plans plus any other plan or plans of the Company which, when considered as a group with the required aggregation group, would continue to satisfy the requirements of Sections 401(a)(4) and 410 of the Code.

E. Required aggregation group: (1) Each Qualified Plan of the Company in which at least one key employee participates, and (2) any other Qualified Plan of the Company which enables a plan described in (1) to meet the requirements of Sections 401(a)(4) and 410 of the Code.

F. Determination date: For any Plan year subsequent to the first Plan Year, the last day of the preceding Plan Year. For the first Plan Year of the Plan, the last day of that year.

G. Present value: For purposes of establishing present value to compute the top-heavy ratio, any benefit shall be discounted only for mortality and interest based on the following:

1. Interest rates in use by the Pension Benefit Guaranty Corporation as of the relevant valuation date.

2. Mortality table: 1971 Group Annuity Male Mortality Table set back one year for males and six years for females.

H. Valuation Date: For purposes of computing the top-heavy ratio, the valuation date shall be January 1 of each year for all defined benefit plans and December 31 of each year for all defined contribution plans.

18.3 Minimum Allocation.

A. Except as otherwise provided in subparagraphs C and D below, the Company contributions and forfeitures allocated on behalf of any Member who is not a key employee shall not be less than the lesser of three percent of such Member’s Compensation or in the case where the Company’s defined benefit plan does not designate this Plan to satisfy Section 401 of the Code, the largest percentage of Company and Member contributions and forfeitures as a percentage of the key employees’ Compensation, as limited by Section 401(a)(17) of the Code, allocated on behalf of any key employee for that year. The minimum allocation is determined without regard to any Social Security contribution. This minimum allocation shall be made even though, under other Plan provisions, the Member would not otherwise be entitled to receive an allocation, or would have received a lesser allocation in the year because of (i) the Member’s failure to complete 1,000 hours of Service (or any equivalent provided in the Plan), or (ii) the Member’s failure to make Member contributions to the Plan, or (iii) Compensation less than a stated amount.

B. For purposes of computing the minimum allocation, compensation shall mean all of each Member’s W-2 earnings for the taxable year ending with or within the Plan Year, as limited by Section 401(a) (17) of the Code.

C. The provision in A above shall not apply to any Member who was not employed by the Company on the last day of the Plan Year.

D. The provision in A above shall not apply to any Member to the extent the Member is covered under any other plan or plans of the Company and the Company has provided that the minimum allocation or benefit requirement applicable to top-heavy plans will be met in the other plan.

E. The minimum allocation required (to the extent required to be nonforfeitable under Section 416(b)) may not be forfeited under Section 411(a) (3) (B) or 411(a) (3) (D) of the Code.

18.4 Compensation Limitation

For any Plan Year in which the Plan is top-heavy, only the first $150,000 (or such larger amount as may be prescribed by the Secretary of the Treasury or his delegate) of a Member's annual Compensation shall be taken into account for purposes of determining benefits under the Plan, except that for Plan Years beginning an or after January 1, 1994, only the OBRA '93 annual compensation shall be taken into account.

18.5 Minimum Vesting Schedules:

A. The nonforfeitable interest of each Employee in his or her account balance attributable to Company contributions shall be at least as favorable as the following:

20% vesting after 2 years of service.
40% vesting after 3 years of service.
60% vesting after 4 years of service.
80% vesting after 5 years of service.
100% vesting after 6 years of service.

B. The minimum vesting schedule applies to all benefits within the meaning of Section 411(a)(7) of the Code except those attributable to Employee contributions, including benefits accrued before the effective date of Section 416 and benefits accrued before the Plan became top-heavy. Further, no reduction in vested benefits may occur in the event the Plan's status as top-heavy changes for any Plan Year. However, this Section does not apply to the account balances of any Employee who does not have an hour of Service after the Plan has initially become top-heavy, and such Employee's account balance attributable to Company contributions and forfeitures will be determined without regard to this Section.

C. In the event of a change in the vesting schedule, the following rules shall apply:

1. In the case of an Employee who is a Member on

(a) The date the amendment is adopted,

or

(b) The date the amendment is effective, if later, the nonforfeitable percentage (determined as of such date) of such Employee's right to the Company-derived accrued benefit shall not be less than his percentage computed under the Plan without regard to such amendment.

2. Each Member whose nonforfeitable percentage of his accrued benefit derived from Company contributions is determined under such schedule and who has completed at least 3 years of Service with the Company, may elect, during the election period, to have the nonforfeitable percentage of his accrued benefit derived from Company contributions determined without regard to

such amendment. Notwithstanding the preceding sentence there shall be no election for any Member whose nonforfeitable percentage under the Plan, as amended, at any time cannot be less than such percentage determined without regard to such amendment.

3. For purposes of subparagraph 2 the election period under the Plan shall begin no later than the date the Plan amendment is adopted and shall end no earlier than the latest of the following dates:

(i) The date which is 60 days after the day the Plan amendment is adopted,

(ii) The date which is 60 days after the day the Plan amendment becomes effective, or

(iii) The date which is 60 days after the Participant is issued written notice of the Plan amendment by the Company or Plan Administrator.

18.6 Adjustment in Section 415 Limits.

For purposes of this Article the reference to 125% in paragraphs B and C of Section 4.5 is changed to 100%.

18.7 The top-heavy requirements of section 416 of the Code and Article 18 of the Plan shall not apply in any year beginning after December 31, 2001, in which the Plan consists solely of a cash or deferred arrangement which meets the requirements of section 401(k)(12) of the Code and matching contributions with respect to which the requirements of section 401(m)(11) of the Code are met.

ARTICLE 19
CASH OR DEFERRED ARRANGEMENT

19.1 Elective Deferrals-Contribution Limitation

No Member shall be permitted to have Elective Deferrals made under the Plan, or any other Qualified Plan maintained by the Company, during any taxable year, in excess of the dollar limitation contained in Section 402(g) of the Code in effect at the beginning of such taxable year, except in the case of catch-up contributions as described in Section 3.1. For the purposes of this Section 19.1, Elective Deferrals shall include elective deferrals made in accordance with the terms of the HOVENSA Plan.

19.2 Distribution of Excess Elective Deferrals

A Member may assign to this Plan any Excess Elective Deferrals made during a taxable year of the Member by notifying the Committee in writing on or before February 15 of the following year of the amount of the Excess Elective Deferrals to be assigned to the Plan. A Member is deemed to notify the Committee of any Excess Deferrals that arise by taking into account only those Elective Deferrals made to this Plan or any other plans of the Company.

Notwithstanding any other provision of the Plan, Excess Elective Deferrals, plus any income and minus any loss allocable thereto (as determined pursuant to Section 1.24), shall be distributed no later than April 15 to any Member to whose account Excess Elective Deferrals were assigned for the preceding year and who claims Excess Elective Deferrals for such taxable year.

19.3 Matching Contributions

The Company will make Matching Contributions to the Plan on behalf of all Members who make Elective Deferrals. The Company shall contribute and allocate to each Member’s Matching Contribution account an amount equal to:

100 percent of the Member’s Elective Deferrals to a maximum of 6% of each Member’s Compensation determined without regard to reductions under Code Sections 125 or 401 (k).

19.4 Vesting of Matching Contributions

Matching Contributions shall be vested in accordance with Article 7. In any event, Matching Contributions shall be fully vested at normal retirement age (attainment of age 65 or the fifth anniversary of commencement of participation in the Plan, if later), upon the complete or partial termination of the Plan, or upon the complete discontinuance of Company contributions.

19.5 Nonforfeitability and Vesting

The Member’s accrued benefit derived from Elective Deferrals and Employee Contributions is nonforfeitable. Separate accounts for Elective Deferrals, Employee Contributions, Matching Contributions, and employer matching contributions to the HOVENSA Plan and the Merit Plan transferred to the Plan will be maintained for each Member. Each account will be credited with the applicable contributions and earnings thereon.

19.6 Safe Harbor CODA

A. Rules of Application

1. The Company has elected the Safe Harbor CODA option for Plan Years beginning on or after January 1, 2002. The provisions of this Section shall apply for the Plan Year and any provisions relating to the ADP test described in section 401(k)(3) of the Code or the ACP test described in section 401(m)(2) of the Code do not apply.

2. To the extent that any other provision of the Plan is inconsistent with the provisions of this Section, the provisions of this Section govern.

B. Definitions

1. “ACP Test Safe Harbor” is the method described in Paragraph D of this Section for satisfying the ACP test of section 401 (m)(2) of the Code.

2. “ACP Test Safe Harbor Matching Contributions” are Matching Contributions described in Paragraph D of this Section.

3. “ADP Test Safe Harbor” is the method described in Paragraph C of this Section for satisfying the ADP test of section 401(k)(3) of the Code.

4. “ADP Test Safe *Harbor* Contributions” are Matching Contributions and nonelective contributions described in Subparagraph C.1 of this Section.

5. “Compensation” is defined in Section 1.16 of the Plan, except, for purposes of this Section, no dollar limit, other than the limit imposed by section 401(a)(17) of the Code, applies to the compensation of a Non-highly Compensated Employee. However, solely for purposes of determining the compensation subject to a participant’s deferral election, the Company may use an alternative definition to the one described in the preceding sentence, provided such alternative definition is a reasonable definition within the meaning of section 1.414(s)-1(d)(2) of the regulations and permits each participant to elect sufficient Elective Deferrals to receive the maximum amount of Matching Contributions (determined using the definition of compensation described in the preceding sentence) available to the participant under the Plan.

6. “Rate of Elective Contributions” means the ratio of an Eligible Employee’s Elective Deferrals under the Plan for a Plan Year to such Employee’s Compensation for that Plan Year.

7. “Rate of Matching Contributions” means the ratio of Matching Contributions on

behalf of an Eligible Employee under the Plan for a Plan Year to such Employee's Elective Contributions for that Plan Year.

8. "Eligible Employee" means an Employee eligible to make Elective Deferrals under the plan for any part of the Plan Year or who would be eligible to make Elective Deferrals but for a suspension due to statutory limitations, such as sections 402(g) and 415 of the Code.

9. "Matching Contributions" are contributions made by the Company on account of an Eligible Employee's Elective Deferrals.

C. ADP Test Safe Harbor

1. ADP Test Safe Harbor Contributions

a. The Company will make Matching Contributions to the account of each Eligible Employee in an amount equal to the Employee's Elective Deferrals that do not exceed 6% of the Employee's Compensation for the Plan Year. Such contributions shall be made separately with respect to each payroll period (or with respect to all payroll periods ending with or within each month) taken into account under the arrangement for the Plan Year. However, if a Member contributes more than 6% of his Compensation and reaches the limitation on Elective Deferrals specified in Section 19.1 before the end of a Plan Year, the Company will continue to make Matching Contributions on his behalf until the earliest to occur of the date of the Member's withdrawal from the Plan under Section 8.1 or 8.2, the date of his separation from service with the Company, the date the total Company match for the Plan Year equals the Member's Elective Deferrals for the Plan Year, and the end of the Plan Year.

b. The Company shall make the ADP Test Safe Harbor Contributions to this Plan.

c. The Member's accrued benefit derived from ADP Test Safe Harbor Contributions is nonforfeitable and may not be distributed earlier than separation from service, death, disability, an event described in section 401(k)(10) of the Code, or the attainment of age 59-1/2. In addition, such contributions must satisfy the ADP Test Safe Harbor without regard to permitted disparity under section 401 (I).

d. At any Rate of Elective Contributions, the rate of Matching Contributions that would apply with respect to any Highly Compensated Employee who is an Eligible Employee shall not be greater than the Rate of Matching Contributions that would apply with respect to any non-highly compensated Eligible Employee who has the same rate of Elective Contributions.

2. Notice Requirement

At least 30 days, but not more than 90 days, before the beginning of the Plan Year, the Company will provide each Eligible Employee a comprehensive notice of the Employee's rights and obligations under the Plan, written in a manner calculated to be understood by the average Eligible Employee. If an Employee becomes eligible after the 90th day before the beginning of the Plan Year and does not receive the notice for that reason, the notice must be provided no more than 90 days before the Employee becomes eligible but not later than the date the Employee becomes eligible.

3. Election Periods

In addition to any other election periods provided under the Plan, each Eligible Employee may make or modify a deferral election during the 30-day period immediately following receipt of the notice described in Subparagraph 2 above.

D. AGP Test Safe Harbor

No ACP Test Safe Harbor Matching Contributions are required in order to satisfy the requirements for a safe harbor CODA.

ARTICLE 20
ROLLOVER AMOUNTS FROM OTHER PLANS

20.1 A Member of the Plan, may, after submission of a request on a form or in a manner prescribed by the Committee, roll over to the Trustee all or a portion of the fair market value of —

A. an Eligible Rollover Distribution (as described in Section 16.7), or

B. an Individual Retirement Account derived from an Eligible Rollover Distribution, plus earnings thereon.

The rollover shall be effective on the earliest practicable Valuation Date following the later of receipt of the request on behalf of the Committee and receipt of the rolled-over funds by the Trustee.

The Plan will not accept a Member rollover contribution of the portion of a distribution from an individual retirement account or annuity described in section 408(a) or 408(b) of the Code that is eligible to be rolled over.

20.2 The Committee shall establish such procedures, and may require such information from an Employee desiring to make a rollover described in Section 20.1, as it deems necessary or desirable to determine that the proposed rollover will meet the requirements of this Article.

20.3 The amount transferred shall be 100 percent vested in the Member and shall be invested as provided in Section 5.1A, but shall not be considered a Member's contribution for purposes of Sections 3.1,4.1, or 8.2.

20.4 An Employee may elect to withdraw all or part of his total interest in the Plan derived from the amount rolled-over into the Plan. A request for such a withdrawal shall be made on a form or in a manner prescribed by the Committee. Such withdrawal shall be effective on the earliest practicable Valuation Date following receipt of the form on behalf of the Committee. Such a withdrawal shall have no effect on the Employee's membership in the Plan.

20.5 Amounts transferred from the Retail Operations Plan or the HOVENSA Plan constituting rollover amounts to those plans made in accordance with the comparable provisions of the Retail Operations Plan or the HOVENSA Plan will be treated in the manner described above.

ARTICLE 21
PICK KWIK PLAN ACCOUNTS

21.1 The Pick Kwik Plan shall be merged into the Plan on December 31, 1997, and the accounts of all Pick Kwik Plan Participants shall be transferred to the Trustee as soon as practicable thereafter, including contributions and loan repayments for the month of December 1997. The sum of the account balances of the Pick Kwik Plan and of the Plan shall equal the fair market value (as of the date of the merger) of the combined plan assets; the assets of the Pick Kwik Plan and the Plan shall be combined to form the assets of the Plan as merged; and immediately after the merger, each participant in the Plan as merged shall have an account balance equal to the sum of the account balances the participant had in the Pick Kwik Plan and the Plan immediately prior to merger.

21.2 A. Each Pick Kwik Plan Participant shall be fully vested in the value of the assets in his account transferred to the Plan from the Pick Kwik Plan on the date of the merger, and shall become a Member of the Plan on that date.

B. The Member contributions of each Pick Kwik Plan Participant designated under the terms of the Pick Kwik Plan shall be deemed to be an election under the Plan until changed by the Member in accordance with Section 3.2.

C. The balance of any loan made to a Member from the Pick Kwik Plan which shall be outstanding on the date of the merger shall be deemed to a loan made under the Plan and shall be repaid to the Plan in accordance with the terms of such loan.

D. Until the individual participant records have been updated by the Pick Kwik Plan trustee as of the date of the merger and these records have been transferred to the Trustee's recordkeeping system, no requests will be accepted for changes in Members' Investment Directions under Paragraph 6.3B with respect to amounts previously invested or In-Service Withdrawals or Loans under Article 8, and there will be no distributions due to termination of employment or membership under Article 9. The opportunity to make elections under Paragraph 6.3A with respect to amounts to be invested in the future will be available during the month of January 1998.

E. Any beneficiary designation and related consent of spouse in effect under the terms of the Pick Kwik Plan at the time of the transfer to the Plan shall be deemed to be effective under the Plan until changed by the Member in accordance with Section 1.9.

21.3 Assets transferred from the Pick Kwik Plan shall be recorded separately from the other assets of the Plan and shall be subject to the following special rules, notwithstanding any other provisions of the Plan to the contrary.

A. The initial investment of accounts transferred to the Plan shall be based on the funds in which the transferred assets were invested in the Pick Kwik Plan.

B. The initial Investment Direction with respect to Member contributions made after the date of the merger shall be based on the funds in which the transferred assets were invested in the Pick Kwik Plan as shown in Paragraph A above, and Company contributions made prior to October 1, 2006 to the Plan shall be invested in the Company Stock Fund.

C. When the recordkeeping requirements of Paragraph D of Section 21.2 have been satisfied, the assets transferred from the Pick Kwik Plan derived from participant contributions will be invested in accordance with the Member's then current Investment Direction. Unless and until such Investment Direction is received, said assets will be invested as described in Paragraph A of this Section.

D. Only funds derived from the Thrift Contribution and Employer Thrift Contributions Accounts of the Pick Kwik Plan shall be subject to In-Service Withdrawal provisions under Article 8.

E. No hardship withdrawals shall be allowed.

21.4 The following special rules shall apply to Pick Kwik Plan Participants in addition to the other provisions of the Plan.

A. Definitions

1. Account: "Account" shall mean all funds invested under the terms of the Plan by or on behalf of a Member, including, but not limited to, the assets transferred from the Pick Kwik Plan.

2. Annuity Starting Date: "Annuity Starting Date" shall mean (a) the first day of the first period for which an amount is payable as an annuity under the Plan; or (b) in the case of a benefit not payable as an annuity, the first day on which all events have occurred that entitle the Member to that benefit under the Plan.

3. Eligible Spouse: "Eligible Spouse" shall mean a Member's husband or wife.

4. Qualified Joint and Survivor Annuity: "Qualified Joint and Survivor Annuity" shall mean (a) in the case of a Member who has an Eligible Spouse, an annuity for the life of the Member with a survivor annuity for the life of his spouse that is 50% of the amount of the annuity payable during the joint lives of the member and his spouse; provided, however, that such annuity shall be the actuarial equivalent of the benefit that would otherwise be paid to the Member; and (b) in the case of any other Member, an annuity for the life of the Member.

5. Qualified Preretirement Survivor Annuity: "Qualified Preretirement Survivor Annuity" shall mean a survivor annuity for the life of the surviving Eligible Spouse of the Member equal

to 100% of the value of the Member's Account and that begins within a reasonable time following the death of the Member. The Qualified Preretirement Survivor Annuity shall proportionately represent Employer and Employee contributions.

B. Qualified Joint and Survivor Annuity.

1. In the case of a vested Member who is living on his Annuity Starting Date, any benefit due to a voluntary complete withdrawal under Article 8, or termination of employment or membership under Article 9 shall be paid in the form having the effect of a Qualified Joint and Survivor Annuity, unless the Member elects in writing not to take a Qualified Joint and Survivor Annuity. For purposes of this paragraph, a Member vested only in Employee contributions will be deemed a vested Member.

2. Any such election shall be invalid and shall not take effect unless:

(a) it is made by the Member and received by or on behalf of the Committee during the 90-day period ending on the Annuity Starting Date; and

(b) in the case of Member who has an Eligible Spouse, the Eligible Spouse consents or has consented in writing to the Member's election not to take the Qualified Joint and Survivor Annuity, such consent acknowledges the effect of such election and such consent is witnessed by a representative of the Plan or a notary public; or the Member or his Beneficiary establishes to the satisfaction of the Committee that the consent otherwise required may not be obtained because there is no Eligible Spouse, because the Eligible Spouse cannot be located or because of such other circumstances as may be prescribed by the Secretary of the Treasury. Any consent by an Eligible Spouse shall only be effective with respect to such spouse. A spouse's consent may be either a restricted consent (which may not be changed as to either the Beneficiary or the form of payment unless the spouse consents to such change in the manner described herein) or a blanket consent (which acknowledges that the spouse has the right to limit consent only to a specific Beneficiary or a specific form of payment, and that the spouse voluntarily elects to relinquish one or both of such rights).

3. At least 30 days, but no more than 90 days, before the Annuity Starting Date, a Member shall be provided a form for the purpose of making the appropriate elections under the foregoing provisions of this paragraph B. Accompanying such election form shall be a written explanation of (a) the terms and conditions of a Qualified Joint and Survivor Annuity; (b) the Member's right to make and the effect of an election to waive the Qualified Joint and Survivor Annuity form of benefit; (c) the material features, and an explanation of the relative values of, the optional forms of benefit available under the Plan; (d) the rights of a Member's spouse; and (e) the right to make, and the effect of, a revocation of a previous election to waive the Qualified Joint and Survivor Annuity.

Once an election is made, it may be revoked in writing. Thereafter, another election may be made; provided, however, that the new election is received by the Administrator prior to the date on which payment of benefits commences and the other provisions of this paragraph B are met with respect to such new election.

4. If benefits are paid under the Plan in a form having the effect of a Qualified Joint and Survivor Annuity, the Committee may, in its discretion, purchase and distribute a nontransferable and nonrefundable annuity contract that provides such benefits; provided, however, that the terms of any such annuity contract (deferred or otherwise) shall comply with the requirements of this Plan.

5. For purposes of determining the amount of a Qualified Joint and Survivor Annuity, the Account balance of a Member shall be reduced by any security interests held by the Plan by reason of a loan outstanding to the Member at the time of payment, if such security interest is to be treated as payment in satisfaction of a loan under the Plan.

C. Qualified Preretirement Survivor Annuity.

1. If a vested Member dies before his Annuity Starting Date and has an Eligible Spouse on the date of his death, any death benefit provided under the Plan shall be paid in the form having the effect of a Qualified Preretirement Survivor Annuity. For purposes of this paragraph, a Member vested only in Employee contributions will be deemed a vested Member.

2. If the Member’s death benefit is payable to his Eligible Spouse as a Qualified Preretirement Survivor Annuity under subparagraph 1, the Eligible Spouse may waive the annuity form of benefit after the Member’s death and select an optional form of benefit as provided in Paragraph E.

3. If benefits are paid under the Plan in a form having the effect of a Qualified Preretirement Survivor Annuity, the Committee may, in its discretion, purchase and distribute a nontransferable and nonrefundable annuity contract that provides such benefits; provided, however, that the terms of any such annuity contract (deferred or otherwise) shall comply with the requirements of this Plan.

4. For purposes of determining the amount of a Qualified Preretirement Survivor Annuity, the Account balance of a Member shall be reduced by any security interest held by the Plan by reason of a loan outstanding to the Member at the time of death, if such security interest is to be treated as payment in satisfaction of the loan under the Plan.

D. Lump Sum Payment. Notwithstanding Paragraphs B and C of this Section 21.4, any benefit provided under the Plan that is not more than $5,000 shall be paid in the form of a lump sum.

E. Alternative Methods of Payment.

1. In the case of any Member to whom the provisions of paragraphs B, C and D of this Section 21.4 do not apply, the manner of payment of his distribution or death benefit shall be determined by such Member, or, in case such Member has died, his Beneficiary or Beneficiaries. The options are:

(a) Option A — Such amount shall be paid or applied in annual installments as nearly equal as practicable; provided, however, that no annual payment shall be less than $100; and provided, further, that the Member or his Beneficiary may elect to accelerate the payment of any part or all of the unpaid installments or to provide that the unpaid balance shall be used for the benefit of the Member or his Beneficiary under Option B. In the event this option is selected, the portion of the Account of a Member, or, in case such Member is dead, of his Beneficiary or Beneficiaries, that is not needed to make annual payments during the then current Plan Year shall remain a part of the Plan assets. Installments shall be made as follows:

(i) In the case of a retirement, disability or termination benefit, in no event shall payments under this Option A extend beyond the life expectancy of the Member or the joint life expectancy of the Member and his Beneficiary. If the Member dies before receiving the entire amount payable to him, the balance shall be paid to his Beneficiary; in each case the balance shall be distributed at least as rapidly as under the method being used prior to the Member’s death.

(ii) In the case of a death benefit, payment under this Option A

(A) to the designated Beneficiary shall begin within one year following the Member’s death (unless the Beneficiary is the Member’s surviving spouse, in which case such benefit shall begin no later than the date the Member would have reached age 70-1/2) and shall not, in any event, extend beyond the life expectancy of the designated Beneficiary; or

(B) to any other Beneficiary shall be totally distributed within five years from the date of the Member’s death.

(b) Option B — Such amount shall be paid in a lump sum.

2. The Member (or his spouse) shall be permitted to elect whether life expectancies will be recalculated for purposes of distributions hereunder. Such election must be made by the Member (or his spouse) no later than the date that distributions are required to commence pursuant to Section 401(a)(9) of the Code. If the Member (or his spouse) fails to make such election, life expectancies shall not be recalculated.

3. Notwithstanding the foregoing, payments under any of the options described in this paragraph shall satisfy the incidental death benefit requirements and all other applicable provisions

of Section 401(a)(9) of the Code, the regulations issued thereunder, and such other rules thereunder as may be prescribed by the Commissioner.

21.5 The Qualified Joint and Survivor Annuity and Qualified Preretirement Survivor Annuity shall not be available to a Member who receives a complete distribution of his vested interest from the Plan, including amounts attributable to Company contributions, and subsequently resumes membership in the Plan.

21.6 Sections 21.4 and 21.5 shall be deleted in their entirety on the later of November 1, 2001, or 90 days after the date on which the Pick Kwik Plan Participants are provided with a summary of material modifications reflecting the elimination of all optional forms of benefits except the complete distribution of their vested interest in the Plan in a single sum as specified in Articles 8 and 9, said single sum being otherwise identical to the optional forms of benefit that are being eliminated.

ARTICLE 22
COORDINATION WITH RETAIL OPERATIONS PLAN

22.1 The Retail Operations Plan shall be established on January 1, 1998, and the accounts of all Plan Members employed in Company-operated gasoline stations or convenience stores shall be transferred to that plan as soon as practicable thereafter, including contributions and loan repayments for the month of December 1997, and the accounts of Members whose employment has terminated if their distributions are not processed in December 1997. The sum of the account balances of the Retail Operations Plan and of the Plan shall equal the fair market value (as of the date of the spinoff) of the combined plan assets; and immediately after the spinoff, the assets in each of the plans shall equal the sum of the account balances for all of the Members in that plan.

22.2 Notwithstanding any other provisions of the Plan to the contrary, in connection with the establishment of the Retail Operations Plan, no requests will be accepted from employees in Company-operated gasoline stations or convenience stores for changes in Member contributions under Article 3, changes in Members' Investment Directions under Article 6, In-Service Withdrawals under Article 8, or Loans under Article 8 after December 19, 1997, no requests for Hardship Withdrawals under Article 8 will be accepted after December 15, 1997, and distributions due to termination of employment or membership under Article 9 which have not been processed by December 19, 1997, will be made from the Retail Operations Plan.

22.3 The accounts of any Members of the Plan who subsequently become eligible for participation in the Retail Operations Plan will be handled in the manner described in Section 9.4.

22.4 The account of any member of the Retail Operations Plan who becomes eligible for participation in the Plan shall be transferred to the Plan as soon as practicable thereafter. Such an individual shall become a Member of the Plan without further action, all accrued rights and interests of such Member as of the date of such transfer shall be preserved under the Plan, and in no event shall such Member be deprived of any benefits under the Retail Operations Plan which shall have accrued to him as of the effective date of the transfer. The following special rules shall apply to such a transferred Member.

A. The Member contributions of each transferred Member designated under the terms of the Retail Operations Plan shall be deemed to be an election under the Plan until changed by the Member in accordance with Section 3.2.

B. The Investment Direction of each transferred Member shall be deemed to be the same as his election under the terms of the Retail Operations Plan until changed by the member in accordance Section 6.3.

C. Any suspension of member contributions in effect under the terms of the Retail Operations Plan at the time of the transfer to the Plan shall be deemed to be effective in accordance with Sections 3.4 and 3.5.

D. Any loan made to a Member from the Retail Operations Plan shall be deemed to have been made under the Plan and the outstanding balance shall be repaid to the Plan in accordance with the terms of such loan.

E. Any beneficiary designation and related consent of spouse in effect under the terms of the Retail Operations Plan at the time of the transfer to the Plan shall be deemed to be effective under the Plan until changed by the Member in accordance with Section 1.9.

F. The interest of the transferred Member in the assets of the Plan derived from Company contributions to the Retail Plan shall be vested upon transfer to the Plan, even if such assets were not vested under the terms of the Retail Plan.

22.5 Notwithstanding any provisions of the Plan to the contrary, it is the intention of this Article 22 to coordinate all of the provisions of the Plan with those of the Retail Operations Plan to enable the two plans to operate together to provide benefits as though they were one. Notwithstanding any provisions of the Plan to the contrary, the Plan is to be interpreted to achieve this objective.

22.6 Effective as of October 1, 2006, the Retail Operations Plan is merged into the Plan, and all participants of the Retail Operations Plan shall become Members of the Plan as of that date. The provisions of Section 22.4 shall apply to all former participants of the Retail Operations Plan who became Members as of that date.

ARTICLE 23
COORDINATION WITH HOVENSA PLAN

23.1 The HOVENSA Plan shall be established on November 1, 1998, and the accounts of all Plan Members employed by HESS OIL VIRGIN ISLANDS CORP. who become employees of HOVENSA on or about that date, shall be transferred to that plan on the Transfer Date, including contributions and loan repayments for the month immediately preceding the Transfer Date, and the accounts of Members whose employment has terminated if their distributions are not processed by the Transfer Date. The sum of the account balances of the HOVENSA Plan and of the Plan shall equal the fair market value (as of the date of the Transfer Date) of the combined plan assets; and immediately after the Transfer Date, the assets in each of the plans shall equal the sum of the account balances for all of the members in that plan.

23.2 Notwithstanding any other provisions of the Plan to the contrary, in connection with the transfer of assets to the HOVENSA Plan and the creation of the necessary records by Fidelity Institutional Retirement Services Company, no requests will be accepted from Members employed by HOVENSA for changes in Member contributions under Article 3, changes in Members' Investment Directions under Article 6, In-Service Withdrawals under Article 8, Loans under Article 8, or Hardship Withdrawals under Article 8 after about five weeks before the Transfer Date, the exact date or dates to be determined by the Committee, and distributions due to termination of employment or membership under Article 9 which have not been processed by the date set by the Committee will be made from the HOVENSA Plan.

23.3 The accounts of any Members of the Plan who subsequently become employed by HOVENSA will be handled in the manner described in Section 9.4.

23.4 The account of any member of the HOVENSA Plan who becomes employed by a Company shall be transferred to the Plan as soon as practicable thereafter. Such an individual shall become a Member of the Plan without further action, all accrued rights and interests of such Member as of the date of such transfer shall be preserved under the Plan, and in no event shall such Member be deprived of any benefits under the HOVENSA Plan which shall have accrued to him as of the effective date of the transfer. The following special rules shall apply to such a transferred Member.

A. The Member contributions of each transferred Member designated under the terms of the HOVENSA Plan shall be deemed to be an election under the Plan until changed by the Member in accordance with Section 3.2.

B. The Investment Direction of each transferred Member shall be deemed to be the same as his election under the terms of the HOVENSA Plan until changed by the member in accordance Section 6.3.

C. Any suspension of member contributions in effect under the terms of the HOVENSA Plan at the time of the transfer to the Plan shall be deemed to be effective in accordance with Sections 3.4 and 3.5.

D. Any loan made to a Member from the HOVENSA Plan shall be deemed to have been made under the Plan and the outstanding balance shall be repaid to the Plan in accordance with the terms of such loan.

E. Any mutual fund investments derived from employer contributions to the HOVENSA Plan which are transferred to the Plan shall be invested in accordance with the Member's investment direction made with respect to his own contributions to the HOVENSA Plan until changed by the Member in accordance with Section 3.2. Such mutual fund investments shall remain subject to the Member's investment direction in the Plan.

F. Any shares of common stock of the Hess Corporation derived from Company contributions originally transferred to the HOVENSA Plan which are transferred to the Plan shall remain invested in such stock and until October 1, 2006, shall not be subject to the Member's investment direction in the Plan.

G. Any beneficiary designation and related consent of spouse in effect under the terms of the HOVENSA Plan at the time of the transfer to the Plan shall be deemed to be effective under the Plan until changed by the Member in accordance with Section 1.9.

23.5 Notwithstanding any provisions of the Plan to the contrary, it is the intention of this Article 23 to coordinate all of the provisions of the Plan with those of the HOVENSA Plan to enable the two plans to operate together as though they were one, and the Plan is to be interpreted to achieve this objective.

ARTICLE 24
MERIT PLAN ACCOUNTS

24.1 The Merit Plan shall be merged into the Plan on December 31, 2000, at which time legal control of the assets of the Merit Plan shall pass to the Plan, and the accounts of all Merit Plan Participants shall be transferred to the Trustee as soon as practicable thereafter, including contributions for the month of December 2000. The sum of the account balances of the Merit Plan and of the Plan shall equal the fair market value (as of the date of the merger) of the combined plan assets; the assets of the Merit Plan and the Plan shall be combined to form the assets of the Plan as merged; and immediately after the merger, each participant in the Plan as merged shall have an account balance equal to the sum of the account balances the participant had in the Merit Plan and the Plan immediately prior to merger. The account balance of any Merit Plan Participant who is eligible for participation in the Retail Operations Plan shall be transferred to such plan from the Plan in the manner described in Section 9.4.

24.2 A. Each Merit Plan Participant shall be fully vested in the value of the assets in his account transferred to the Plan from the Merit Plan on the date of the merger, and shall become a Member of the Plan on that date.

B. The Member contributions of each Merit Plan Participant designated under the terms of the Merit Plan shall not apply under the Plan, and each such Merit Plan Participant must make the election required by Section 3.1 before contributing to the Plan.

C. Until the individual participant records have been updated by the Merit Plan trustee as of the date of the merger and these records have been transferred to the Trustee's recordkeeping system, no requests will be accepted for (i) changes in Members' Investment Directions under Paragraph 6.3B with respect to amounts previously invested, (ii) In-Service Withdrawals under Article 8, or (iii) loans under Article 8, and there will be no distributions due to termination of employment or membership under Article 9. The opportunity to make contribution elections under Paragraph 3.1 and to make elections under Paragraph 6.3A with respect to amounts to be invested in the future will be available starting during the month of December 2000.

D. Any beneficiary designation and related consent of spouse in effect under the terms of the Merit Plan at the time of the transfer to the Plan shall be deemed to be effective under the Plan until changed by the Member in accordance with Section 1.9.

24.3 Assets transferred from the Merit Plan shall be recorded separately from the other assets of the Plan and shall be subject to the following special rules, notwithstanding any other provisions of the Plan to the contrary.

A. The initial investment of accounts transferred to the Plan in the Funds described in Section 5.1 shall be based on the funds in which the transferred assets were invested in the Merit Plan.

B. When the recordkeeping requirements of Paragraph C of Section 24.2 have been satisfied, the assets transferred from the Merit Plan derived from participant contributions will be invested in accordance with the Member's then current Investment Direction. Unless and until such Investment Direction is received, said assets will be invested as described in Paragraph A of this Section.

C. No hardship withdrawals shall be allowed from the funds transferred from the Merit Plan.

24.4 The following special rules shall apply to Merit Plan Participants with respect to the assets transferred from the Merit Plan in addition to the other provisions of the Plan. These rules shall apply until the later of March 31, 2000, or 90 days after the date on which the Merit Plan Participants are provided with a summary of material modifications reflecting the elimination of all optional forms of benefits except the complete distribution of their vested interest in the Plan in a single sum as specified in Articles 8 and 9, said single sum being otherwise identical to the optional forms of benefit that are being eliminated. All words with initial capitals in the following paragraphs of this Section 24.4 are used as defined in the Merit Plan, and all references to sections are to those in the Merit Plan.

A. Benefit Forms

1. Retirement and Termination Benefits.
Vested, Disability and retirement benefits shall be distributed as the Member shall elect, subject to subsection 10(e), in accordance with uniform rules established by the Committee, from the alternatives below:

(a) a straight life annuity for the Member's life;

(b) a joint and survivor annuity with the Member's spouse as contingent annuitant under which the amount payable to the Member's spouse is 50% of the monthly amount which is payable to the Member during his lifetime;

(c) approximately equal monthly, quarterly, semi-annual or annual installments over any period of time not exceeding the Member's life expectancy at the commencement of distribution, or, if the Member has designated a beneficiary, the joint life expectancy of the Member and the Member's designated beneficiary, and in the event of the Member's death during such period, the remainder shall be payable as a death benefit in accordance with Sections 8 and 10 to the Member's beneficiary;

(d) a lump sum payment; or

(e) any combination of the foregoing.

For purposes of this subsection, life expectancy shall be determined by the Committee in accordance with applicable regulations under the Code. The method so adopted by the Committee shall be uniformly applied to all Members.

2. Death Benefits. Death benefits shall be distributed in one lump sum or in installments within a period not extending beyond five years of the Member's date of death unless payment of benefits commenced under a form of annuity or installment payment before the Member's death in which case benefits shall be paid at least as rapidly as under the method of distribution in effect on the Member's date of death; provided, however,

(a) if any portion of the Member's Accrued Benefit is payable to or for the benefit of a designated beneficiary, such portion may be distributed over a period of time not exceeding the life expectancy of such designated beneficiary, provided distribution begins not later than one year after the date of the Member's death or such later date as applicable regulations under the Code may permit; or

(b) if the designated beneficiary referred to in subsection 10(b)(ii)(A) is the Member's surviving spouse, (1) the date on which the distribution is required to begin shall not be earlier than the date on which the Member would have attained age 70-1/2, (2) the benefit amount will be used to purchase a straight life annuity for the spouse's life unless the spouse elects another form of settlement permitted under the Plan and (3) if the surviving spouse should die before distribution to such spouse begins, this subsection 10(b)(ii) shall apply as if the surviving spouse were the Member.

B. Deferred Payments and Installments. If benefits are to be paid directly by the Trustee in installments or if the payment of benefits is to be deferred, the net value of the benefit determined in accordance with the provisions of Section 9 shall be retained in the Fund subject to the administrative provisions of the Plan and the Trust Agreement. The Committee, according to a uniform rule, may direct the Trustee to segregate all or a portion of the benefit amount into a separate investment account designed to protect principal and yield a reasonable investment return consistent with the preservation of principal and the obligation to make installment payments.

C. Annuity Purchases. If benefits are to be paid in a form of annuity under subsections 10(b)(i)(A), (B) or (E), the Committee shall direct the Trustee to apply the Member's Accrued Benefit to purchase an appropriate nontransferable annuity contract and to deliver it to the Member.

D. Required Annuity

1. Married Member. If a Member has been married to his current spouse for at least one year on the date on which benefit payments are to commence and his nonforfeitable Accrued Benefit exceeds $5,000, benefits will be distributed in the form described under subsection 10(b)(i)(B) unless the Member, with the written consent of his spouse witnessed by a notary public or a member of the Committee in a manner prescribed by the Committee, elects an alternate form of settlement. Further, no total or partial distribution may be made after the annuity starting date where the present value of the benefit exceeds $5,000 unless the Member and his spouse (or where the Member has died, the surviving spouse) consent in writing witnessed by a notary public or a member of the Committee in a manner prescribed by the Committee prior to such distribution. The consent of the Member and his spouse must be obtained not more than 90 days before the date distribution commences. The Committee shall furnish to such Member a written notification of the availability of the election hereunder at least 90 days before the Member's anticipated benefit commencement date or, if a Member notifies the Committee of his intent to terminate employment less than 90 days before the proposed benefit commencement date, as soon after the Member notifies the Committee as is administratively feasible. The notification shall explain the terms and conditions of the joint and survivor annuity described in subsection 10(b)(i)(B) and the effect of electing not to take such annuity. The Member may, within a period of 90 days after receipt of the written notification or such longer period as the Committee may uniformly make available, complete the election. The Member may revoke an election not to take the joint and survivor annuity described in subsection 10(b)(i)(B) or choose again to take such annuity at any time and any number of times within the applicable election period. If a Member requests additional information within 60 days after receipt of the notification of election, the minimum election period shall be extended an additional 60 days following his receipt of such additional information.

2. Single Member. If a Member is not married on the date on which benefits are to commence and his nonforfeitable Accrued Benefit exceeds $5,000, benefits will be distributed in the form described under subsection 10(b)(i)(A) unless the Member elects an alternate form of settlement.

E. Lump Sum Distributions. Benefits distributed in one lump sum shall be adjusted under subsection 7(f) on the Valuation Date coincident with or last preceding distribution.

F. Small Benefit Payments. Notwithstanding any other provision of the Plan, if (1) a Member's vested Accrued Benefit or (2), if the Member has died, the designated beneficiary's benefit, is $5,000 or less at the Member's separation from service, his benefit shall be paid in a cash lump sum without his consent as soon as administratively feasible following such date of determination. If the

Member does not have a vested interest in his Accrued Benefit at his separation from service, he shall be deemed to have received a distribution of his entire vested Accrued Benefit. Notwithstanding anything in this subsection 10(i) to the contrary, if (1) a Member's vested Accrued Benefit or (2) if the Member has died, the designated beneficiary's benefit, is $5,000 or less as of May 1, 1998, his benefit shall be paid in a cash lump sum without his consent as soon as administratively feasible following such date of determination.

24.5 The provisions of this Plan that include the required GUST amendments also are applicable to the Merit Oil Corporation and Affiliates Employees' Thrift Plan, which was merged into the Plan on December 31, 2000.

ARTICLE 25
TRITON PLAN ACCOUNTS

25.1 The Triton Plan shall be merged into the Plan on January 1, 2003, at which time legal control of the assets of the Triton Plan shall pass to the Plan, and the accounts of all Triton Plan Participants shall be transferred to the Trustee as soon as practicable thereafter, including contributions and loan repayments for the month of December, 2002. The sum of the account balances of the Triton Plan and of the Plan shall equal the fair market value (as of the date of the merger) of the combined plan assets; the assets of the Triton Plan and the Plan shall be combined to form the assets of the Plan as merged; and immediately after the merger, each Member in the Plan as merged shall have an account balance equal to the sum of the account balances that the Member had in the Triton Plan and the Plan immediately prior to merger. The benefits of Triton Plan Participants who do not perform an Hour of Service on or after January 1, 2003 shall be governed by the provisions of the Triton Plan in effect as of the date such participants terminated employment.

25.2 A. Each Triton Plan Participant shall be fully vested in the value of the assets in his account transferred to the Plan from the Triton Plan on the date of the merger, and shall become a Member of the Plan on that date.

B. The contribution elections made by each Acquired Triton Employee under the terms of the Triton Plan shall be deemed to be an election under the Plan until changed by the Member in accordance with the Plan.

C. The balance of any loan made to an Acquired Triton Employee from the Triton Plan which shall be outstanding on the date of the merger shall be deemed to be a loan made under the Plan, shall be repaid to the Plan in accordance with the terms of such loan, and shall be modified to reflect changes in Plan administration as necessary.

D. Until the individual participant records have been updated by the Triton Plan trustee as of the date of the merger and these records have been transferred to the Trustee's recordkeeping system, no requests will be accepted for (i) changes under Paragraph 6.3B in Members' Investment Directions with respect to amounts previously invested, (ii) In-Service Withdrawals under Article 8, or (iii) loans under Article 8, and there will be no distributions due to termination of employment or membership under Article 9. The opportunity to make contribution elections under the Plan and to make elections under Paragraph 6.3A with respect to amounts to be invested in the future will be available starting during the month of January 2003.

E. Any beneficiary designation and related consent of spouse in effect under the terms of the Triton Plan at the time of the transfer to the Plan shall be deemed to be effective under the Plan until changed by the Member in accordance with Section 1.9.

25.3 A. The initial investment of accounts transferred to the Plan in the Funds described in Section 5.1 shall be based on the funds in which the transferred assets were invested in the Triton Plan.

B. Future contributions under the Plan will be invested in accordance with the Triton Plan Participant's then current Investment Direction. Unless and until such Investment Direction is received, said assets will be invested as described in Paragraph A of this Section.

25.4 Assets transferred from the Triton Plan shall be recorded as follows:

Contribution type and earnings thereof under Triton Plan	**Corresponding contribution type under Plan**
Employee Contributions	Elective Deferrals
Triton Matching Contributions	Matching Contributions
Rollover contributions	Rollover amounts
ESOP contributions	Matching Contributions

25.5 Notwithstanding any provision of the Plan to the contrary, amounts transferred to the Plan from the Triton Plan will remain subject to any withdrawal rights or restrictions that are regarded as protected benefits under the Code and, to the extent required by law, will remain subject to payment in the form, at the times, and on the occasions provided in the Triton Plan.

ARTICLE 26
MINIMUM DISTRIBUTION REQUIREMENTS

26.1 General Rules.

A. The provisions of this Article shall apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.

B. The requirements of this Article shall take precedence over any inconsistent provisions of the Plan.

C. All distributions required under this Article shall be determined and made in accordance with regulations under Code Section 401(a)(9).

D. Notwithstanding the other provisions of this Article, distributions may be made under a designation made before January 1, 1984, in accordance with Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (TEFRA) and the provisions of the Plan that relate to Section 242(b)(2) of TEFRA.

26.2 Definitions For Purposes of this Article.

A. Designated Beneficiary. The individual who is designated as the Beneficiary under Section 1.9 of the Plan and is the designated beneficiary under Code Section 401(a)(9) and Treasury Regulation Section 1.401(a)(9)-1, Q&A-4.

B. Distribution Calendar Year. A calendar year for which a minimum distribution is required. For distributions commencing before the Member's death, the first Distribution Calendar Year shall be the calendar year immediately preceding the calendar year which contains the Member's Required Beginning Date. For distributions commencing after the Member's death, the first Distribution Calendar Year is the calendar year in which distributions are required to commence under Section 26.3(b). The required minimum distribution for the Member's first Distribution Calendar Year shall be made on or before the Member's Required Beginning Date. The required minimum distribution for other Distribution Calendar Years, including the required minimum distribution for the Distribution Calendar Year in which the Member's Required Beginning Date occurs, shall be made on or before December 31 of that Distribution Calendar Year.

C. Life Expectancy. Life expectancy as computed by use of the Single Life Table in Treasury Regulation Section 1.401(a)(9)-9.

D. Member's Account Balance. The Member's Account Balance as of the last valuation date in the Valuation Calendar Year increased by the amount of any contributions made and allocated to the Member's Account Balance as of dates in the Valuation Calendar Year after the valuation date and decreased by distributions made in the Valuation Calendar Year after the valuation date. The Member's Account Balance for the Valuation Calendar Year includes any amounts rolled over or transferred to the Plan either in the Valuation Calendar Year or in the Distribution Calendar Year if distributed or transferred in the Valuation Calendar Year.

E. Required Beginning Date. The April 1st following the end of the calendar year in which occurs the later of (x) the Member's attainment of age seventy and one-half (70½) and (y) the Member's retirement. Notwithstanding the foregoing, the payment of benefits to a Member who is a 5 percent (5%) owner, as defined in Section 416(i) of the Code, shall begin not later than the April 1st following the end of the calendar year in which the Member attains age seventy and one-half (70½), whether or not he or she is then employed.

F. Valuation Calendar Year. The calendar year immediately preceding the Distribution Calendar Year.

26.3 Time and Manner of Distribution.

A. The Member's interest in his Account shall be distributed, or commence to be distributed, to the Member no later than the Member's Required Beginning Date.

B. If the Member dies before distributions of his benefits commence, the Member's entire interest in his Account shall be distributed, or shall commence to be distributed, no later than:

1. If the Member's surviving Spouse is the Member's sole Designated Beneficiary, then distributions to the surviving Spouse shall commence by the later of (A) December 31 of the calendar year immediately following the calendar year in which the Member died, or (B) December 31 of the calendar year in which the Member would have attained age 70½.

2. If the Member's surviving Spouse is not the Member's sole Designated Beneficiary, then distributions to the Designated Beneficiary shall commence by December 31 of the calendar year immediately following the calendar year in which the Member died.

3. If there is no Designated Beneficiary as of September 30 of the calendar year following the calendar year of the Member's death, the Member's entire interest in his Account shall be distributed by December 31 of the calendar year containing the fifth (5th) anniversary of the Member's death.

4. If the Member's surviving Spouse is the Member's sole Designated Beneficiary and the surviving Spouse dies after the Member but before distributions to the surviving Spouse commence, this Paragraph (b), other than clause (i) of this Paragraph (b), shall apply as if the surviving Spouse were the Member.

For purposes of this Paragraph (b) and Section 26.5, unless clause (iv) of this Paragraph (b) applies, distributions shall be considered to commence on the Member's Required Beginning Date. If clause (iv) of this Paragraph (b) applies, distributions shall be considered to commence on the date distributions are required to commence to the surviving Spouse under clause (i) of this Paragraph (b). If distributions under an annuity purchased from an insurance company irrevocably commence to the Member before the Member's Required Beginning Date (or to the Member's surviving Spouse before the date distributions are required to commence to the surviving Spouse under clause (i) of this Paragraph (b)), the date distributions are considered to commence shall be the date distributions actually commence.

C. Unless the Member's interest in his Account is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the Required Beginning Date, as of the first Distribution Calendar Year distributions shall be made in accordance with Sections 26.4 and 26.5 of this Article. If the Member's interest in his Account is distributed in the form of an annuity purchased from an insurance company, distributions thereunder shall be made in accordance with the requirements of Code Section 401(a)(9) and the Treasury Regulations.

26.4 Required Minimum Distributions During Member's Lifetime.

A. During the Member's lifetime, the minimum amount that shall be distributed for each Distribution Calendar Year is the lesser of:

1. The quotient obtained by dividing the Member's Account Balance by the distribution period in the Uniform Lifetime Table set forth in Treasury Regulation Section 1.401(a)(9)-9, using the Member's age as of the Member's birthday in the Distribution Calendar Year; or

2. If the Member's sole Designated Beneficiary for the Distribution Calendar Year is the Member's Spouse, the quotient obtained by dividing the Member's Account Balance by the number in the Joint and Last Survivor Table set forth in Treasury Regulation Section 1.401(a)(9)-9 using the Member's and Spouse's attained ages as of the Member's and Spouse's birthdays in the Distribution Calendar Year.

B. Required minimum distributions shall be determined under this Section 26.4 beginning with the first Distribution Calendar Year and up to and including the Distribution Calendar Year that includes the Member's date of death.

26.5 Required Minimum Distributions After Member's Death. (A)(1) If the Member dies on or after the date distributions commence and there is a Designated Beneficiary, the minimum amount that shall be distributed for each Distribution Calendar Year after the year of the Member's death is the quotient obtained by dividing the Member's Account Balance by the longer of the remaining Life

Expectancy of the Member or the remaining Life Expectancy of the Member's Designated Beneficiary, determined as follows:

(i) The Member's remaining Life Expectancy shall be calculated using the age of the Member in the year of death (reduced by one for each subsequent calendar year in which such calculation is performed).

(ii) If the Member's surviving Spouse is the Member's sole Designated Beneficiary, the remaining Life Expectancy of the surviving Spouse shall be calculated for each Distribution Calendar Year after the year of the Member's death using the surviving Spouse's age as of the Spouse's birthday in that year. For Distribution Calendar Years after the year of the surviving Spouse's death, the remaining Life Expectancy of the surviving Spouse shall be calculated using the age of the surviving Spouse as of the Spouse's birthday in the calendar year of the Spouse's death (reduced by one for each subsequent calendar year in which such calculation is performed).

(iii) If the Member's surviving Spouse is not the Member's sole Designated Beneficiary, the Designated Beneficiary's remaining Life Expectancy shall be calculated using the age of the beneficiary in the calendar year following the year of the Member's death (reduced by one for each subsequent calendar year in which such calculation is performed).

2. If the Member dies on or after the date distributions commence and there is no Designated Beneficiary as of September 30 of the calendar year following the calendar year of the Member's death, the minimum amount that shall be distributed for each Distribution Calendar Year after the calendar year of the Member's death is the quotient obtained by dividing the Member's Account Balance by the Member's remaining Life Expectancy calculated using the age of the Member in the calendar year of death (reduced by one for each subsequent calendar year in which such calculation is performed).

B. 1. If the Member dies before the date distributions commence and there is a Designated Beneficiary, the minimum amount that shall be distributed for each Distribution Calendar Year after the calendar year of the Member's death is the quotient obtained by dividing the Member's Account Balance by the remaining Life Expectancy of the Member's Designated Beneficiary, determined as provided in Section 26.5.A.

2. If the Member dies before the date distributions commence and there is no Designated Beneficiary as of September 30 of the calendar year following the calendar year of the Member's death, distribution of the Member's entire interest in his Account shall be completed by December 31 of the calendar year containing the fifth (5^{th}) anniversary of the Member's death.

3. If the Member dies before the date distributions commence, the Member's surviving Spouse is the Member's sole Designated Beneficiary, and the surviving Spouse dies before distributions are required to commence to the surviving Spouse under Section 26.3(b)(i), this Section 26.5(b) shall be applied as if the surviving Spouse were the Member.

26.6 Election to Allow Members or Beneficiaries to Elect 5-Year Rule. Members or Beneficiaries may elect on an individual basis whether the 5-year rule or the life expectancy rule in Section 26.3(b) and 26.5(b) shall apply to distributions after the death of a Member who has a Designated Beneficiary. The election must be made no later than the earlier of September 30 of the calendar year in which distribution would be required to begin under Section 26.3(b), or by September 30 of the calendar year which contains the fifth (5^{th}) anniversary of the Member's (or, if applicable, surviving Spouse's) death. If neither the Member nor Beneficiary makes an election under this paragraph, distributions will be made in accordance with Sections 26.3(b) and 26.5(b).

26.7 Election to Allow Designated Beneficiary Receiving, Distributions Under 5-Year Rule to Elect Life Expectancy Distributions. A Designated Beneficiary who is receiving payments under the 5-year rule may make a new election to receive payments under the life expectancy rule until December 31, 2003, provided that all amounts that would have been required to be distributed under the life expectancy rule for all Distribution Calendar Years before 2004 must be distributed by the earlier of December 31, 2003 or by the end of the 5-year period.

ARTICLE 27
AMENDMENT OF THE PLAN FOR EGTRRA

27.1 Adoption and effective date of amendment.

This amendment of the Plan is adopted to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (“EGTRRA”). This amendment is intended as good faith compliance with the requirements of EGTRRA and is to be construed in accordance with EGTRRA and guidance issued thereunder. Except as otherwise provided, this amendment shall be effective on January 1, 2002.

27.2. Limitations on Contributions

A. Effective date. This section shall be effective for limitation years beginning after December 31, 2001.

B. Maximum annual addition. Except to the extent permitted under Paragraph J of this amendment and section 414(v) of the Code, if applicable, the annual addition that may be contributed or allocated to a Member’s account under the Plan for any limitation year shall not exceed the lesser of:

1. $40,000, as adjusted for increases in the cost-of-living under section 415(d) of the Code, or

2. 100 percent of the Member’s compensation, within the meaning of section 415(c)(3) of the Code, for the limitation year.

The compensation limit referred to in (b) shall not apply to any contribution for medical benefits after separation from service (within the meaning of section 401(h) or section 419A(f)(2) of the Code) which is otherwise treated as an annual addition.

27.3. Increase in Compensation Limit

The annual compensation of each Member taken into account in determining allocations for any Plan Year beginning after December 31, 2001, shall not exceed $200,000, as adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the Code. Annual compensation means compensation during the Plan Year or such other consecutive 12-month period over which compensation is otherwise determined under the Plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.

27.4. Direct Rollovers of Plan Distributions

A. Effective date. This section shall apply to distributions made after December 31, 2001.

B. Modification of definition of eligible retirement plan. For purposes of the direct rollover provisions in Section 16.7 of the Plan, an eligible retirement plan shall also mean an annuity contract described in section 403(b) of the Code and an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political sub-division of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in section 414(p) of the Code.

C. Modification of definition of eligible rollover distribution to exclude hardship distributions. For purposes of the direct rollover provisions in Section 16.7 of the Plan, any amount that is distributed on account of hardship shall not be an eligible rollover distribution and the distributee may not elect to have any portion of such a distribution paid directly to an eligible retirement plan.

D. Modification of definition of eligible rollover distribution to include after-tax employee contributions. For purposes of the direct rollover provisions in Section 16.7 of the Plan, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in section 408(a) or (b) of the Code, or to a qualified defined contribution plan described in section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

27.5 Rollovers from Other Plans

The Plan will accept Member rollover contributions or direct rollovers of distributions made after December 31, 2001, from the types of plans specified below, beginning on January 1, 2002.

A. Direct Rollovers:

The Plan will accept a direct rollover of an eligible rollover distribution from:

1. a qualified plan described in section 401(a) or 403(a) of the Code, excluding after-tax employee contributions;

2. an annuity contract described in section 403(b) of the Code, excluding after-tax employee contributions; or

3. an eligible plan under section 457(b) of the Code which is maintained by a

state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state.

B. Member Rollover Contributions from IRAs:

The Plan will not accept a Member rollover contribution of the portion of a distribution from an individual retirement account or annuity described in section 408(a) or 408(b) of the Code that is eligible to be rolled over and would otherwise be includible in gross income.

27.6 Rollovers Disregarded in Involuntary Cash-outs

Rollovers disregarded in determining value of account balance for involuntary distributions. With respect to distributions made after December 31, 2001, for purposes of Section 9.1 B 1 of the Plan, the value of a Member's nonforfeitable account balance shall be determined without regard to that portion of the account balance that is attributable to rollover contributions (and earnings allocable thereto) within the meaning of sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e) (16) of the Code. If the value of the Member's nonforfeitable account balance as so determined is $5,000 or less (on or after March 28, 2005, $1,000 or less if prior to normal retirement age), the Plan shall immediately distribute the Member's entire nonforfeitable account balance.

27.7 Repeal of Multiple Use Test

The multiple use test described in Treasury Regulation section 1.401(m)-2 and the prior Paragraph 19.7 C of the Plan shall not apply for Plan Years beginning after December 31, 2001.

27.8 Elective Deferrals — Contribution Limitation

No Member shall be permitted to have elective deferrals made under this Plan, or any other qualified plan maintained by the employer during any taxable year, in excess of the dollar limitation contained in section 402(g) of the Code in effect for such taxable year, except to the extent permitted under Section 27.10 and section 414(v) of the Code, if applicable.

27.9 Modification of Top-heavy Rules

The top-heavy requirements of section 416 of the Code and Article 18 of the Plan shall not apply in any year beginning after December 31, 2001, in which the Plan consists solely of a cash or deferred arrangement which meets the requirements of section 401(k)(12) of the Code and matching contributions with respect to which the requirements of section 401(m)(11) of the Code are met.

27.10 Catch up Contributions

All employees who are eligible to make elective deferrals under this Plan and who have attained age 50 before the close of the Plan Year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of, section 414(v) of the Code. Such catch-up contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of sections 402(g) and 415 of the Code. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of section 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416 of the Code, as applicable, by reason of the making of such catch-up contributions. Catch-up Contributions shall apply to contributions after March 31, 2002.

27.11 Distribution Upon Severance from Employment

A. Effective date. This section shall apply for distributions after December 31, 2001, regardless of when the severance from employment occurred.

B. New distributable event. A Member's elective deferrals, qualified non-elective contributions, qualified matching contributions, and earnings attributable to these contributions shall be distributed on account of the Member's severance from employment. However, such a distribution shall be subject to the other provisions of the Plan regarding distributions, other than provisions that require a separation from service before such amounts may be distributed.

IN WITNESS WHEREOF, the Principal Company, by its duly authorized officers, has caused this amended and restated Plan to be signed this 27 day of Sept 2006.

HESS CORPORATION

By: /s/ Brian J. Bohling

Name: Brian J. Bohling

Title: S V P. Human Resources

Exhibit 10(10)

ACTION TO AMEND
THE AMERADA HESS CORPORATION
PENSION RESTORATION PLAN

WHEREAS, under section 4.2. A of the Amerada Hess Corporation Pension Restoration Plan (the “Plan”), the amount of benefit payable to a Member under the Plan is determined by calculating the monthly benefit which would be payable under the terms of the Hess Corporation Employees’ Pension Plan (the “Pension Plan”), the qualified plan to which it is linked, subject to further adjustment as provided in such section 4.2.A, including but not limited to a modification of the definition of “Compensation” as defined in the Pension Plan as described in Section 4.2.A(i)(d), and offset by the monthly benefit actually payable on behalf of the member under the Pension Plan and certain other plans; and

WHEREAS, it is the desire of the Hess Corporation (the “Company”) to amend the Plan to modify the definition of compensation for purposes of determining the benefit under the Plan and to change the name of the Plan; and

WHEREAS, under section 6.5.A(ii) of the Plan, the Senior Vice President Human Resources (“SVP HR”) of the Company is authorized to make changes to the Plan that are reasonably expected, when aggregated with any other amendments to the Plan on the same date to have a financial impact on the Company of $500,000 or less, and the proposed amendments have been determined to have a financial impact on the Company of $500,000 or less by the Company’s Employee Benefit Plans Committee;

NOW THEREFORE, the Company hereby adopts the following amendments to the Plan:

I.

Effective October 1, 2006, the name of the Plan shall be the Hess Corporation Pension Restoration Plan.

II.

Section 4.2.A(i)(d) of the Plan shall be amended effective January 1, 2006, by adding the following to the end thereof:

notwithstanding any other provision of this Plan or the Pension Plan, for purposes of determining the monthly benefit payable to a Member under the terms of the Pension Plan under this 4.2.A.(i), “Final Average Compensation” were determined as follows:

“Final Average Compensation”, as of any particular date, shall mean the sum of:

(1) the Member’s average annual Compensation, excluding annual Bonuses described in Section 1.16.A.2 of the Pension Plan, in any 3 calendar years during the 10 calendar years including and immediately preceding said particular date

which produces his or her highest average Compensation excluding annual Bonuses described in Section 1.16. A.2 of the Pension Plan, and

(2), the Member's average annual Bonuses described in Section 1.16. A.2 of the Pension Plan in any 3 calendar years during the 10 calendar years including and immediately preceding said particular date which produces his or her highest amount of average annual Bonuses described in Section 1.16. A.2 of the Pension Plan; and

IN WITNESS WHEREOF, the undersigned Senior Vice President Human Resources of Hess Corporation has executed this amendment this 31 day of December, 2006.

Hess Corporation

By: /s/ Brian J. Bohling
Brian J. Bohling, Senior Vice President Human Resources

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
SUBSIDIARIES OF THE REGISTRANT

Name of Subsidiary	Organized under the laws of
Hess Energy Exploration Limited	Delaware
Hess Limited	United Kingdom
Hess Norge A/S	Norway
Hess Oil Virgin Islands Corp.	U.S. Virgin Islands
Hess Receivables LLC	Delaware
Hess (GEA) Limited	Cayman Islands
Hess Energy Trading Company, LLC	Delaware
Hess Egypt West Mediterranean Limited	Cayman Islands
ZAO Samara - Nafta	Russian Federation
ZAO Volganeft	Russian Federation
Hess International Holdings Limited	Cayman Islands
Hess Denmark ApS	Denmark
Amerada Hess Production Gabon	Gabon
Hess Oil and Gas Holdings Inc.	Cayman Islands
Hess (Thailand) Limited	United Kingdom
Hess (ACG) Limited	Cayman Islands
Tioga Gas Plant, Inc.	Delaware

Other subsidiaries (names omitted because such unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary)

Each of the foregoing subsidiaries conducts business under the name listed, and is 100% owned by the Registrant, except for Hess Energy Trading Company, LLC, which is a trading company that is a joint venture between the Registrant and unrelated parties.

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
SUBSIDIARIES OF THE REGISTRANT

Name of Affiliate	Organized under the laws of
HOVENSA L.L.C. (50% owned)	U.S. Virgin Islands

Summarized Financial Information of HOVENSA L.L.C. is included in the Registrant’s 2006 Annual Report to Stockholders.

Exhibit 31(1)

I, John B. Hess, certify that:

1. I have reviewed this annual report on Form 10-K of Hess Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ John B. Hess

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

Date: February 28, 2007

Exhibit 31(2)

I, John P. Rielly, certify that:

1. I have reviewed this annual report on Form 10-K of Hess Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ John P. Rielly
John P. Rielly
Senior Vice President and
Chief Financial Officer

Date: February 28, 2007

Exhibit 32(1)

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Hess Corporation (the Corporation) on Form 10-K for the period ending December 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, John B. Hess, Chairman of the Board and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By /s/ John B. Hess
John B. Hess
Chairman of the Board and
Chief Executive Officer

Date: February 28, 2007

Exhibit 32(2)

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Hess Corporation (the Corporation) on Form 10-K for the period ending December 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, John P. Rielly, Senior Vice President and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By /s/ John P. Rielly
John P. Rielly
Senior Vice President and
Chief Financial Officer

Date: February 28, 2007