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

Form 10-Q

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

For the quarter ended *June 30, 2008*

or

☐ **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)

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 preceeding 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 ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

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

At June 30, 2008, there were 325,335,776 shares of Common Stock outstanding.

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Item 1. Financial Statements.

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
STATEMENT OF CONSOLIDATED INCOME (UNAUDITED)
(In millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
REVENUES AND NON-OPERATING INCOME				
Sales (excluding excise taxes) and other operating revenues	$ 11,717	$ 7,421	$ 22,384	$ 14,740
Equity in income (loss) of HOVENSA L.L.C.	(19)	81	(29)	137
Gain on asset sales	—	21	—	21
Other, net	37	23	100	22
Total revenues and non-operating income	11,735	7,546	22,455	14,920
COSTS AND EXPENSES				
Cost of products sold (excluding items shown separately below)	8,354	5,190	16,072	10,600
Production expenses	494	377	918	724
Marketing expenses	267	241	500	463
Exploration expenses, including dry holes and lease impairment	158	90	310	183
Other operating expenses	47	37	92	70
General and administrative expenses	156	142	308	273
Interest expense	65	62	132	126
Depreciation, depletion and amortization	482	354	934	681
Total costs and expenses	10,023	6,493	19,266	13,120
INCOME BEFORE INCOME TAXES	1,712	1,053	3,189	1,800
Provision for income taxes	812	496	1,530	873
NET INCOME	$ 900	$ 557	$ 1,659	$ 927
NET INCOME PER SHARE				
BASIC	$ 2.81	$ 1.78	$ 5.20	$ 2.98
DILUTED	2.76	1.75	5.11	2.92
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (DILUTED)	326.2	318.6	325.0	317.9
COMMON STOCK DIVIDENDS PER SHARE	$ .10	$ .10	$ .20	$ .20

See accompanying notes to consolidated financial statements.

PART I — FINANCIAL INFORMATION (CONT'D.)

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (UNAUDITED)
(In millions of dollars, thousands of shares)

	June 30, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,479	$ 607
Accounts receivable	6,266	4,708
Inventories	1,473	1,250
Other current assets	474	361
Total current assets	9,692	6,926
INVESTMENTS IN AFFILIATES		
HOVENSA L.L.C.	855	933
Other	183	184
Total investments in affiliates	1,038	1,117
PROPERTY, PLANT AND EQUIPMENT		
Total — at cost	26,967	24,831
Less reserves for depreciation, depletion, amortization and lease impairment	11,213	10,197
Property, plant and equipment — net	15,754	14,634
GOODWILL	1,225	1,225
DEFERRED INCOME TAXES	2,704	1,873
OTHER ASSETS	326	356
TOTAL ASSETS	$ 30,739	$ 26,131
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 7,804	$ 5,741
Accrued liabilities	2,030	1,638
Taxes payable	1,335	583
Current maturities of long-term debt	68	62
Total current liabilities	11,237	8,024
LONG-TERM DEBT	3,877	3,918
DEFERRED INCOME TAXES	2,463	2,362
ASSET RETIREMENT OBLIGATIONS	1,062	1,016
OTHER LIABILITIES	998	1,037
Total liabilities	19,637	16,357
STOCKHOLDERS' EQUITY		
Preferred stock, par value $1.00, 20,000 shares authorized		
3% cumulative convertible series		
Authorized — 330 shares		
Issued — 284 shares ($14 million liquidation preference)	—	—
Common stock, par value $1.00		
Authorized — 600,000 shares		
Issued — 325,336 shares at June 30, 2008; 320,600 shares at December 31, 2007	325	321
Capital in excess of par value	2,038	1,882
Retained earnings	11,007	9,412
Accumulated other comprehensive income (loss)	(2,268)	(1,841)
Total stockholders' equity	11,102	9,774
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 30,739	$ 26,131

See accompanying notes to consolidated financial statements.

PART I — FINANCIAL INFORMATION (CONT'D.)

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
STATEMENT OF CONSOLIDATED CASH FLOWS (UNAUDITED)
(In millions)

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,659	$ 927
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization	934	681
Exploratory dry hole costs and lease impairment	105	47
Pre-tax gain on asset sales	—	(21)
(Benefit) provision for deferred income taxes	(112)	6
(Undistributed) distributed earnings of HOVENSA L.L.C., net	79	(12)
Changes in other operating assets and liabilities	202	210
Net cash provided by operating activities	2,867	1,838
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(2,005)	(2,038)
Proceeds from asset sales	—	93
Other	39	(3)
Net cash used in investing activities	(1,966)	(1,948)
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt with maturities of greater than 90 days		
Borrowings	297	563
Repayments	(332)	(344)
Cash dividends paid	(97)	(95)
Employee stock options exercised	103	85
Net cash provided by (used in) financing activities	(29)	209
NET INCREASE IN CASH AND CASH EQUIVALENTS	872	99
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	607	383
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,479	$ 482

See accompanying notes to consolidated financial statements.

PART I — FINANCIAL INFORMATION (CONT'D.)

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

The financial statements included in this report reflect all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of Hess Corporation's (the Corporation) consolidated financial position at June 30, 2008 and December 31, 2007, and the consolidated results of operations and the consolidated cash flows for the three and six month periods ended June 30, 2008 and 2007. The unaudited results of operations for the interim periods reported are not necessarily indicative of results to be expected for the full year.

The financial statements were prepared in accordance with the requirements of the Securities and Exchange Commission (SEC) for interim reporting. As permitted under those rules, certain notes or other financial information that are normally required by U.S. generally accepted accounting principles (GAAP) have been condensed or omitted from these interim financial statements. These statements, therefore, should be read in conjunction with the consolidated financial statements and related notes included in the Corporation's
Form 10-K for the year ended December 31, 2007.

Effective January 1, 2008, the Corporation adopted Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements* (FAS 157) for financial assets and liabilities that are required to be measured at fair value. FAS 157 established a framework for measuring fair value and requires disclosure of a fair value hierarchy (see Note 8, "Fair Value Measurements"). The impact of adopting FAS 157 was not material to the Corporation's results of operations. Upon adoption, the Corporation recorded a reduction in the net deferred hedge losses reflected in accumulated other comprehensive income, which increased stockholders' equity by approximately $190 million, after income taxes.

In December 2007, the FASB issued FAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements-an amendment of ARB No. 51* (FAS 160). FAS 160 changes the accounting for and reporting of noncontrolling interests in a subsidiary. The Corporation is currently evaluating the impact of adoption on its financial statements and, as required, will adopt the provisions of FAS 160 effective January 1, 2009.

2. Inventories

Inventories consist of the following (in millions):

	June 30, 2008	December 31, 2007
Crude oil and other charge stocks	$ 509	$ 338
Refined products and natural gas	2,030	1,577
Less: LIFO adjustment	(1,481)	(1,029)
	1,058	886
Merchandise, materials and supplies	415	364
Total inventories	$ 1,473	$ 1,250

PART I — FINANCIAL INFORMATION (CONT'D.)

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

3. Refining Joint Venture

The Corporation accounts for its investment in HOVENSA L.L.C. (HOVENSA) using the equity method.

Summarized financial information for HOVENSA follows (in millions):

	June 30, 2008	December 31, 2007
Summarized balance sheet		
Cash and short-term investments	$ 537	$ 279
Other current assets	1,323	1,183
Net fixed assets	2,164	2,181
Other assets	74	62
Current liabilities	(1,994)	(1,459)
Long-term debt	(356)	(356)
Deferred liabilities and credits	(86)	(75)
Members' equity	$ 1,662	$ 1,815

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Summarized income statement				
Total sales	$ 5,438	$ 2,800	$ 9,739	$ 5,642
Cost and expenses	(5,474)	(2,638)	(9,793)	(5,366)
Net income (loss)	$ (36)	$ 162	$ (54)	$ 276
Hess Corporation's share, before income taxes	$ (19)	$ 81	$ (29)	$ 137

During the first half of 2008 and 2007, the Corporation received cash distributions from HOVENSA of $50 million and $125 million, respectively.

4. Capitalized Exploratory Well Costs

The following table discloses the net changes in capitalized exploratory well costs pending determination of proved reserves for the six months ended June 30, 2008 (in millions):

Balance at beginning of period	$ 608
Additions to capitalized exploratory well costs pending the determination of proved reserves	264
Reclassifications to wells, facilities, and equipment based on the determination of proved reserves	(6)
Capitalized exploratory well costs charged to expense	(7)
Balance at end of period	$ 859

The preceding table excludes costs related to exploratory dry holes of $51 million which were incurred and subsequently expensed in 2008. Capitalized exploratory well costs greater than one year old after completion of drilling were $406 million as of June 30, 2008 and $304 million as of December 31, 2007.

PART I — FINANCIAL INFORMATION (CONT'D.)

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

5. Long-Term Debt and Capitalized Interest

At June 30, 2008, the Corporation classified an aggregate of $536 million of borrowings under short-term credit facilities as long-term debt, based on the available capacity under its $3 billion syndicated revolving credit facility, substantially all of which is committed through May 2012.

Capitalized interest on development projects amounted to the following (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Capitalized interest	$ 1	$ 16	$ 2	$ 31

6. Foreign Currency

Pre-tax foreign currency gains (losses) amounted to the following (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Foreign currency gain (losses)	$ 11	$ —	$ 44	$ (6)

The pre-tax amount of foreign currency gains (losses) is included in other, net within revenues and non-operating income.

7. Retirement Plans

Components of net periodic pension cost consisted of the following (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Service cost	$ 10	$ 9	$ 20	$ 18
Interest cost	20	17	40	34
Expected return on plan assets	(20)	(17)	(40)	(34)
Amortization of net loss	3	5	6	10
Pension expense	$ 13	$ 14	$ 26	$ 28

In 2008, the Corporation expects to contribute approximately $75 million to its funded pension plans and $25 million to the trust established for its unfunded pension plan. Through June 30, 2008, the Corporation contributed $61 million to its pension plans.

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

8. Fair Value Measurements

The Corporation adopted the provisions of FAS 157 effective January 1, 2008 (see Note 1, "Basis of Presentation"). FAS 157 establishes a hierarchy for the inputs used to measure fair value based on the source of the input, which generally range from quoted prices for identical instruments in a principal trading market (Level 1) to estimates determined using related market data (Level 3). Multiple inputs may be used to measure fair value, however, the level of fair value for each financial asset or liability presented below is based on the lowest significant input level within this fair value hierarchy. The following table provides the fair value hierarchy of the Corporation's financial assets and (liabilities) as of June 30, 2008 (in millions):

	Level 1	Level 2	Level 3	Collateral and counterparty netting	Total
Supplemental pension plan investments	$ 80	$ —	$ 17	$ —	$ 97
Derivative contracts					
Assets	473	2,302	1,026	(2,012)	1,789
Liabilities	(430)	(5,918)	(484)	1,900	(4,932)

Details on the methods and assumptions used to determine the fair values of the financial assets and liabilities are as follows:

Fair value measurements based on Level 1 inputs:

Measurements that are most observable are based on quoted prices of identical instruments obtained from the principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to assure liquidity. The fair value of certain of the Corporation's exchange traded futures and options are considered Level 1. In addition, fair values for the majority of the pension investments are considered Level 1, since they are determined using quotations from national securities exchanges.

Fair value measurements based on Level 2 inputs:

Measurements derived indirectly from observable inputs or from quoted prices from markets that are less liquid are considered Level 2. Measurements based on Level 2 inputs include over-the-counter derivative instruments that are priced on an exchange traded curve, but have contractual terms that are not identical to exchange traded contracts. The Corporation utilizes fair value measurements based on Level 2 inputs for certain forwards, swaps and options. The liability related to the Corporation's crude oil hedging program is classified as Level 2.

Fair value measurements based on Level 3 inputs:

Measurements that are least observable are estimated from related market data or determined from sources with little or no market activity for comparable contracts. For example, in its energy marketing business, the Corporation sells natural gas and electricity to customers and offsets the price exposure by purchasing forward contracts. The fair value of these sales and purchases may be based on specific prices at less liquid delivered locations, which are classified as Level 3. There may be offsets to these positions that are priced based on more liquid markets, which are, therefore, classified as Level 1 or Level 2.

PART I — FINANCIAL INFORMATION (CONT'D.)

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The following table provides changes in financial assets and liabilities that are measured at fair value based on Level 3 inputs for the three and six months ended June 30, 2008 (in millions):

	Three months ended June 30,	Six months ended June 30,
Balance at beginning of period	$ 336	$ (4)
Unrealized gains (losses)		
Included in earnings (*)	(98)	(23)
Included in other comprehensive income	431	605
Purchases, sales or other settlements during the period	(29)	35
Net transfers in to (out of) Level 3	(81)	(54)
Balance at end of period	$ 559	$ 559

(*) Reflected in sales and other operating revenue.

9. Weighted Average Common Shares

The weighted average number of common shares used in the basic and diluted earnings per share computations are as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Common shares — basic	320,936	311,971	319,167	311,225
Effect of dilutive securities				
Stock options	3,192	2,798	3,343	2,899
Restricted common stock	1,515	3,203	1,945	3,181
Convertible preferred stock	534	608	534	608
Common shares — diluted	326,177	318,580	324,989	317,913

10. Comprehensive Income

Comprehensive income (loss) was as follows (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Net income	$ 900	$ 557	$ 1,659	$ 927
Deferred gains (losses) on cash flow hedges, after tax				
Effect of hedge losses recognized in income	100	69	187	111
Net change in fair value of cash flow hedges	(722)	(192)	(653)	(176)
Change in minimum postretirement plan liabilities, after tax	2	4	5	8
Change in foreign currency translation adjustment and other	3	9	33	6
Comprehensive income	$ 283	$ 447	$ 1,231	$ 876

The Corporation reclassifies hedging gains and losses included in other comprehensive income (loss) to earnings at the time the hedged transactions are recognized. Hedging decreased Exploration and Production results for the three and six months ended June 30, 2008 by $234 million ($144 million after income taxes) and $386 million ($239 million after income taxes), respectively. For the three and six months ended June 30, 2007, hedging decreased Exploration and Production results by $93 million ($56 million after income taxes) and $157 million ($95 million after income taxes), respectively.

PART I — FINANCIAL INFORMATION (CONT'D.)

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At June 30, 2008, accumulated other comprehensive income (loss) included net after-tax unrealized deferred losses of $2,138 million, primarily related to crude oil contracts used as hedges of future Exploration and Production sales. The pre-tax amount of any deferred hedge losses and gains is reflected in accounts payable and accounts receivable, respectively, and the related income tax impact is recorded in deferred income taxes on the balance sheet.

11. Segment Information

The Corporation's results by operating segment were as follows (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Operating revenues				
Exploration and Production	$ 3,234	$ 1,916	$ 5,886	$ 3,480
Marketing and Refining	8,564	5,558	16,647	11,367
Less: Transfers between affiliates	(81)	(53)	(149)	(107)
Total (*)	$ 11,717	$ 7,421	$ 22,384	$ 14,740
Net income (loss)				
Exploration and Production	$ 1,025	$ 505	$ 1,849	$ 845
Marketing and Refining	(52)	122	(36)	223
Corporate, including interest	(73)	(70)	(154)	(141)
Total	$ 900	$ 557	$ 1,659	$ 927

(*) Operating revenues exclude excise and similar taxes of approximately $550 million and $500 million in the second quarter of 2008 and 2007, respectively, and $1,050 million and $950 million during the first half of 2008 and 2007, respectively.

Identifiable assets by operating segment were as follows (in millions):

	June 30, 2008	December 31, 2007
Exploration and Production	$ 19,402	$ 17,008
Marketing and Refining	7,702	6,667
Corporate	3,635	2,456
Total	$ 30,739	$ 26,131

PART I — FINANCIAL INFORMATION (CONT'D.)

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition.

Overview

Hess Corporation (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 was $900 million for the second quarter of 2008, compared with $557 million in the second quarter of 2007.

Exploration and Production: E&P earnings were $1,025 million for the second quarter of 2008, compared with $505 million in the second quarter of 2007. The increase in earnings primarily reflects higher average selling prices and natural gas production volumes, partially offset by higher operating and exploration costs.

Worldwide crude oil and natural gas production was 393,000 barrels of oil equivalent per day (boepd) in the second quarter of 2008 compared with 378,000 boepd in the same period of 2007. The Corporation anticipates that its production for the full year of 2008 will average between 380,000 and 390,000 boepd.

In the second quarter of 2008, the Corporation's average worldwide crude oil selling price, including the effect of hedging, was $104.29 per barrel compared with $60.05 per barrel in the second quarter of 2007. The Corporation's average worldwide natural gas selling price, including the effect of hedging, was $7.81 per Mcf in the second quarter of 2008 compared with $4.88 per Mcf in the second quarter of 2007.

The following is an update of Exploration and Production activities during the second quarter of 2008:

- In the deepwater Gulf of Mexico, development of the Shenzi Field (Hess 28%) progressed with installation of the tension leg platform hull and topsides on location. Installation of subsea facilities is ongoing and commissioning and first production are expected in the first half of 2009.
- In Indonesia, development of the oil leg at the Ujung Pangkah Field (Hess 75%) is continuing. Construction of the offshore platforms and onshore processing facilities is on schedule and oil production is expected to commence in the first half of 2009.
- In June 2008, the Corporation successfully completed drilling an appraisal well at its Pony discovery (Hess 100%) located on Green Canyon Block 468 in the deepwater Gulf of Mexico. The Corporation is evaluating development options for production from the Pony prospect before making a final investment decision.
- In June 2008, the Corporation's Glencoe-1 exploration well on Block WA-390-P (Hess 100%) located in Australia's Northwest Shelf, encountered 92 feet of net natural gas pay. In addition, in July 2008, the Briseis-1 exploration well encountered 151 feet of net natural gas pay on the same block. The Corporation plans to drill two additional exploration wells on this block in 2008. The next well, Nimblefoot-1, will be drilled about 14 kilometers southwest of the Glencoe-1 discovery and is expected to spud in August.

PART I — FINANCIAL INFORMATION (CONT'D.)

Overview (continued)

- In the fourth quarter of 2008, the Corporation expects to spud deepwater wells on Block 54 (Hess 100%) in Libya, Cape Three Points (Hess 100%) in Ghana, and BM-S-22 (Hess 40%) in Brazil.
- In the Williston Basin of North Dakota, the Corporation increased its net acreage position in the Bakken Play to approximately 500,000 acres. The Corporation currently has seven rigs operating in the Bakken and will add one additional rig in the fourth quarter.

Marketing and Refining: M&R results generated a loss of $52 million in the second quarter of 2008, compared with income of $122 million in the second quarter of 2007, primarily due to lower margins and trading results. The Corporation received a cash distribution of $25 million from HOVENSA in the second quarter of 2008.

Results of Operations

The after-tax results by major operating activity were as follows (in millions, except per share data):

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Exploration and Production	$ 1,025	$ 505	$ 1,849	$ 845
Marketing and Refining	(52)	122	(36)	223
Corporate	(33)	(32)	(72)	(63)
Interest expense	(40)	(38)	(82)	(78)
Net income	$ 900	$ 557	$ 1,659	$ 927
Net income per share (diluted)	$ 2.76	$ 1.75	$ 5.11	$ 2.92

Items Affecting Comparability Between Periods

The following items of income, on an after-tax basis, affect the comparability of earnings between periods (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Exploration and Production				
Gain from asset sales	$ —	$ 15	$ —	$ 15

During the second quarter of 2007, the Corporation recorded a net gain of $15 million ($21 million before income taxes) related to the sale of its interests in the Scott and Telford fields located in the United Kingdom.

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 preferable to pre-tax amounts for explaining variances in earnings, since they show the entire effect of a transaction. After-tax amounts are determined by applying the appropriate income tax rate in each tax jurisdiction to pre-tax amounts.

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PART I — FINANCIAL INFORMATION (CONT'D.)

Results of Operations (continued)

Comparison of Results

Exploration and Production

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

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Sales and other operating revenues(*)	$ 3,075	$ 1,802	$ 5,682	$ 3,313
Non-operating income	22	28	69	22
Total revenues	3,097	1,830	5,751	3,335
Cost and expenses				
Production expenses, including related taxes	494	377	918	724
Exploration expenses, including dry holes and lease impairment	158	90	310	183
General, administrative and other expenses	73	62	136	119
Depreciation, depletion and amortization	462	337	896	646
Total costs and expenses	1,187	866	2,260	1,672
Results of operations before income taxes	1,910	964	3,491	1,663
Provision for income taxes	885	459	1,642	818
Results of operations	$ 1,025	$ 505	$ 1,849	$ 845

(*) Amounts differ from E&P operating revenues in Note 11 "Segment Information" primarily due to the exclusion of sales of hydrocarbons purchased from unrelated third parties.

Selling prices: Higher average realized selling prices of crude oil and natural gas increased Exploration and Production revenues by approximately $1,250 million and $2,175 million in the second quarter and first half of 2008, respectively, compared with the corresponding periods of 2007. The Corporation's average selling prices were as follows:

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Average selling prices				
Crude oil — per barrel (including hedging)				
United States	$120.23	$61.41	$106.42	$57.46
Europe	104.98	58.94	93.32	54.98
Africa	97.32	58.02	88.44	53.68
Asia and other	120.59	70.73	106.28	65.08
Worldwide	104.29	60.05	93.75	55.66

PART I — FINANCIAL INFORMATION (CONT'D.)

Results of Operations (continued)

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Crude oil — per barrel (excluding hedging)				
United States	$120.23	$61.41	$106.42	$57.46
Europe	104.98	58.94	93.32	54.98
Africa	117.49	67.04	105.98	62.22
Asia and other	120.59	70.73	106.28	65.08
Worldwide	113.79	63.94	101.66	59.13
Natural gas liquids — per barrel				
United States	$ 76.60	$47.97	$ 70.71	$45.36
Europe	92.67	58.26	85.78	52.44
Worldwide	81.52	51.68	74.90	48.06
Natural gas — per Mcf (including hedging)				
United States	$ 11.00	$ 7.24	$ 9.69	$ 7.22
Europe	10.33	4.54	9.61	4.66
Asia and other	5.23	4.42	5.12	4.49
Worldwide	7.81	4.88	7.43	4.95
Natural gas — per Mcf (excluding hedging)				
United States	$ 11.00	$ 7.24	$ 9.69	$ 7.22
Europe	10.84	4.54	9.90	4.66
Asia and other	5.23	4.42	5.12	4.49
Worldwide	8.01	4.88	7.55	4.95

Crude oil and natural gas hedges reduced Exploration and Production earnings by $144 million and $239 million in the second quarter and first half of 2008 ($234 million and $386 million before income taxes). Crude oil hedges reduced Exploration and Production earnings by $56 million and $95 million in the second quarter and first half of 2007 ($93 million and $157 million before income taxes).

Sales and production volumes: The Corporation's crude oil and natural gas production, on a barrel of oil equivalent basis, was 393,000 boepd in the second quarter of 2008 compared with 378,000 boepd in the same period of 2007. Production in the first half of 2008 was 392,000 boepd compared with 380,000 boepd in the first half of 2007. The Corporation anticipates that its production for the full year of 2008 will average between 380,000 boepd and 390,000 boepd.

The Corporation's net daily worldwide production by region was as follows (in thousands):

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Crude oil (barrels per day)				
United States	36	31	36	30
Europe	83	96	83	103
Africa	128	115	123	107
Asia and other	12	26	15	20
Total	259	268	257	260
Natural gas liquids (barrels per day)				
United States	11	10	11	10
Europe	4	4	4	5
Total	15	14	15	15

PART I — FINANCIAL INFORMATION (CONT'D.)

Results of Operations (continued)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Natural gas (Mcf per day)				
United States	83	86	88	88
Europe	267	212	282	280
Asia and other	364	277	353	260
Total	714	575	723	628
Barrels of oil equivalent per day (*)	393	378	392	380

(*) Natural gas production is converted assuming six Mcf equals one barrel.

United States: Crude oil production in the United States was higher in the second quarter and first half of 2008, principally due to production from new wells in North Dakota and the deepwater Gulf of Mexico.

Europe: Crude oil production in Europe in the second quarter and first half of 2008 was lower than the comparable periods of 2007, reflecting the sale of the Corporation's interests in the Scott and Telford fields in the United Kingdom, cessation of production at the Fife Field and natural decline. Natural gas production in the second quarter of 2008 was higher than in the second quarter of 2007, principally reflecting increased production from the Cromarty Field in the United Kingdom, which was shut-in in the second quarter of 2007 in response to market conditions.

Africa: Higher crude oil production in the second quarter and first half of 2008 was due to the ramp-up of the Okume Complex in Equatorial Guinea, partially offset by a lower entitlement to Algerian production.

Asia and other: Crude oil production in Asia was lower in the second quarter and first half of 2008 reflecting a reduced entitlement to production in Azerbaijan. Natural gas production increased in the second quarter and first half of 2008, principally due to production from the Pangkah Field in Indonesia, which commenced in April 2007, and increased production from Block A-18 of the Joint Development Area of Malaysia and Thailand (JDA).

Sales volumes: Higher crude oil sales volumes increased revenue by approximately $25 million in the second quarter and $200 million in the first half of 2008 compared with the corresponding periods of 2007.

Operating costs and depreciation, depletion and amortization: Cash operating costs, consisting of production expenses and general and administrative expenses, increased by $128 million and $211 million in the second quarter and first half of 2008 compared with the corresponding periods of 2007. The increases principally reflect higher production volumes, increased production taxes, higher costs of services and materials and increased employee related costs. Depreciation, depletion and amortization charges were higher in 2008 reflecting higher production volumes and per barrel rates.

Exploration expenses: Exploration expenses were higher in the second quarter and first half of 2008 compared with the corresponding periods of 2007, reflecting higher dry hole costs and increased costs of seismic studies. The Corporation's planned exploratory drilling activities are expected to increase in the second half of the year.

Income Taxes: The effective income tax rate for Exploration and Production operations in the first half of 2008 was 47% compared with 49% in the first half of 2007. The effective income tax rate for Exploration and Production operations for the full year of 2008 is expected to be in the range of 47% to 51%.

PART I — FINANCIAL INFORMATION (CONT'D.)

Results of Operations (continued)

Other: The after-tax foreign currency gain related to Exploration and Production activities was $1 million in the second quarter of 2008 compared with a loss of $6 million in the second quarter of 2007. The after-tax foreign currency gain was $12 million for the six months ended June 30, 2008 and a loss of $9 million for the six months ended June 30, 2007.

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

Marketing and Refining

Results from Marketing and Refining activities amounted to a loss of $52 million and $36 million in the second quarter and first half of 2008, respectively, compared with income of $122 million and $223 million in the second quarter and first half of 2007, respectively. The Corporation's downstream operations include HOVENSA L.L.C. (HOVENSA), a 50% owned refining joint venture with a subsidiary of Petroleos de Venezuela S.A. (PDVSA), which 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 operations generated income of $3 million in the second quarter of 2008 and were breakeven in the first half of 2008 compared with income of $87 million in the second quarter of 2007 and $141 million in the first half of 2007. The Corporation's share of HOVENSA's results, after income taxes, was a loss of $12 million in the second quarter of 2008 compared with income of $49 million in the second quarter of 2007. The Corporation's share of HOVENSA's results, after income taxes, was a loss of $18 million in the first half of 2008 compared with income of $84 million in 2007, principally reflecting lower refining margins.

At June 30, 2008, the remaining balance of the PDVSA note was $46 million, which is scheduled to be fully repaid by February 2009. Interest income on the PDVSA note after income taxes was $1 million in the second quarter and $2 million in the first half of 2008 compared with $1 million in the second quarter and $3 million in the first half of 2007.

Port Reading's after tax earnings were $14 million and $16 million in the second quarter and first half of 2008 compared with $35 million and $52 million in the corresponding periods of 2007, reflecting lower margins.

The following table summarizes refinery capacity and utilization rates:

	Refinery capacity (thousands of barrels per day)	Refinery utilization			
		Three months ended June 30,		Six months ended June 30,	
		2008	2007	2008	2007
HOVENSA					
Crude	500	94.2%	79.4%	91.6%	86.7%
Fluid catalytic cracker	150	73.1%	87.9%	73.7%	90.5%
Coker	58	99.5%	53.3%*	95.5%	70.8%
Port Reading	70**	91.3%	97.9%	89.2%	91.4%

* Coker utilization reflects a planned 30 day turnaround.

** Refinery utilization in 2007 is based on a capacity of 65,000 barrels per day.

PART I — FINANCIAL INFORMATION (CONT'D.)

Results of Operations (continued)

Marketing: Marketing operations, which consist principally of energy marketing and retail gasoline operations, generated a loss of $40 million in the second quarter of 2008 compared with breakeven results in the second quarter of 2007. Marketing operations had a loss of $8 million in the first half of 2008 compared with earnings of $43 million in the first half of 2007. The decreases principally reflect lower margins on refined product sales. Total refined product sales volumes were 475,000 barrels per day in the first half of 2008 and 452,000 barrels per day in the first half of 2007.

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 a loss of $15 million in the second quarter and $28 million in the first half of 2008 compared with income of $35 million in the second quarter of 2007 and $39 million in the first half of 2007.

Marketing expenses increased in the second quarter and first half of 2008 compared with the corresponding periods of 2007, principally reflecting growth in energy marketing activities, higher credit card fees in retail gasoline operations and increased transportation costs.

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

After-tax corporate expenses were $33 million in the second quarter of 2008 and $72 million in the first half of 2008 compared with $32 million in the second quarter and $63 million in the first half of 2007. The increase principally reflects higher employee related expenses and professional fees.

Interest

Interest expense was as follows (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Total interest incurred	$ 66	$ 78	$ 134	$ 157
Less: capitalized interest	1	16	2	31
Interest expense before income taxes	65	62	132	126
Less: income taxes	25	24	50	48
After-tax interest expense	$ 40	$ 38	$ 82	$ 78

The decrease in interest incurred in 2008 principally reflects lower average debt. The decrease in capitalized interest in 2008 reflects the completion of several development projects in 2007.

Sales and Other Operating Revenues

Sales and other operating revenues increased by 58% in the second quarter and 52% in the first half of 2008 compared with the corresponding periods of 2007, primarily due to higher crude oil and refined product selling prices and increased sales of electricity. The increase in cost of goods sold principally reflects higher refined product costs and increased purchases of electricity.

PART I — FINANCIAL INFORMATION (CONT'D.)

Liquidity and Capital Resources

The following table sets forth certain relevant measures of the Corporation's liquidity and capital resources (in millions, except ratios):

	June 30, 2008	December 31, 2007
Cash and cash equivalents	$ 1,479	$ 607
Current portion of long-term debt	68	62
Total debt	3,945	3,980
Stockholders' equity	11,102	9,774
Debt to capitalization ratio(*)	26.2%	28.9%

(*) 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 (in millions):

	Six months ended June 30, 2008	Six months ended June 30, 2007
Net cash provided by (used in):		
Operating activities	$ 2,867	$ 1,838
Investing activities	(1,966)	(1,948)
Financing activities	(29)	209
Net increase in cash and cash equivalents	$ 872	$ 99

Operating Activities: Net cash provided by operating activities, including changes in operating assets and liabilities, amounted to $2,867 million in the first half of 2008 compared with $1,838 million in 2007, reflecting increased earnings. In the first half of 2008, the Corporation received a cash distribution of $50 million from HOVENSA compared with $125 million in 2007.

Investing Activities: The following table summarizes the Corporation's capital expenditures (in millions):

	Six months ended June 30, 2008	Six months ended June 30, 2007
Exploration and Production	$ 1,938	$ 1,982
Marketing, Refining and Corporate	67	56
Total	$ 2,005	$ 2,038

In the first half of 2007, proceeds from the sale of the Corporation's interests in the Scott and Telford fields in the United Kingdom were $93 million.

Financing Activities: In the first half of 2008, there was a net decrease in borrowings of $35 million from year-end 2007. Dividends paid were $97 million in the first half of 2008 ($95 million in the first half of 2007). During the first half of 2008, the Corporation received proceeds from the exercise of stock options totaling $103 million ($85 million in the same period of 2007).

PART I — FINANCIAL INFORMATION (CONT'D.)

Liquidity and Capital Resources (continued)

Future Capital Requirements and Resources

The Corporation anticipates investing a total of approximately $5 billion in capital and exploratory expenditures during 2008, of which $4.9 billion relates to Exploration and Production operations. The Corporation expects that it will fund its 2008 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.

At June 30, 2008, the Corporation has $2,718 million of available borrowing capacity under its $3 billion syndicated revolving credit facility (the Revolver), substantially all of which is committed through May 2012. Outstanding borrowings under the Revolver were $281 million at June 30, 2008 compared with $220 million at December 31, 2007. In addition, at June 30, 2008, the Corporation had $336 million in outstanding borrowings and $534 million of outstanding letters of credit under its 364-day asset-backed credit facility (the Asset-backed Facility) compared with $250 million and $534 million, respectively, at December 31, 2007. The borrowings and outstanding letters of credit under the Asset-backed Facility were collateralized by approximately $1,360 million of Marketing and Refining accounts receivable. These receivables are not available to pay the general obligations of the Corporation before satisfaction of the Corporation's obligations under the Asset-backed Facility. At June 30, 2008, the Corporation classified an aggregate of $536 million of borrowings under short-term credit facilities and the Asset-backed Facility as long-term debt, based on the available capacity under the Revolver.

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 were as follows (in millions):

	June 30, 2008	December 31, 2007
Lines of Credit		
Revolving credit facility	$ 1	$ —
Asset backed credit facility	534	534
Committed short-term letter of credit facilities	2,218	995
Uncommitted lines	1,219	1,510
	$ 3,972	$ 3,039

A loan agreement covenant based on the Corporation's debt to equity ratio allows the Corporation to borrow up to an additional $14.6 billion for the construction or acquisition of assets at June 30, 2008. The Corporation has the ability to borrow up to an additional $2.8 billion of secured debt at June 30, 2008 under the loan agreement covenants.

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 $491 million at June 30, 2008. The Corporation's June 30, 2008 debt to capitalization ratio would increase from 26.2% to 28.5% if the leases were included as debt.

PART I — FINANCIAL INFORMATION (CONT'D.)

Liquidity and Capital Resources (continued)

The Corporation guarantees the payment of up to 50% of HOVENSA's crude oil purchases from suppliers other than PDVSA. At June 30, 2008, the guarantee amounted to $192 million. This amount fluctuates based on the volume of crude oil purchased and related prices. 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.

Change in Accounting Policies

Effective January 1, 2008, the Corporation adopted Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements* (FAS 157) for financial assets and liabilities that are required to be measured at fair value. FAS 157 established a framework for measuring fair value and requires disclosure of a fair value hierarchy (see Note 8, "Fair Value Measurements"). The impact of adopting FAS 157 was not material to the Corporation's results of operations. Upon adoption, the Corporation recorded a reduction in the net deferred hedge losses reflected in accumulated other comprehensive income, which increased stockholders' equity by approximately $190 million, after income taxes.

Recently Issued Accounting Standard

In December 2007, the FASB issued FAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements-an amendment of ARB No. 51* (FAS 160). FAS 160 changes the accounting for and reporting of noncontrolling interests in a subsidiary. The Corporation is currently evaluating the impact of adoption on its financial statements and, as required, will adopt the provisions of FAS 160 effective January 1, 2009.

Market Risk Disclosure

In the normal course of its business, the Corporation is exposed to commodity risks related to changes in the prices 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.

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. Generally, these contracts are widely traded instruments with standardized terms.

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 potential change in fair value based on commodity price risk is presented in the non-trading and trading sections below.

PART I — FINANCIAL INFORMATION (CONT'D.)

Market Risk Disclosure (continued)

Non-Trading: The Corporation's Exploration and Production segment uses futures and swaps to fix the selling prices of a portion of its future production and the related gains or losses are an integral part of its selling prices. Following is a summary of the Corporation's outstanding Brent crude oil hedges at June 30, 2008:

	Average Selling Price	Thousands of Barrels per Day
Maturities		
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 at June 30, 2008. At June 30, 2008, the Corporation also had outstanding United Kingdom natural gas hedges of 50 thousand Mcf per day through October 2008 at an average selling price of approximately $11.05 per Mcf. As market conditions change, the Corporation may adjust its hedge positions. The Corporation also markets energy commodities including refined petroleum products, natural gas and electricity. The Corporation uses derivatives to manage the risk in its marketing activities.

Accumulated other comprehensive income (loss) at June 30, 2008 includes after-tax unrealized deferred losses of $2,138 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 estimates that at June 30, 2008, the value-at-risk for commodity related derivatives used in non-trading activities was $135 million compared with $72 million at December 31, 2007. The results may vary from time to time as hedge levels change.

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.

Total net realized losses for the first half of 2008 amounted to $259 million ($60 million of realized gains for the first half of 2007). The following table provides an assessment of the factors affecting the changes in fair value of trading activities (in millions):

	2008	2007
Fair value of contracts outstanding at January 1	$ 154	$ 365
Change in fair value of contracts outstanding at the beginning of the year and still outstanding at June 30	511	(28)
Reversal of fair value for contracts closed during the period	22	(30)
Fair value of contracts entered into during the period and still outstanding	(339)	119
Fair value of contracts outstanding at June 30	$ 348	$ 426

PART I — FINANCIAL INFORMATION (CONT'D.)

Market Risk Disclosure (continued)

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 June 30, 2008 (in millions):

		Instruments Maturing			
Source of Fair Value	Total	2008	2009	2010	2011 and beyond
Prices actively quoted	$ 264	$ (413)	$ 523	$ 159	$ (5)
Other external sources	83	91	(15)	—	7
Internal estimates	1	1	—	—	—
Total	$ 348	$ (321)	$ 508	$ 159	$ 2

The Corporation estimates that at June 30, 2008, the value-at-risk for trading activities, including commodities, was $11 million compared with $10 million at December 31, 2007. The results may change from time to time as strategies change to capture potential market rate movements.

The following table summarizes the fair values of net receivables relating to the Corporation's trading activities and the credit ratings of counterparties at June 30, 2008 (in millions):

Investment grade determined by outside sources	$ 533
Investment grade determined internally (*)	178
Less than investment grade	152
Fair value of net receivables outstanding at end of period	$ 863

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

Forward-Looking Information

Certain sections of Management's Discussion and Analysis of Results of Operations and Financial Condition, 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 and market risk disclosures and off-balance sheet arrangements 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.

PART I — FINANCIAL INFORMATION (CONT'D.)

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The information required by this item is presented under Item 2, "Management's Discussion and Analysis of Results of Operations and Financial Condition — Market Risk Disclosure."

Item 4. 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 June 30, 2008, John B. Hess, Chief Executive Officer, and John P. Rielly, Chief Financial Officer, concluded that these disclosure controls and procedures were effective as of June 30, 2008.

There was no change in internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 in the quarter ended June 30, 2008 that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

PART II — OTHER INFORMATION

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

The Annual Meeting of Stockholders of the Registrant was held on May 7, 2008. The Inspectors of Election reported that 284,667,801 shares of common stock of the Registrant were represented in person or by proxy at the meeting, constituting 88% of the votes entitled to be cast. At the meeting, stockholders voted on:

- The election of five nominees for the Board of Directors for the three-year term expiring in 2011.
- The ratification of the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as the independent registered public accounting firm of the Registrant for the fiscal year ending December 31, 2008.
- A proposal to amend the Registrant's Certificate of Incorporation and By-Laws to declassify the Board of Directors.
- A proposal to approve the Registrant's 2008 Long-Term Incentive Plan.

With respect to the election of directors, the inspector of election reported as follows:

Name	For Nominee Listed	Withholding Authority to Vote For Nominee Listed
Edith E. Holiday	277,728,970	6,938,831
John H. Mullin	282,525,666	2,142,135
John J. O'Connor	281,368,147	3,299,654
F. Borden Walker	281,368,758	3,299,043
Robert N. Wilson	280,435,182	4,232,619

The inspectors reported that 281,043,829 votes were cast for the ratification of the selection of Ernst & Young LLP as the independent auditors of the Registrant for the fiscal year ending December 31, 2008, 1,923,224 votes were cast against said ratification and holders of 1,700,748 votes abstained.

The inspectors reported that 245,741,757 votes were cast for the proposal to amend the certificate of incorporation and by-laws to declassify the board, constituting 76.25% of the outstanding shares and less than the 80% required for amendment, 37,112,017 votes were cast against said proposal and holders of 1,814,027 votes abstained. There were no broker non-votes with respect to this matter.

The inspectors reported that 255,032,299 votes were cast for the approval of the 2008 Long-Term Incentive Plan, 14,432,410 votes were cast against said proposal and holders of 1,798,830 votes abstained. There were 13,404,262 broker non-votes with respect to this matter.

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PART II — OTHER INFORMATION (CONT'D.)

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

10(1) 2008 Long-Term Incentive Plan, incorporated by reference to Annex B to Registrant's definitive proxy statement filed on March 27, 2008.

10(2) Forms of awards under Registrant's 2008 Long-Term Incentive Plan.

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)

b. Reports on Form 8-K

During the quarter ended June 30, 2008, Registrant filed one report on Form 8-K:

(i) Filing dated April 30, 2008 reporting under Items 2.02 and 9.01 a news release dated April 30, 2008 reporting results for the first quarter of 2008.

SIGNATURES

Pursuant to the requirements 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.

HESS CORPORATION
(REGISTRANT)

By /s/ John B. Hess
JOHN B. HESS
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER

By /s/ John P. Rielly
JOHN P. RIELLY
SENIOR VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Date: August 6, 2008

STOCK OPTION AGREEMENT

pursuant to the

HESS CORPORATION
2008 LONG-TERM INCENTIVE PLAN

* * * * *

Optionee:	FIRST NAME — LAST NAME
Grant Date:	DATE
Number of Shares of Common Stock Subject to such Option:	# OF OPTION SHARES
Per Share Exercise Price of Option:	$XX.XX

* * * * *

THIS STOCK OPTION AGREEMENT (this “Agreement”), dated as of the Grant Date specified above, is entered into by and between Hess Corporation, a Delaware corporation (the “Corporation”), and the Optionee specified above, pursuant to the Hess Corporation 2008 Long-Term Incentive Plan, as in effect and as amended from time to time (the “Plan”); and

WHEREAS, it has been determined under the Plan that it would be in the best interests of the Corporation to grant the stock option provided for herein to the Optionee as an inducement to remain in the employment of the Corporation (and/or any Subsidiary), and as an incentive for increased effort during such employment;

NOW, THEREFORE, in consideration of the mutual covenants and premises hereinafter set forth and for other good and valuable consideration, the parties hereto hereby mutually covenant and agree as follows:

1. Incorporation By Reference; Document Receipt. This Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly not intended to apply to the grant of the option hereunder), all of which terms and provisions are made a part of and incorporated in this Agreement as if each were expressly set forth mutatis mutandis herein. Any capitalized term not defined in this Agreement will have the same meaning as is ascribed thereto under the Plan. The Optionee hereby acknowledges receipt of a prospectus describing the Plan and the Awards thereunder and that the Optionee has read it carefully and fully understands its content. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan will control.

2. Grant of Options. As of the Grant Date specified above, the Corporation hereby grants to the Optionee non-qualified stock options (each, an “Option” and collectively, the “Options”) to acquire from the Corporation at the Per Share Exercise Price specified above for such Option the aggregate number of shares of the Common Stock of the Corporation specified above for such Option (the "Option Shares"). The Options are not to be treated as (and are not intended to qualify as) incentive stock options within the meaning of Section 422 of Code.

3. No Rights as Stockholder or to Cash Payments Equivalent to Dividends. Prior to the acquisition of the Option Shares upon the exercise of any Option, neither the Optionee nor any other person will become the beneficial owner of the Option Shares underlying the Option, nor have any rights as a stockholder with respect to any such Option Shares and will not be entitled to receive a cash payment or other distribution with respect to such Option Shares.

4. Exercise of this Option.

4.1 Unless the exercisability of any Option is accelerated under the terms of the Plan or this Agreement, all Options not theretofore terminated will become exercisable as follows: (i) one-third of the Option Shares (rounded to the nearest whole number of shares) will become exercisable on the first anniversary of the Grant Date (ii) one-third of the Option Shares (rounded to the nearest whole number of shares) will become exercisable on the second anniversary of the Grant Date and (iii) the remainder of the Option Shares will become exercisable on the third anniversary of the Grant Date.

4.2 Unless earlier terminated in accordance with the terms of the Plan or this Agreement, all Options will expire and no longer be exercisable upon the tenth anniversary of the Grant Date (the "Expiration Date").

4.3 In no event will any Option be exercisable for a fractional share of Common Stock.

4.4 If the Optionee remains employed by the Corporation or any of its Subsidiaries through the Expiration Date, the Options may be exercised to the extent exercisable until the close of trading (generally 4:00 p.m. New York time) on the last trading day falling within the exercise period on the New York Stock Exchange or, if different, the principal stock exchange on which the Common Stock is then listed. Thus if the Expiration Date is not a trading day, then the last day the Stock Options may be exercised is the last trading day preceding the Expiration Date.

5. Method of Exercise and Payment. Once exercisable, an Option may be exercised in whole or in part by the Optionee by delivering to the Secretary of the Corporation or his designated agent (who, for so long as the Corporation maintains a "cashless exercise" program and the Optionee exercises and sells Option Shares through such program, shall be the administrator of such program) on any business day (the "Exercise Date") a notice, in such manner and form as may be required by the Corporation, specifying the number of the Option Shares the Optionee then desires to acquire (the "Exercise Notice"). The Exercise Notice will be accompanied by payment of the aggregate Per Share Exercise Price applicable to such Option for such number of the Option Shares to be acquired upon such exercise. Such payment will be made in cash, by personal or certified check, bank draft or money order payable to the order of the Corporation or, if permitted by the Committee (in its sole discretion) and applicable law, rule or regulation, by delivery of, alone or in conjunction with a partial cash or instrument payment, (a) Shares already owned by the Participant for at least six months, or (b) some other form of payment acceptable to the Committee. To the extend permitted by law, the Committee may also allow the Optionee to simultaneously exercise an Option and sell the Shares thereby acquired pursuant to a "cashless exercise" arrangement or program, selected by and approved of in all respects in advance by the Committee. Payment instruments will be received by the Corporation subject to collection. The proceeds received by the Corporation upon the exercise of any Option may be used by the Corporation for general corporate purposes. Any portion of an Option that is exercised may not be exercised again. Upon exercise in accordance with the terms of the Plan and this Agreement, the Option Shares underlying the exercised portion of the Option will be promptly delivered to the Optionee, except that for so long as the Corporation maintains a “cashless exercise” program and the Optionee exercises and sells Option Shares through such program, delivery of the proceeds of such sale shall be made to a brokerage account maintained in the name of the Optionee with the administrator of such program.

6. Termination and Forfeiture.

6.1 Unless otherwise determined by the Committee, all Options will terminate in accordance with Sections 6.2, 6.3 and 6.4 below, as the case may be. In any event, all Options will terminate upon the tenth anniversary of the Grant Date.

6.2 Subject to any determination of the Committee pursuant to Section 6.01 of the Plan, if an Optionee’s employment with the Corporation or any Subsidiary terminates for any reason (other than by reason of the Optionee’s death, disability or normal or early retirement under the Corporation’s Employees’ Pension Plan or any successor plan thereto or any similar plan maintained by a Subsidiary in which the Optionee participates) all Options, to the extent not exercisable on the date of any such termination of employment, will be forfeited and cancelled by the Corporation. The Optionee’s rights, if any, to exercise any exercisable portion of any Option will terminate sixty days after the date of any termination of employment (other than by reason of the Optionee’s death, disability, or normal or early retirement under the Corporation’s Employees’ Pension Plan or any successor plan thereto or any similar plan maintained by a Subsidiary in which the Optionee participates), but not beyond the tenth anniversary of the Grant Date, and thereafter all Options will be forfeited and cancelled by the Corporation.

6.3 If an Optionee’s employment with the Corporation or any Subsidiary terminates by reason of the Optionee’s death, disability, or normal retirement under the Corporation’s Employees’ Pension Plan or any successor plan thereto or any similar plan maintained by a Subsidiary in which the Optionee participates, the Optionee (or, in the event of the Optionee’s death, the Optionee’s estate, designated beneficiary or other legal representative, as the case may be and as determined by the Committee) shall have the right to exercise all Options at any time until the tenth anniversary of the Grant Date. The existence and date of the Optionee’s disability shall be determined by the Committee and any such determination shall be conclusive.

6.4 (a) Notwithstanding anything to the contrary in Section 6.2 above, if the Optionee’s employment with the Corporation or any Subsidiary terminates by reason of the Optionee’s early retirement under the Corporation’s Employees’ Pension Plan or any successor plan thereto or any similar plan maintained by a Subsidiary in which the Optionee participates, all Options to the extent exercisable on the date of such early retirement shall remain exercisable until the tenth anniversary of the Grant Date.

(b) Notwithstanding anything to the contrary in Section 6.2 above, if the Optionee’s employment with the Corporation or any Subsidiary terminates by reason of the Optionee’s early retirement under the Corporation’s Employees’ Pension Plan or any successor plan thereto or any similar plan maintained by a Subsidiary in which the Optionee participates, the Committee, in its sole discretion, may (but is not obligated to) determine that (i) each Option to the extent not exercisable at the time of any such early retirement will become exercisable as to a proportionate number of underlying Option Shares based on the number of calendar days elapsed (as of the date of such early retirement) in the vesting period of such Option (or portion thereof), and (ii) each such Option shall remain exercisable until the tenth anniversary of the Grant Date. Except for Options which have become exercisable as described in the prior sentence, any Option to the extent not exercisable at the time of the Optionee's termination of employment by reason of early retirement will be forfeited and cancelled by the Corporation.

6.5 For the purposes of determining the dates on which Options may be exercised following a termination of employment or death, disability, retirement or early retirement, the Stock Options may be exercised until the close of trading (generally 4:00 p.m. New York time) on the last trading day falling within the exercise period on the New York Stock Exchange or, if different, the principal stock exchange on which the Common Stock is then listed. Thus if the Option would otherwise terminate on a day that is not a trading day, then the last day the Options may be exercised is the last trading day preceding such termination date.

7. Change of Control. The Options are subject to acceleration of exercisability and "cash-out" at the discretion of the Committee upon the occurrence of a Change of Control, all as provided in and subject to Section 9 of the Plan.

8. Non-transferability. The Options, and any rights or interests therein or under this Agreement, may not be sold, exchanged, transferred, assigned or otherwise disposed of in any way at any time by the Optionee (or any beneficiary(ies) of the Optionee), except to an Immediate Family Member or to a trust, partnership or limited liability corporation all of whose beneficiaries, partners or members, as the case may be, are Immediate Family Members, or by testamentary disposition by the Optionee or the laws of descent and distribution or pursuant to Section 16 of this Agreement; provided, however, that to transfer an Option to an Immediate Family Member or to an entity described above, such Immediate Family Member or entity must agree, in a form acceptable to Committee, to be bound by the terms of the Plan and this Agreement. The Options may not be pledged, encumbered or otherwise hypothecated in any way at any time by the Optionee (or any beneficiary(ies) of the Optionee) and will not be subject to execution, attachment or similar legal process. Any attempt to sell, exchange, pledge, transfer, assign, encumber or otherwise dispose of or hypothecate this Option, or the levy of any execution, attachment or similar legal process upon this Option, contrary to the terms of this Agreement and/or the Plan will be null and void and without legal force or effect. During the Optionee's lifetime, the Options may be exercisable only by the Optionee or the Optionee's legal representative, or if transferred to an Immediate Family Member or an entity comprising Immediate Family Members as described above, by such Immediate Family Member or entity.

9. Entire Agreement; Amendment. This Agreement (including the Plan incorporated herein by reference) contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties relating to such subject matter. The Board has the right, in its sole discretion, to amend, alter, suspend, discontinue or terminate the Plan, and the Committee has the right, in its sole discretion, to amend, alter, suspend, discontinue or terminate any or all of the Options or this Agreement from time to time in accordance with and as provided in the Plan; provided, however, that no such amendment, alteration, suspension, discontinuance or termination after initial shareholder approval of the Plan may materially impair the previously accrued rights of the Optionee under this Option without the consent of the Optionee. The Corporation will give written notice to the Optionee of any such modification or amendment of this Agreement as soon as practicable after the adoption thereof. This Agreement may also be modified, amended or terminated by a writing signed by both the Corporation and the Optionee.

10. Notices. Any notice (other than an Exercise Notice) which may be required or permitted under this Agreement will be in writing, and will be delivered in person or via facsimile transmission, overnight courier service or certified mail, return receipt requested, postage prepaid, properly addressed as follows:

10.1 If the notice is to the Corporation, to the attention of the Secretary of Hess Corporation, 1185 Avenue of the Americas, New York, New York 10036, or at such other address as the Corporation by notice to the Optionee designates in writing from time to time.

10.2 If the notice is to the Optionee, at his or her address as shown on the Corporation's records, or at such other address as the Optionee, by notice to the Corporation, designates in writing from time to time.

11. Limitations; Governing Law. Nothing herein or in the Plan will be construed as conferring on the Optionee or anyone else the right to continue in the employ of the Corporation or any Subsidiary. This Agreement will be governed by and construed in accordance with the laws of the State of Delaware, without reference to the principles of conflict of laws thereof.

12. Compliance with Laws. The issuance of this Option (and the Option Shares upon exercise of this Option) pursuant to this Agreement will be subject to, and will comply with, any applicable requirements of any federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act of 1933, the Exchange Act and the respective rules and regulations promulgated thereunder), rules of any exchange on which the Common Stock is listed (including, without limitation, the rules and regulations of the New York Stock Exchange), and any other law or regulation applicable thereto. The Corporation will not be obligated to issue this Option or any of the Option Shares pursuant to this Agreement if any such issuance would violate any such requirements, and if issued will be deemed void ab initio.

13. Binding Agreement; Further Assurances. This Agreement will inure to the benefit of, be binding upon, and be enforceable by the Corporation and its successors and assigns. Each party hereto will do and perform (or will cause to be done and performed) all such further acts and will execute and deliver all such other agreements, certificates, instruments and documents as any party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan and the consummation of the transactions contemplated thereunder.

14. Counterparts; Headings. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which will constitute one and the same instrument. The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and will not be deemed to be a part of this Agreement.

15. Severability. The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction will not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder will be enforceable to the fullest extent permitted by law.

16. <u>Beneficiary</u>. The Optionee may designate the beneficiary or beneficiaries to exercise this Option (or to receive any Option Shares issuable hereunder) after the death of the Optionee. Such designation may be made by the Optionee on the enclosed beneficiary designation form and (unless the Optionee has waived such right) may be changed by the Optionee from time to time by filing a new beneficiary designation form with the Committee. If the Optionee does not designate a beneficiary or if no designated beneficiary(ies) survives the Optionee, the Optionee's beneficiary will be the legal representative of the Optionee's estate.

17. <u>Tax Withholding</u>. Neither the exercise of any Option under this Agreement, nor the issuance of any Option Shares thereunder, will be permitted or effected unless and until the Optionee (or the Optionee's beneficiary(ies) or legal representative) has made appropriate arrangements for the payment of any amounts required to be withheld with respect thereto under all present or future federal, state and local tax laws and regulations and other laws and regulations. Unless the Optionee otherwise elects or is prohibited by law, if and for so long as the Corporation maintains a cashless exercise program and the Optionee exercises and sells Option Shares through such program, payment of such amounts will be made by deducting such amounts from the proceeds of such sale.

18. <u>Terms of Employment.</u> The Plan is a discretionary plan. The Optionee hereby acknowledges that neither the Plan nor this Agreement forms part of his terms of employment and nothing in the Plan may be construed as imposing on the Corporation or any Subsidiary a contractual obligation to offer participation in the Plan to any employee of the Corporation or any Subsidiary. The Corporation or any Subsidiary is under no obligation to grant further Options to the Optionee under the Plan. If the Optionee ceases to be an employee of the Corporation or any Subsidiary for any reason, he shall not be entitled by way of compensation for loss of office or otherwise howsoever to any sum or other benefit to compensate him for the loss of any rights under this Agreement or the Plan.

19. <u>Data Protection.</u> By signing this Agreement, the Optionee consents to the holding and processing of personal data provided by the Optionee to the Corporation for all purposes necessary for the operation of the Plan. These include, but are not limited to:

19.1 Administering and maintaining Optionee records;

19.2 Providing information to any registrars, brokers or third party administrators of the Plan; and

19.3 Providing information to future purchasers of the Corporation or the business in which the Optionee works.

IN WITNESS WHEREOF, the Corporation has caused this agreement to be executed by its duly authorized officer, and you have also executed this Agreement and acknowledged receipt of other related materials including the Plan prospectus, all as of the Grant Date.

HESS CORPORATION

John B. Hess

John B. Hess
Chairman of the Board

RESTRICTED STOCK AWARD AGREEMENT

pursuant to the

HESS CORPORATION
2008 LONG-TERM INCENTIVE PLAN

* * * * *

Awardee:	FIRST NAME — LAST NAME
Grant Date:	DATE
Number of Shares of Common Stock Subject to such Award:	# OF RESTRICTED SHARES

* * * * *

THIS RESTRICTED STOCK AWARD AGREEMENT (this "Agreement"), dated as of the Grant Date specified above, is entered into by and between Hess Corporation, a Delaware corporation (the "Corporation"), and the Awardee specified above, pursuant to the Hess Corporation 2008 Long-Term Incentive Plan, as in effect and as amended from time to time (the "Plan"); and

WHEREAS, it has been determined under the Plan that it would be in the best interests of the Corporation to grant the restricted stock award provided for herein to the Awardee as an inducement to remain in the employment of the Corporation (and/or any Subsidiary), and as an incentive for increased effort during such employment;

NOW, THEREFORE, in consideration of the mutual covenants and premises hereinafter set forth and for other good and valuable consideration, the parties hereto hereby mutually covenant and agree as follows:

The Compensation and Management Development Committee (the "Committee") of the Board of Directors (the "Board") of Hess Corporation has granted to you restricted shares of the Common Stock of the Corporation in accordance with the terms and provisions of the Plan and this agreement (the "Restricted Shares"). The Restricted Shares are restricted for a period commencing on the date of grant and ending on the third anniversary of the Grant Date and are otherwise subject to the terms and conditions set forth herein. If the conditions set forth in the Plan and this agreement are not satisfied, this agreement and the Restricted Shares awarded together with all rights and interests relating thereto, shall be void and of no force or effect.

1. Incorporation By Reference; Document Receipt. This agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly not intended to apply to the grant of Restricted Shares hereunder), all of which terms and provisions are made a part of and incorporated in this agreement as if each were expressly set forth mutatis mutandis herein. Any capitalized term not defined in this agreement will have the same meaning as is ascribed thereto under the Plan. You hereby acknowledge receipt of a prospectus describing the Plan and the Awards thereunder and that you have read it carefully and fully understand its content. In the event of any conflict between the terms of this agreement and the terms of the Plan, the terms of the Plan will control.

2. Restricted Stock. Restricted Shares will be issued in book-entry form in your name and deposited with The Bank of New York or other agent designated by the Committee, as escrow agent (the “Escrow Agent”). Prior to the issuance and deposit of the Restricted Shares with the Escrow Agent, you will have no rights of a shareholder, and you will not be entitled to vote the Restricted Shares or receive any dividends or other distributions, in respect of the Restricted Shares. The Restricted Shares will be held by the Escrow Agent pursuant to an agreement (the “Escrow Agreement”) between the Escrow Agent and the Corporation. You authorize the Escrow Agreement to transfer shares and otherwise act in accordance with instructions of the Corporation. You will furnish the Escrow Agent with stock transfer powers or authorizations from time to time, if requested. Except to the extent otherwise provided in the Plan or this agreement, if you remain continuously employed by the Corporation or any Subsidiary until the third anniversary of the Grant Date, the Escrow Agent will, except as provided below, deliver to you shortly thereafter a new share certificate in your name representing the Restricted Shares; *provided*, *however*, that Restricted Shares may nevertheless be evidenced on a noncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange. For as long as an account is maintained in your name with a broker, custodian, or other institution retained by the Corporation to assist in the administration of the Plan (the “Administrator”), such Restricted Shares will be deposited into such account.

3. Rights as a Stockholder. While the Restricted Shares are held by the Escrow Agent, you will be the record owner and will have all the rights of a stockholder with respect to the Restricted Shares, including (without limitation) the right to vote, subject to the restrictions provided for in the Plan, the Escrow Agreement and this agreement. From and after the date on which the Restricted Shares are issued in your name and deposited with the Escrow Agent, cash dividends and other distributions made or paid with respect to the Restricted Shares will be held by the Escrow Agent and may (but need not be) reinvested as determined by the Committee, and such dividends and distributions will be paid to you (or your account at the Administrator referred to in Section 2), together with interest or other earnings thereon (if any), at the time and to the extent pro tanto that the Restricted Shares become non-forfeitable and are delivered to you by the Escrow Agent. Any new, additional or different securities that you may become entitled to receive with respect to the Restricted Shares under the Plan by virtue of any reinvestment of any cash dividends paid on the Common Stock or any stock dividend, stock split, recapitalization, reorganization, merger, consolidation, split-up, or any similar change affecting the Common Stock, will be delivered to the Escrow Agent subject to the same restrictions, terms and conditions as apply to the related Restricted Shares.

4. Termination and Forfeiture.

4.1 If your employment with the Corporation or any Subsidiary terminates prior to the third anniversary of the Grant Date by reason of your death, disability or normal retirement under the Corporation’s Employees’ Pension Plan or any successor plan thereto or any similar plan maintained by a Subsidiary in which you participate, the Escrow Agent will, as promptly as practicable, deliver to you, or your account at the Administrator referred to in Section 2 (in the case of disability or your normal retirement), or your beneficiary(ies) (in the case of your death) a certificate representing all of the Restricted Shares awarded to you hereunder and all accumulated dividends on the Restricted Shares, together with interest or other earnings thereon (if any). The existence and date of disability will be determined by the Committee and its determination shall be final and conclusive.

4.2 If your employment with the Corporation or any Subsidiary terminates prior to the third anniversary of the Grant Date for any reason other than your death, disability or normal retirement under the Corporation's Employees' Pension Plan or any successor plan thereto or any similar plan maintained by a Subsidiary in which you participate, all of the Restricted Shares, and any rights thereto, awarded to you hereunder, all accumulated dividends in respect thereof and interest thereon (if any) will be forfeited by you and returned by the Escrow Agent to the Corporation and you will have no further rights with respect thereto.

4.3 Notwithstanding Section 4.2 above, if your employment with the Corporation or any Subsidiary terminates prior to the third anniversary of the Grant Date by reason of your early retirement under the Corporation's Employees' Pension Plan or any successor plan thereto or any similar plan maintained by a Subsidiary in which you participate, the Committee, in its sole discretion, may (but is not obligated to) determine that it will deliver to you, or your account at the Administrator referred to in Section 2, on a specified date a certificate representing a proportionate number of the Restricted Shares awarded to you hereunder based on the number of calendar days elapsed (as of the date of such early retirement) in the vesting period ending on the third anniversary of the Grant Date, together with a proportionate amount of the accumulated dividends in respect thereof also based on the number of calendar days elapsed (as of the date of such early retirement) in the vesting period ending on the third anniversary of the Grant Date, and any interest or other earnings on such proportionate amount (if any).

5. Change of Control. The Restricted Shares awarded to you hereunder are subject to acceleration of vesting and "cash-out" at the discretion of the Committee upon the occurrence of a Change of Control, all as provided in and subject to Section 9 of the Plan.

6. Beneficiary. You may designate the beneficiary or beneficiaries to receive any Restricted Shares or other amounts which may be delivered in respect of this Award after your death. Such designation may be made by you on the enclosed beneficiary designation form and (unless you have waived such right) may be changed by you from time to time by filing a new beneficiary designation form with the Committee. If you do not designate a beneficiary or if no designated beneficiary(ies) survives you, your beneficiary will be the legal representative of your estate.

7. Tax Withholding. No delivery of vested Restricted Shares or payment of any accumulated cash dividends in respect thereof or other amount in respect of this Award will be made unless and until you (or your beneficiary or legal representative) have made appropriate arrangements for the payment of any amounts required to be withheld with respect thereto under all present or future federal, state and local tax laws and regulations and other laws and regulations. Unless you elect otherwise in writing or are prohibited by law, upon expiration of the applicable restriction period such number of Restricted Shares as shall be necessary to pay such withholding amounts shall be sold by the Administrator on your behalf, and the proceeds thereof shall be delivered to the Corporation for remittance to the appropriate governmental authorities, and the remaining Restricted Shares shall be delivered to you, or your account at the Administrator referred to in Section 2.

Notwithstanding the immediately preceding paragraph, if you make an election pursuant to Section 83(b) of the Code, or the value of any Restricted Shares otherwise becomes includible in your gross income for income tax purposes prior to the expiration of the applicable restriction period, you agree to pay to the Corporation in cash (or make other arrangements, in accordance with Section 12.03 of the Plan, for the satisfaction of) any taxes of any kind required by law to be withheld with respect to such Restricted Shares. If you elect immediate Federal income taxation with respect to all or any portion of the Restricted Shares pursuant to Section 83(b) of the

Code, you agree to deliver a copy of such election to the Corporation at the time such election is filed with the Internal Revenue Service.

8. Limitations; Governing Law. Nothing herein or in the Plan will be construed as conferring on you or anyone else the right to continue in the employ of the Corporation or any Subsidiary. The rights and obligations under this agreement and the Award are governed by and construed in accordance with the laws of the State of Delaware, without reference to the principles of conflict of laws thereof.

9. Non-transferability. The Restricted Shares, and any rights and interests with respect thereto, issued under this agreement and the Plan may not, prior to vesting, be sold, exchanged, transferred, assigned or otherwise disposed of in any way by you (or any of your beneficiary(ies)). The Restricted Shares, and any rights and interests with respect thereto, may not, prior to vesting, be pledged, encumbered or otherwise hypothecated in any way by you (or any of your beneficiary(ies)) and will not, prior to vesting, be subject to execution, attachment or similar legal process. Any attempt to sell, exchange, transfer, assign, pledge, encumber or otherwise dispose of or hypothecate in any way any of the Restricted Shares, or the levy of any execution, attachment or similar legal process upon the Restricted Shares, contrary to the terms and provisions of this agreement and/or the Plan will be null and void ab initio and without legal force or effect. Each certificate evidencing the Restricted Shares will bear a legend to this effect.

10. Entire Agreement; Amendment. This agreement (including the Plan which is incorporated herein by reference) contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties hereto relating to such subject matter. The Board has the right, in its sole discretion, to amend, alter, suspend, discontinue or terminate the Plan, and the Committee has the right, in its sole discretion, to amend, alter, suspend, discontinue or terminate one or more of the Awards of Restricted Stock or this agreement from time to time in accordance with and as provided in the Plan; provided, however, that no such amendment, alteration, suspension, discontinuance or termination after initial shareholder approval of the Plan may materially impair your previously accrued rights under this agreement or the Plan without your consent. The Corporation will give you written notice of any such modification or amendment of this agreement as soon as practicable after the adoption thereof. This agreement may also be modified, amended or terminated by a writing signed by you and the Corporation.

11. Notices. Any notice which may be required or permitted under this agreement will be in writing and will be delivered in person, or via facsimile transmission, overnight courier service or certified mail, return receipt requested, postage prepaid, properly addressed as follows:

11.1 If the notice is to the Corporation, to the attention of the Secretary of Hess Corporation, 1185 Avenue of the Americas, New York, New York 10036, or at such other address as the Corporation by notice to you may designate in writing from time to time.

11.2 If the notice is to you, at your address as shown on the Corporation's records, or at such other address as you, by notice to the Corporation, may designate in writing from time to time.

12. Compliance with Laws. The issuance of the Restricted Shares pursuant to this will be subject to, and will comply with, any applicable requirements of federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act of 1933, the Exchange Act and the respective rules and regulations promulgated thereunder), any applicable rules of any exchange on which the Common Stock is listed (including, without limitation, the rules and regulations of the New York Stock Exchange), and any other law, rule or regulation applicable thereto. The Corporation will not be obligated to issue any of the Common Stock subject to this agreement if such issuance would violate any such requirements and if issued will be deemed void ab initio.

13. Binding Agreement; Further Assurances. This agreement will inure to the benefit of, be binding upon, and be enforceable by the Corporation and its successors and assigns. Each party hereto will do and perform (or will cause to be done and performed) all such further acts and shall execute and deliver all such other agreements, certificates, instruments and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this agreement and the Plan and the consummation of the transactions contemplated thereunder.

14. Counterparts; Headings. This agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which will constitute one and the same instrument. The titles and headings of the various sections of this agreement have been inserted for convenience of reference only and will not be deemed to be a part of this agreement.

15. Severability. The invalidity or unenforceability of any provisions of this agreement in any jurisdiction will not affect the validity, legality or enforceability of the remainder of this agreement in such jurisdiction or the validity, legality or enforceability of any provision of this agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder will be enforceable to the fullest extent permitted by law.

16. Terms of Employment. The Plan is a discretionary plan. You hereby acknowledge that neither the Plan nor this agreement forms part of your terms of employment and nothing in the Plan may be construed as imposing on the Corporation or any Subsidiary a contractual obligation to offer participation in the Plan to any employee of the Corporation or any Subsidiary. The Corporation or any Subsidiary is under no obligation to grant further Restricted Shares to you under the Plan. If you cease to be an employee of the Corporation or any Subsidiary for any reason, you shall not be entitled by way of compensation for loss of office or otherwise howsoever to any sum or other benefit to compensate you for the loss of any rights under this agreement or the Plan.

17. Data Protection. By signing this agreement, you consent to the holding and processing of personal data provided by you to the Corporation for all purposes necessary for the operation of the Plan. These include, but are not limited to:

17.1 Administering and maintaining your records;

17.2 Providing information to any registrars, brokers or third party administrators of the Plan; and

17.3 Providing information to future purchasers of the Corporation or the business in which you work.

IN WITNESS WHEREOF, the Corporation has caused this agreement to be executed by its duly authorized officer, and you have also executed this agreement and acknowledged receipt of other related materials including the Plan prospectus, all as of the Grant Date.

Very truly yours,

HESS CORPORATION

John B. Hess

John B. Hess
Chairman of the Board

CERTIFICATIONS

I, John B. Hess, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hess Corporation;

2. Based on my knowledge, this 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 the 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: August 6, 2008

I, John P. Rielly, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hess Corporation;

2. Based on my knowledge, this 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 the 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: August 6, 2008

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 Quarterly Report of Hess Corporation (the “Corporation”) on Form 10-Q for the period ending June 30, 2008 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: August 6, 2008

A signed original of this written statement required by Section 906 has been provided to Hess Corporation and will be retained by Hess Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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 Quarterly Report of Hess Corporation (the “Corporation”) on Form 10-Q for the period ending June 30, 2008 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: August 6, 2008

A signed original of this written statement required by Section 906 has been provided to Hess Corporation and will be retained by Hess Corporation and furnished to the Securities and Exchange Commission or its staff upon request.