New Hampshire Competitive Natural Gas Supplier
Renewal Application
<u>Hess Corporation</u> – DM – 07-112

PUC 3003.01

(d) *Each CNGS applicant shall re-register with the commission every 2 years by filing with the commission an application for renewal. Each CNGS applicant shall file an application for renewal at least 60 days prior to the expiration of their registration.*

(e) The CNGS shall include on each renewal application an update, including any changes, to all information contained in the previous application.

Pursuant to PUC 3003.01(e) the following provides any and all updates to responses contained within Hess Corporation's original registration submitted November 25, 2003, and approved February 19, 2004 and Hess Corporation's Renewal Application submitted October 16, 2007. For each item within the original registration that has not changed it is indicated as such below.

PUC 3001.01 (b)

(1) Be signed by the CNGS

Please see certification in Exhibit 9.

(2) Include the following:

a. The legal name of the applicant as well as any trade name(s) under which it intends to operate in this state; ***(Updated)***

Hess Corporation f/k/a Amerada Hess Corporation

Please see Exhibit 8.

b. The applicant's business address, if any, principal place of business, telephone number, facsimile number and email address; ***(Unchanged)***

One Hess Plaza
Woodbridge, NJ 07095
Phone: (732) 750-6000
Fax: (732 750-6670
<u>www.hess.com</u>

c. The applicant's place of incorporation; ***(Unchanged)***

The State of Delaware.

d. The names, titles, business addresses, telephone numbers and facsimile numbers of the applicant's principal officers; ***(Updated)***

Please See Exhibit 1.

e. A copy of the applicant's most recent audited financial statement, or if the applicant does not have an audited financial statement, a copy of the most recent unaudited financial statement; ***(Updated)***

Please see Exhibit 2.

f. The following regarding any affiliate and/or subsidiary of the applicant which is conducting business in New Hampshire: ***(Unchanged)***

1. The name and business address of the entity;

Hess Corporation does not have any affiliate or subsidiary conducting business in New Hampshire. Hess Corporation is the corporate parent and the registered Competitive Natural Gas Supplier.

2. A description of the business purpose of the entity; and

Hess Corporation is a leading retail energy provider in the Eastern United States and is a major supplier of natural gas to many East Coast LDCs. Hess is also the largest supplier of fuel oil to commercial and industrial customers and a major supplier of natural gas and electricity to large industrial, commercial and institutional end users.

3. Regarding any agreements with any affiliated New Hampshire LDC a description of the nature of the agreement; ***(Unchanged)***

Hess Corporation is not affiliated with any New Hampshire LDC.

g. Telephone number of the customer service department or the name, title and telephone number of the customer service contact person of the applicant, including toll free telephone numbers if available; ***(Unchanged)***

Quality Customer Service 1-800-437-7872 (HESS-USA).

h. For each individual responsible for responding to commission inquiries: ***(Updated)***

1. Name;
2. Title;
3. Business address;
4. Telephone number;
5. Facsimile number; and
6. Email address.

Regulatory Contact:

Debra Rednik
Director of Regulatory Affairs
Hess Corporation
One Hess Plaza
Woodbridge, NJ 07095

Phone: (732) 750-6414
Fax: (732) 750-6670
E-Mail: drednik@hess.com

Operations Contact:

Debra Bateman
Operations Manager – New England
Hess Corporation
614 George Washington Highway
Unit 1A
Lincoln, RI 02865-4271
Phone: (401) 288-4878
Fax: (401) 288-4888
E-Mail: dbateman@hess.com

i. Name, title, business address and telephone number of the applicant's registered agent in New Hampshire for service of process; ***(Unchanged)***

CT Corporation System
9 Capitol Street
Concord, NH 03301

j. A copy of the applicant's authorization to do business in New Hampshire from the New Hampshire secretary of state; ***(Unchanged)***

Please see Exhibit 3.

k. Description of geographic areas of New Hampshire in which the applicant intends to provide service, described by: ***(Updated)***

1. An LDC's existing franchise area;
2. Existing town boundaries; or
3. A map with the boundary limits delineated;

Hess Corporation sells natural gas in the National Grid franchise and Unitil franchise areas only.

l. A description of the types of customers the applicant intends to serve and customer classes as identified in the applicable LDC's tariff within which those customers are served; ***(Updated)***

Hess Corporation markets natural gas to large commercial and industrial customers in the following customer classes per National Grid's tariff:

- ***280 Day Transportation Service***
- ***Interruptible Transportation Service (ITS)***
- ***G-41, G-42, G-43, G-51, G-52, G-53, G-54, G-63***

Hess Corporation markets natural gas to large commercial and industrial

customers in the following customer classes per Unitil's tariff:
- *40, 50, 41, 51, 42, 52, IT*

m. Demonstration of a minimum level of financial resources and the ability to provide customers with the level of service they agree to purchase consistent with the applicable terms and conditions of the approved tariff of the LDC; ***(Updated)***

In addition to the demonstration of financial resources set forth in the most recent audited financial statements of Hess Corporation found in Exhibit 2, please see Exhibit 4 for the Performance Bond in place for the benefit of the New Hampshire Public Utility Commission.

n. A listing disclosing the number and type of customer complaints concerning the applicant or its principals, if any, filed with a state or federal licensing/registration agency, attorney general's office or other governmental consumer protection agency for the most recent calendar year in every state in which the applicant has conducted business relating to the sale of electricity and/or natural gas; ***(Updated)***

State	***Number***	***Type***
New Jersey	*1*	***Fee Dispute***
Pennsylvania	*2*	***Fee Dispute***
New York (AG's office)	*1*	***Fee Dispute***
Maryland	*3*	***Fee Dispute***

o. A statement as to whether any of the applicant's principals, as listed in (1) through (3) below have ever been convicted of any felony that has not been annulled by a court: ***(Unchanged)***

1. For partnerships, any of the general partners;

2. For corporations, any of the officers, directors or controlling stockholders; or

3. For limited liability companies, any of the managers or members;

N/A

p. A statement as to whether the applicant or any of the persons listed in (o) above has, within the 10 years immediately prior to registration: ***(Unchanged)***

1. Had any civil, criminal or regulatory sanctions or penalties imposed against them pursuant to any state or federal consumer protection law or regulation; or

2. Settled any civil, criminal or regulatory investigation or complaint involving any state or federal consumer protection law or regulation; or

3. Is currently the subject of any pending civil, criminal or regulatory investigation or complaint involving any state or federal consumer protection law or regulation;

Hess Corporation and its affiliates (collectively "Hess") have not been subject, to its knowledge, to any investigation by any state or federal agency within the past ten years in connection with a consumer protection law or regulation. In the course of its business, Hess has been subject to certain sales and other routine tax audits, response to complaints of discriminatory treatment of employees and customers by the Equal Opportunity Employment Commission and state commissions against discrimination, and in connection with gasoline and fuel releases, and operations of facilities for the production, storage and sale of gasoline and petroleum products. Hess has paid civil penalties, entered into stipulations, consent judgments and other orders in connection with, inter alia, releases, notification of releases, cleanup activities and related claims. Hess is also subject to regulatory inspections, spill response and compliance reviews of its gasoline stations, terminals and refineries by state and federal environmental agencies.

q. If an affirmative answer is given to any item in (o) or (p) above, an explanation of the event;

Please see explanation in (p) above.

r. A statement that the applicant will: ***(Unchanged)***

1. Maintain a list of consumers who request being placed on a do-not-call list for the purposes of telemarketing;

2. Obtain, no less than semi-annually, access to updated telephone preference services lists maintained by the Direct Marketing Association; and

3. Not initiate calls to New Hampshire customers who have either requested being placed on do-not-call lists or customers who are listed on the Direct Marketing Association's telephone preference lists;

Please see Exhibit 5

s. A sample bill form that the applicant intends to use or a statement that the applicant intends to use the LDC's billing service; ***(Unchanged)***

Please see Exhibit 6.

t. A $250.00 re-registration fee;

Fee enclosed.

u. A copy of all customer contracts or representative samples of contracts the applicant intends to use; ***(Unchanged)***

Please see Exhibit 7.

v. Documentation sufficient to demonstrate that the CNGS is an approved shipper on the upstream pipelines and underground storage facilities on which the LDC will assign capacity, if any, to the CNGS; and ***(Updated)***

Hess Corporation is an approved Shipper on Tennessee Gas Pipeline. This is confirmed by Hess' listing as an approved shipper on Tennessee's website by clicking on "Informational Postings" and then on "Index of Customers."

Moreover, Hess Corporation currently serves customers in New Hampshire through the Portland and Granite pipelines. To serve its customers Hess utilizes, at least in part, capacity assignments from National Grid and Unitil.

w. A statement certifying the applicant has the authority to file the application on behalf of the CNGS and that its contents are truthful, accurate and complete.

***Please see Exhibit 9.*.**

EXHIBIT 1

Hess Corporation Principal Officers

John B. Hess
Chairman of the Board and CEO
Hess Corporation
1185 Avenue of the Americas
New York, NY 10036
Phone: (212) 997-8500
Fax: (212) 526-8390

J. Barclay Collins
Executive Vice President and General Counsel
Hess Corporation
1185 Avenue of the Americas
New York, NY 10036
Phone: (212) 997-8500
Fax: (212) 526-8390

Gregory Hill
Executive Vice President – Exploration and Production
Hess Corporation
1185 Avenue of the Americas
New York, NY 10036
Phone: (212) 997-8500
Fax: (212) 526-8390

F. Borden Walker
Executive Vice President – Marketing and Refining
Hess Corporation
One Hess Plaza
Woodbridge, NJ 07095
Phone: (723) 750-6000
Fax: (723) 750-7165

John A. Gartman
Senior Vice President – Energy Marketing
Hess Corporation
One Hess Plaza
Woodbridge, NJ 07095
Phone: (723) 750-6650
Fax: (723) 750-6670

William R. Hanna
Vice President Energy Marketing Operation
Hess Corporation

One Hess Plaza
Woodbridge, NJ 07095
Phone: (723) 750-6139
Fax: (723) 750-6670

EXHIBIT 2

HESS CORPORATION

2008 Annual Report

OUR COMPANY

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

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

TABLE OF CONTENTS

Cover: Shenzi Development, Gulf of Mexico

FINANCIAL AND OPERATING HIGHLIGHTS

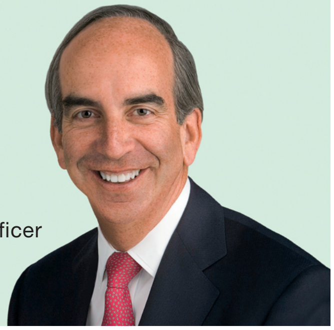
Amounts in millions, except per share data	2008	2007
FINANCIAL – FOR THE YEAR		
Sales and other operating revenues	$ 41,165	$ 31,647
Net income	$ 2,360	$ 1,832
Net income per share diluted	$ 7.24	$ 5.74
Common stock dividends per share	$ 0.40	$ 0.40
Net cash provided by operating activities	$ 4,567	$ 3,507
Capital and exploratory expenditures	$ 4,828	$ 3,926
Weighted average diluted shares outstanding	325.8	319.3
FINANCIAL – AT YEAR END		
Total assets	$ 28,589	$ 26,131
Total debt	$ 3,955	$ 3,980
Stockholders' equity	$ 12,307	$ 9,774
Debt to capitalization ratio[a]	24.3%	28.9%
Common stock price	$ 53.64	$ 100.86
OPERATING – FOR THE YEAR		
Production – net		
Crude oil and natural gas liquids (thousands of barrels per day)		
United States	42	41
International	224	234
Total	266	275
Natural gas (thousands of Mcf per day)		
United States	78	88
International	611	525
Total	689	613
Barrels of oil equivalent (thousands of barrels per day)	381	377
Marketing and Refining (thousands of barrels per day)		
Refining crude runs—HOVENSA L.L.C.[b]	221	227
Refined products sold	472	451

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

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

See Management's Discussion and Analysis of Results.

TO OUR SHAREHOLDERS



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

In 2008, our company delivered another year of strong financial and operational performance as we executed our strategy to invest in the sustainable growth of reserves and production in Exploration and Production and manage for near-term earnings and free cash flow in Marketing and Refining.

For the year, our company achieved record earnings of $2.36 billion, or $7.24 per share, on the strength of high crude oil prices and growth in our worldwide crude oil and natural gas production. By the end of 2008, we had lowered our ratio of debt to capitalization to 24.3 percent from 28.9 percent in the prior year.

Exploration and Production, which earned $2.4 billion, delivered outstanding operational performance:

- Proved reserves grew to 1.43 billion barrels of oil equivalent, an increase of 8 percent.
- Reserve life increased to 10 years, marking the sixth consecutive year of improvement.
- We replaced 171 percent of production at a finding, development and acquisition cost of $19 per barrel of oil equivalent.
- Worldwide crude oil and natural gas production grew to an average of 381,000 barrels of oil equivalent per day.

Marketing and Refining, which earned $277 million, continued to contribute to our company:

- Refining was negatively impacted by significant declines in refining margins due to the challenging economic environment.
- Energy Marketing results benefited from strong margins and volume growth.
- Retail Marketing experienced higher average margins, which more than offset lower sales for gasoline and convenience stores on a per site basis.

We continue to build a global franchise in Exploration and Production with world class technical expertise and a portfolio of assets that is balanced geographically between the United States, Europe, Africa and Asia. Our exploration program had a successful year, which positions the company for future growth in reserves and production.

As we manage our business through a severe period of economic weakness, we are committed to maintaining financial strength while protecting our long-term growth options. We have responded to the reduction in global energy demand and the precipitous drop in crude oil and natural gas prices by sizing our 2009 capital and exploratory expenditure program to $3.2 billion compared with $4.8 billion in 2008. As in previous years, nearly all of our 2009 spending will be targeted to Exploration and Production, with $1.4 billion budgeted for production operations, $900 million for developments and $800 million for exploration.

EXPLORATION AND PRODUCTION

Crude oil and natural gas production in 2008 was up one percent versus the prior year despite the impact of devastating hurricanes in the Gulf of Mexico, which reduced our full year production by about 7,000 barrels of oil equivalent per day. Production growth was underpinned by strong performance at the Hess operated Okume Complex in Equatorial Guinea and the commencement of Phase 2 natural gas sales at the Malaysia/Thailand Joint Development Area (JDA).

Throughout the year, we advanced several key developments in our global portfolio, including the JDA, the Shenzi Field in the deepwater Gulf of Mexico, Ujung Pangkah crude oil and liquefied petroleum gas in Indonesia and the Valhall Field redevelopment in Norway.

In exploration, we executed a successful program that resulted in offshore discoveries in Australia, Libya and Egypt. We conducted appraisal drilling in our Pony Field in the deepwater Gulf of Mexico, where we drilled to a total depth of more than 32,000 feet. We also made significant additions to our exploration acreage, including the acquisition of 47 blocks in the deepwater Gulf of Mexico and the Semai V block in Indonesia.

MARKETING AND REFINING

While we continued our strategy of running our refineries for cash flow, high crude oil prices and weak refined product demand pressured margins for most of 2008, resulting in lower profitability for the year.

The growth for Hess Energy Marketing, which provides energy to 17,000 commercial and industrial customers in the eastern United States, occurred largely in sales of natural gas and electricity. Energy Marketing also introduced a slate of green products and services, such as Demand Response and Carbon Neutral programs.

In Retail Marketing, which has 1,366 gasoline and convenience stores along the East Coast of the U.S., higher average margins more than offset weaker gasoline sales. The rollout of Dunkin' Donuts self-service offerings in our retail network has been enthusiastically received by our customers.

SAFETY AND SOCIAL RESPONSIBILITY

In 2008 we achieved our best-ever performance in employee safety. While we are proud of the progress we are making, we remain focused on building a culture of continuous improvement in safety performance.

Our company is committed to making a long-lasting positive impact on the communities in which we operate. Last year, our contributions to support health, education and community development grew to $21 million from $16 million in 2007 and included $3 million to the Greater Houston Community Foundation for Hurricane Ike relief efforts. Our partnership with the government in Equatorial Guinea to improve primary education made substantial progress in 2008 by training 1,165 teachers and renovating 40 model schools.

We are extremely pleased that Greg Hill has joined us as President, Worldwide Exploration and Production. Greg had a distinguished 25-year career at Shell, where he most recently was Executive Vice-President, Asia Pacific E&P. He also served in leadership roles in the United States and Europe. He brings global experience in operations excellence, technology, development projects and building world-class organizations through investment in people.

Greg succeeds John O'Connor, who is retiring after more than seven years of outstanding leadership. We want to express our deep appreciation to John for the extraordinary job he has done in developing a global franchise in Exploration and Production. His vision to grow reserves and production on a sustainable and financially disciplined basis has provided us a strong foundation for the future.

We appreciate our employees' hard work and dedication to build a company that has the capability to meet the world's energy challenges with the entrepreneurial spirit of an independent. We are grateful for the outstanding advice and guidance of our Board of Directors. We especially thank you, our stockholders, for your support and interest.

John B. Hess

John B. Hess
Chairman of the Board and Chief Executive Officer
March 4, 2009

EXPLORATION AND PRODUCTION

In 2008, Exploration and Production achieved record earnings, 8 percent growth in proved reserves and our objective of a 10 year reserve life.

PRODUCTION In 2008, net production averaged 381,000 barrels of oil equivalent per day, up from 377,000 barrels of oil equivalent per day in 2007. The increase was underpinned by a full year of production at the Okume Complex in Equatorial Guinea and increased production at the Malaysia/Thailand Joint Development Area (JDA). These increases were partially offset by lower profit oil entitlements from PSC price effects, hurricane related downtime in the Gulf of Mexico and declines in mature assets primarily in the North Sea.

In Equatorial Guinea, continued development drilling and strong performance from subsurface production facilities enabled net production from the company-operated Okume Complex (Hess 85%) to achieve peak rates in excess of 50,000 barrels of oil per day. Including the Hess operated Ceiba Field (Hess 85%) total net production from Equatorial Guinea averaged 72,000 barrels per day in 2008.

In the Malaysia/Thailand JDA, Phase 2 natural gas sales commenced at Block A-18 (Hess 50%) in

Malaysia/Thailand Joint Development Area

November, subsequent to the commissioning of a 42 inch export pipeline to Thailand. Net natural gas sales from Block A-18 reached 284 million cubic feet per day in December.

In Indonesia, natural gas production from the company-operated Ujung Pangkah Field (Hess 75%) was supplemented by crude oil and condensate production from horizontal wells and the construction of oil treatment facilities and a tank farm. Net production rose to 12,000 barrels of oil equivalent per day at year end.

In the United States, we continued to build our position in the North Dakota Bakken shale play. In 2008 we increased our land holdings to 570,000 acres and drilled 60 wells, raising our net production from the Bakken to more than 8,000 barrels of oil equivalent per day at year end.

DEVELOPMENT In the deepwater Gulf of Mexico, we continued to make significant progress in the Shenzi oil and gas development (Hess 28%). All major installations (tension leg platform tendons, hull and topsides) have been completed and flowlines have been laid and tested. Pre-startup production wells have been drilled and we expect first oil to commence in the second quarter of 2009. At the Pony project (Hess 100%) in the Gulf of Mexico, we successfully completed an appraisal well and began front-end engineering and design of the hull and topsides.

Exploration drilling in Australia

2008 was a very active year for exploration drilling with successful wells in Australia, Libya and Egypt.

Onshore in the United States, the company continued to advance the Hess-operated development of the Residual Oil Zone at the Seminole-San Andres Unit (Hess 34%) in West Texas, with the installation of facilities and equipment in the fourth quarter. Injection of carbon dioxide into the reservoir will enhance oil recovery.

In Indonesia, the company sanctioned the Gajah Baru Development (Hess 23%) in the Natuna Sea and approved the associated gas sales agreements. At Ujung Pangkah, the liquefied petroleum gas facility, which is the final phase of the onshore project, is expected to commence operation in the second quarter of 2009.

In the Norwegian North Sea, the Valhall Redevelopment project (Hess 28%) continued to make progress with the construction of the deck, jacket and piles. Installation of the jacket is anticipated in 2009.

EXPLORATION 2008 was a very active year for exploration drilling with successful wells drilled in Australia, Libya and Egypt. In Australia, the Nimblefoot, Briseis and Glencoe wells discovered natural gas in approximately 3,500 feet of water on the WA-390-P license, which is 100 percent owned by Hess. In Libya the A1-54/01 well on the Arous Al-Bahar prospect discovered hydrocarbons in 2,800 feet of water. In Egypt the Dekhila-1x well in the deepwater West Mediterranean block also discovered hydrocarbons.

Hess was successful in winning 47 deepwater blocks in the central and western Gulf of Mexico lease sales and ended the year with 384 deepwater Gulf of Mexico blocks. In addition, Hess was awarded the offshore Semai V License in eastern Indonesia with a gross acreage size of nearly one million acres.

Technology application remained a priority in 2008. During the year wide-azimuth and multi-azimuth seismic surveys were acquired in the Gulf of Mexico and Egypt and a new high end seismic processing contract was executed. Hess also commenced 3D seismic acquisition in the western half of our deepwater block offshore Ghana.

MARKETING AND REFINING

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

The refinery has 500,000 barrels per day of crude distillation capacity and a 150,000 barrel per day fluid catalytic cracking unit (FCC), which allows it to make significant volumes of high-quality gasoline and distillates. In addition, the refinery has a 58,000 barrel per day delayed coking unit, which enables the refinery to process lower-cost heavy crude oils. Gross crude runs at the refinery averaged 441,000 barrels per day in 2008 versus 454,000 barrels per day in 2007. Lower crude runs in 2008 reflected the impact of Hurricane Omar in October and maintenance activities during the year.

Our Port Reading, New Jersey FCC facility located near New York Harbor produces gasoline and fuel oil primarily for markets in the Northeast. The facility averaged feedstock runs of about 64,000 barrels per day in 2008 versus 61,000 barrels per day in 2007.

SUPPLY & TERMINALS Hess operates a network of 21 refined product terminals on the East Coast of the U.S., including a deepwater terminal in Bronx, New York, that was acquired in the fourth quarter. We also operate an oil storage facility in St. Lucia. Our East Coast terminals provide the company a competitive advantage in the supply of refined

HESS EXPRESS, Eastern United States

products to our Retail and Energy Marketing businesses. During 2008, our terminals kept our customers in the southeastern United States well supplied with fuel through two hurricanes.

ENERGY MARKETING Hess Energy Marketing is a major supplier of natural gas, fuel oil and electricity to commercial, industrial and utility customers in the 17 state market area in which it operates in the Eastern U.S. In 2008, natural gas volumes increased by more than three percent and electricity volumes increased by nearly 13 percent compared with 2007. Customer service, multi product offerings, and the introduction of green products and services position Hess Energy Marketing for continued growth.

RETAIL MARKETING Hess is the leading independent gasoline convenience store retailer on the East Coast with 1,366 Hess branded locations. Annual convenience store revenues in 2008, excluding petroleum products, were approximately $1.1 billion. During 2008, we introduced our new Dunkin' Donuts self-serve offering at 199 Hess locations. The company also opened 11 new HESS EXPRESS locations and added convenience stores to three existing locations.

CORPORATE AND SOCIAL RESPONSIBILITY

SOCIAL RESPONSIBILITY Our company is committed to meeting the global demand for energy in a manner that safeguards the health and safety of our employees, protects the environment and makes a long-lasting positive impact on the communities in which we operate.

In 2008, we achieved our best personal safety performance since the company began recording such data. The incident rate was 15 percent better than 2007 and represents a five year trend of continuous safety improvement. Since 2000 we have reduced the rate of safety incidents by more than two thirds.

Our commitment to the environment includes systematic efforts to reduce pollution and waste throughout our operations. We believe that climate change is a global concern with potentially significant consequences for society. We are committed to finding a pathway that will slow, stop and reverse the growth of carbon emissions while still supporting economic growth.

We believe that energy conservation must play a significant role in reducing greenhouse gas emissions. The implementation of an energy efficiency program in 2008 enabled the Hess retail network to reduce electricity consumption at company-owned stores by 35 million kilowatt hours. This energy savings is equal to taking 4,300 vehicles off the road.

Our commitment to the communities where we operate continued to grow in 2008. We supported a variety of programs in education, health, and community development across our operations.


Hess sponsored school in Thailand

The company's contributions grew to $21 million from $16.4 million in 2007. We provided $3 million to the Greater Houston Community Foundation to support Hurricane Ike relief efforts. In addition to supporting community needs, Hess developed programs to support the needs of our employees who were affected by the disaster. Our partnership effort to improve primary education in Equatorial Guinea continued to make significant progress. All 40 model schools were refurbished and equipped with furniture, teaching aids and other supplies. Nearly 1,200 teachers completed the first of two years of training. A comprehensive primary school census was conducted and education officials are using the data to guide governmental planning. The company also provided support to a range of community programs from Thailand to North Dakota.

The company actively participates in voluntary initiatives supporting human rights, environmental protection and financial transparency. Hess supports the Voluntary Principles on Security and Human Rights, the Universal Declaration on Human Rights, the United Nations Global Compact, and the Extractive Industries Transparency Initiative.

HESS CORPORATION

BOARD OF DIRECTORS

John B. Hess (1)
Chairman of the Board and
Chief Executive Officer

Nicholas F. Brady (1) (3) (4)
Chairman, Choptank Partners, Inc.;
Former Secretary of the United States
Department of the Treasury;
Former Chairman, Dillon,
Read & Co., Inc.

J. Barclay Collins, II
Executive Vice President

Gregory Hill
Executive Vice President;
President, Worldwide
Exploration & Production

Edith E. Holiday (2) (4)
Corporate Director and Trustee;
Former Assistant to the President and
Secretary of the Cabinet;
Former General Counsel United States
Department of the Treasury

Thomas H. Kean (1) (3) (4)
President, THK Consulting, LLC;
Former President, Drew University;
Former Governor, State of New Jersey

Risa Lavizzo-Mourey (2)
President and Chief Executive Officer,
The Robert Wood Johnson Foundation

Craig G. Matthews (2)
Former Vice Chairman
and Chief Operating Officer,
KeySpan Corporation;
Former Chief Executive Officer
and President, NUI, Inc.

John H. Mullin (2)
Chairman, Ridgeway Farm LLC;
Former Managing Director,
Dillon, Read & Co., Inc.

Frank A. Olson (2) (3)
Former Chairman of the Board
and Chief Executive Officer,
The Hertz Corporation

Ernst H. von Metzsch (3)
Managing Member,
Cambrian Capital, L.P.;
Former Senior Vice President
and Partner, Wellington
Management Company

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

Robert N. Wilson (1) (2) (3)
Chairman, Still River Systems;
Former Senior Vice Chairman
of the Board of Directors,
Johnson & Johnson

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

CORPORATE OFFICERS

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

J. Barclay Collins, II
Executive Vice President

Gregory Hill
Executive Vice President;
President, Worldwide
Exploration & Production

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

SENIOR VICE PRESIDENTS

Brian J. Bohling

William T. Drennen

John A. Gartman

Timothy B. Goodell
General Counsel

Scott M. Heck

Lawrence H. Ornstein

Howard Paver

John P. Rielly
Chief Financial Officer

Lori J. Ryerkerk

George F. Sandison

John J. Scelfo

R. Gordon Shearer

John V. Simon

VICE PRESIDENTS

George C. Barry
Secretary

Gerald I. Bresnick

C. Martin Dunagin

David K. Kirshner

Richard J. Lawlor

Sachin J. Mehra
Treasurer

Jon Pepper

Harold I. Small

Ellen S. Smith

Jonathan C. Stein

Jeffery L. Steinhorn

Darius Sweet

Kevin B. Wilcox
Controller

Jay R. Wilson

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

Form 10-K

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

For the fiscal year ended December 31, 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)

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

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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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 ☐ (Do not check if a smaller reporting company) 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 ☑

The aggregate market value of voting stock held by non-affiliates of the Registrant amounted to $36,438,000,000 computed using the outstanding common shares and closing market price on June 30, 2008.

At December 31, 2008, there were 326,132,740 shares of Common Stock outstanding.

Part III is incorporated by reference from the Proxy Statement for the annual meeting of stockholders to be held on May 6, 2009.

HESS CORPORATION

Form 10-K

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PART I

Items 1 and 2. *Business and Properties*

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

Exploration and Production

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

	Crude Oil and Natural Gas Liquids		Natural Gas		Total Barrels of Oil Equivalent (BOE)*	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	(Millions of barrels)		(Millions of mcf)		(Millions of barrels)	
United States	**227**	204	**276**	270	**273**	249
Europe	**332**	329	**639**	656	**438**	438
Africa	**324**	285	**69**	87	**336**	300
Asia and other	**87**	67	**1,789**	1,655	**385**	343
	970	885	**2,773**	2,668	**1,432**	1,330

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

On a barrel of oil equivalent (boe) basis, 43% of the Corporation's worldwide proved reserves are undeveloped at December 31, 2008 (44% at December 31, 2007). Proved reserves held under production sharing contracts at December 31, 2008 totaled 28% of crude oil and natural gas liquids and 58% of natural gas reserves (25% and 57% respectively, at December 31, 2007).

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

	2008	**2007**	**2006**
Crude oil (thousands of barrels per day)			
United States			
Onshore	**17**	15	15
Offshore	**15**	16	21
	32	31	36
Europe			
United Kingdom	**29**	38	50
Norway	**16**	19	22
Denmark	**11**	12	19
Russia	**27**	24	18
	83	93	109

	2008	2007	2006
Africa			
Equatorial Guinea	**72**	56	28
Algeria	**15**	22	22
Gabon	**14**	14	12
Libya	**23**	23	23
	124	115	85
Asia and other			
Azerbaijan	**7**	16	7
Other	**6**	5	5
	13	21	12
Total	**252**	260	242
Natural gas liquids (thousands of barrels per day)			
United States			
Onshore	**7**	7	7
Offshore	**3**	3	3
	10	10	10
Europe			
United Kingdom	**3**	4	4
Norway	**1**	1	1
	4	5	5
Total	**14**	15	15
Natural gas (thousands of mcf per day)			
United States			
Onshore	**41**	42	54
Offshore	**37**	46	56
	78	88	110
Europe			
United Kingdom	**223**	231	244
Norway	**22**	18	22
Denmark	**10**	10	17
	255	259	283
Asia and other			
Joint Development Area of Malaysia and Thailand (JDA)	**185**	115	131
Thailand	**87**	90	60
Indonesia	**82**	59	26
Other	**2**	2	2
	356	266	219
Total	**689**	613	612
Barrels of oil equivalent*	**381**	377	359

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

The Corporation presently estimates that its 2009 production will be approximately 380,000 to 390,000 barrels of oil equivalent per day (boepd).

A description of our significant E&P operations follows:

United States

At December 31, 2008, 19% of the Corporation's total proved reserves were located in the United States. During 2008, 16% of the Corporation's crude oil and natural gas liquids production and 11% of its natural gas production were from United States operations. The Corporation's production in the United States was principally from properties offshore in the Gulf of Mexico, which include the Llano (Hess 50%), Conger (Hess 38%), Baldpate (Hess 50%), Hack Wilson (Hess 25%) and Penn State (Hess 50%) fields, as well as onshore properties in North Dakota and in the Permian Basin of Texas.

In the deepwater Gulf of Mexico, development of the Shenzi Field (Hess 28%) progressed in 2008. Tension leg platform tendons, hull and topsides were installed and flowlines were laid and tested. First production is expected in the second quarter of 2009.

In the Williston Basin of North Dakota, the Corporation holds a net acreage position in the Bakken Play of approximately 570,000 acres. In 2009, the Corporation plans to drill additional production wells and expand production facilities.

The Corporation is developing a residual oil zone at the Seminole-San Andres Unit (Hess 34%) in Texas where carbon dioxide gas supplied from its interests in the West Bravo Dome and Bravo Dome fields in New Mexico will be injected to enhance recovery of crude oil.

In the Pony prospect on Green Canyon Block 468 (Hess 100%) in the deepwater Gulf of Mexico, the Corporation successfully completed drilling an appraisal well in June 2008. The Corporation is evaluating development options for Pony.

At the Corporation's Tubular Bells prospect (Hess 20%) located in the Mississippi Canyon area of the deepwater Gulf of Mexico, a third well was successfully drilled during 2008. The operator is evaluating development options for Tubular Bells.

At December 31, 2008, the Corporation had interests in more than 400 exploration blocks in the Gulf of Mexico, which included 1,442,020 net undeveloped acres.

Europe

At December 31, 2008, 31% of the Corporation's total proved reserves were located in Europe (United Kingdom 9%, Norway 13%, Denmark 3% and Russia 6%). During 2008, 33% of the Corporation's crude oil and natural gas liquids production and 37% of its natural gas production were from European operations.

United Kingdom: Production of crude oil and natural gas liquids from the United Kingdom North Sea was principally from the Corporation's non-operated interests in Nevis (Hess 39%), Schiehallion (Hess 16%), Clair (Hess 9%), Bittern (Hess 28%) and Beryl (Hess 22%) fields. Natural gas production from the United Kingdom was primarily from the Atlantic (Hess 25%) and Cromarty (Hess 90%), Easington Catchment Area (Hess 32%), Bacton area (Hess 23%), Beryl (Hess 22%), Everest (Hess 19%), Lomond (Hess 17%) and Nevis (Hess 39%) fields.

Norway: Substantially all of the 2008 and 2007 Norwegian production was from the Corporation's interest in the Valhall Field (Hess 28%). A field redevelopment for Valhall commenced in 2008 and is expected to be completed in 2010. The Corporation also holds an interest in the Snohvit Field (Hess 3%) located offshore Norway.

Denmark: Crude oil and natural gas production comes from the Corporation's interest in the South Arne Field (Hess 58%).

Russia: The Corporation's activities in Russia are conducted through its 80%-owned interest in a corporate joint venture operating in the Volga-Urals region of Russia.

Africa

At December 31, 2008, 23% of the Corporation's total proved reserves were located in Africa (Equatorial Guinea 8%, Algeria 4%, Libya 10% and Gabon 1%). During 2008, 46% of the Corporation's crude oil and natural gas liquids production was from African operations.

Equatorial Guinea: The Corporation is the operator and owns an interest in Block G (Hess 85%) which contains the Ceiba Field and Okume Complex.

Algeria: The Corporation has a 49% interest in a venture with the Algerian national oil company that is redeveloping three oil fields.

Libya: The Corporation, in conjunction with its Oasis Group partners, has oil and gas production operations in the Waha concessions in Libya (Hess 8%). The Corporation also owns a 100% interest in offshore exploration Area 54, where a successful exploration well was drilled in 2008. The Corporation intends to obtain 3D seismic in Area 54 and further drilling is planned.

Gabon: The Corporation's activities in Gabon are conducted through its Gabonese subsidiary, where the Corporation has interests in the Rabi Kounga, Toucan and Atora fields. In the third quarter of 2008, the Corporation acquired the remaining 22.5% interest in the Gabonese subsidiary.

Egypt: The Corporation has a 25-year development lease for the West Mediterranean Block 1 concession (West Med Block) (Hess 55%), which contains four existing natural gas discoveries and additional exploration opportunities. During 2008, the Corporation drilled a successful exploration well on the block, which encountered natural gas and crude oil. The Corporation is currently conducting engineering studies and further exploratory drilling is planned.

Ghana: The Corporation holds a 100% interest in the Cape Three Points South Block located offshore Ghana. The Corporation is currently acquiring new 3D seismic in the unexplored western half of the license area.

Asia and Other

At December 31, 2008, 27% of the Corporation's total proved reserves were located in the Asia and other region (JDA 13%, Indonesia 9%, Thailand 3% and Azerbaijan 2%). During 2008, 5% of the Corporation's crude oil and natural gas liquids production and 52% of its natural gas production were from Asia and other operations.

Joint Development Area of Malaysia and Thailand: The Corporation owns an interest in Block A-18 of the JDA (Hess 50%) in the Gulf of Thailand. Phase 2 gas sales commenced in November of 2008 upon commissioning of a third-party gas export pipeline to Thailand.

Indonesia: The Corporation's natural gas production in Indonesia primarily comes from its interests offshore in the Ujung Pangkah project (Hess 75%), which commenced in 2007, and the Natuna A Field (Hess 23%). Additional production from a Phase 2 oil project at Ujung Pangkah is expected in mid 2009. The Corporation also owns an interest in the onshore Jambi Merang natural gas project (Hess 25%), which was sanctioned for development in 2007. In the fourth quarter of 2008, the Corporation acquired a 100% working interest in the offshore Semai V exploration block.

Thailand: The Corporation's natural gas production in Thailand primarily comes from the offshore Pailin Field (Hess 15%) and the onshore Sinphuhorm Block (Hess 35%).

Azerbaijan: The Corporation has an interest in the Azeri-Chirag-Gunashli (ACG) fields (Hess 3%) in the Caspian Sea. The Corporation also holds an interest in the Baku-Tbilisi-Ceyhan (BTC) Pipeline (Hess 2%).

Australia: The Corporation holds a 100% interest in an exploration license covering 780,000 acres in the Carnarvon basin offshore Western Australia (WA-Block 390-P). During 2008, the Corporation completed drilling its initial four exploration wells of a 16 well commitment on the block. Three of the four wells discovered natural gas and the Corporation plans to drill five additional exploration wells in 2009. The Corporation also holds a 50% interest in WA-Block 404-P located offshore Western Australia, which covers a total area of 680,000 acres. The operator plans to drill three wells on this block in 2009.

Brazil: The Corporation has interests in two blocks located offshore Brazil, the BM-S-22 Block (Hess 40%) in the Santos Basin and the BM-ES-30 Block (Hess 60%) in the Espirito Santo Basin. The operator commenced drilling of the Azulao exploration well on BM-S-22 in 2008 and filed a Notice of Discovery with the regulators on January 16, 2009. The operator plans to drill another well on BM-S-22 in 2009.

Oil and Gas Reserves

The Corporation's net proved oil and gas reserves at the end of 2008, 2007 and 2006 are presented under Supplementary Oil and Gas Data on pages 75 through 81 in the accompanying financial statements.

During 2008, the Corporation provided oil and gas reserve estimates for 2007 to the United States Department of Energy. Such estimates are consistent with the information furnished to the SEC on Form 10-K for the year ended December 31, 2007, although not necessarily directly comparable due to the requirements of the individual requests. There were no differences in excess of 5%.

Sales commitments: The Corporation has no contracts or agreements to sell fixed quantities of its crude oil production. In the United States, natural gas is marketed by the M&R segment on a spot basis and under contracts for varying periods to local distribution companies, and commercial, industrial and other purchasers. The Corporation's United States natural gas production is expected to approximate 20% of its 2009 sales commitments under long-term contracts. The Corporation attempts to minimize supply risks associated with its United States natural gas supply commitments by entering into purchase contracts with third parties having reliable sources of supply, on terms substantially similar to those under its commitments and by leasing storage facilities.

Outside of the United States, the Corporation generally sells its natural gas production under long-term sales contracts at prices that are periodically adjusted due to changes in commodity prices or other indices. In the United Kingdom, the Corporation sells the majority of its natural gas production on a spot basis.

Average selling prices and average production costs

	2008	2007	2006
Average selling prices*			
Crude oil (per barrel)			
United States	**$96.82**	$69.23	$60.45
Europe	**78.75**	60.99	56.19
Africa	**78.72**	62.04	51.18
Asia and other	**97.07**	72.17	61.52
Worldwide	**82.04**	63.44	55.31
Natural gas liquids (per barrel)			
United States	**$64.98**	$51.89	$46.22
Europe	**74.63**	57.20	47.30
Worldwide	**67.61**	53.72	46.59
Natural gas (per mcf)			
United States	**$ 8.61**	$ 6.67	$ 6.59
Europe	**9.44**	6.13	6.20
Asia and other	**5.24**	4.71	4.05
Worldwide	**7.17**	5.60	5.50
Average production (lifting) costs per barrel of oil equivalent produced**			
United States	**$18.46**	$13.56	$ 9.54
Europe	**17.12**	14.06	10.73
Africa	**10.22**	9.09	9.03
Asia and other	**8.48**	8.41	6.54
Worldwide	**13.43**	11.50	9.55

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

** *Production (lifting) costs consist of amounts incurred to operate and maintain the Corporation's producing oil and gas wells, related equipment and facilities (including lease costs of floating production and storage facilities), transportation costs and production and severance taxes. The average production costs per barrel of oil equivalent reflect the crude oil equivalent of natural gas production converted on the basis of relative energy content (six mcf equals one barrel).*

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

Gross and net undeveloped acreage at December 31, 2008

	Undeveloped Acreage*	
	Gross	Net
	(In thousands)	
United States	2,919	1,971
Europe	2,099	673
Africa	9,979	6,464
Asia and other	8,849	4,323
Total**	23,846	13,431

* *Includes acreage held under production sharing contracts.*

** *Licenses covering approximately 33% of the Corporation's net undeveloped acreage held at December 31, 2008 are scheduled to expire during the next three years pending the results of exploration activities. These scheduled expirations are largely in Libya (offshore exploration Area 54), U.S. and Egypt.*

Gross and net developed acreage and productive wells at December 31, 2008

	Developed Acreage Applicable to Productive Wells		Productive Wells*			
			Oil		Gas	
	Gross	Net	Gross	Net	Gross	Net
	(In thousands)					
United States	529	455	774	431	59	45
Europe	1,362	758	269	105	145	32
Africa	9,919	958	987	154	—	—
Asia and other	2,185	624	64	7	385	85
Total	13,995	2,795	2,094	697	589	162

* *Includes multiple completion wells (wells producing from different formations in the same bore hole) totaling 312 gross wells and 54 net wells.*

Number of net exploratory and development wells drilled

	Net Exploratory Wells			Net Development Wells		
	2008	2007	2006	**2008**	2007	2006
Productive wells						
United States	**2**	1	1	**50**	54	24
Europe	**11**	3	1	**11**	14	20
Africa	**1**	1	—	**23**	23	17
Asia and other	**5**	3	6	**25**	15	11
	19	8	8	**109**	106	72
Dry holes						
United States	—	1	4	**1**	—	—
Europe	**3**	1	—	—	—	—
Africa	**2**	1	—	—	—	—
Asia and other	**1**	—	—	—	—	—
	6	3	4	**1**	—	—
Total	**25**	11	12	**110**	106	72

Number of wells in process of drilling at December 31, 2008

	Gross Wells	Net Wells
United States	37	13
Europe	12	7
Africa	8	2
Asia and other	7	2
Total	64	24

Number of net waterfloods and pressure maintenance projects in process of installation at December 31, 2008 — 1

Marketing and Refining

Total refined product sales were as follows:

	2008*	2007*	2006*
	(Thousands of barrels per day)		
Gasoline	**234**	210	218
Distillates	**143**	147	144
Residuals	**56**	62	60
Other	**39**	32	37
Total	**472**	451	459

* *Of total refined products sold in 2008, 2007 and 2006 approximately 50% was obtained from HOVENSA and Port Reading. The Corporation purchased the balance from third parties under short-term supply contracts and spot purchases.*

Refining

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

HOVENSA: Refining operations at HOVENSA consist of crude units, a fluid catalytic cracking unit and a delayed coker unit.

The following table summarizes capacity and utilization rates for HOVENSA:

	Refinery Capacity	Refinery Utilization		
	(Thousands of barrels per day)	2008	2007	2006
Crude	500	**88.2%**	90.8%	89.7%
Fluid catalytic cracker	150	**72.7%**	87.1%	84.3%
Coker	58	**92.4%**	83.4%	84.3%

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

Gross crude runs at HOVENSA averaged 441,000 barrels per day in 2008 compared with 454,000 barrels per day in 2007 and 448,000 barrels per day in 2006. The 2008 utilization rate for the fluid catalytic cracking unit at HOVENSA reflects lower utilization due to weak refining margins, planned and unplanned maintenance of certain units, and a refinery wide shut down for Hurricane Omar. During the second quarter of 2007, the coker unit at HOVENSA was shut down for approximately 30 days for a scheduled turnaround. The fluid catalytic cracking unit at HOVENSA was shut down for approximately 22 days of unplanned maintenance in 2006.

Port Reading Facility: The Corporation owns and operates a fluid catalytic cracking facility in Port Reading, New Jersey, with a capacity of 70,000 barrels per day. This facility, which processes residual fuel oil and vacuum gas oil, operated at a rate of approximately 64,000 barrels per day in 2008 compared with 61,000 barrels per day in 2007 and 63,000 barrels per day in 2006. Substantially all of Port Reading's production is gasoline and heating oil.

Marketing

The Corporation markets refined petroleum products, natural gas and electricity on the East Coast of the United States to the motoring public, wholesale distributors, industrial and commercial users, other petroleum companies, governmental agencies and public utilities.

The Corporation had 1,366 HESS® gasoline stations at December 31, 2008, including stations owned by its WilcoHess joint venture (Hess 44%). Approximately 90% of the gasoline stations are operated by the Corporation or WilcoHess. Of the operated stations, 93% have convenience stores on the sites. Most of the Corporation's gasoline stations are in New York, New Jersey, Pennsylvania, Florida, Massachusetts, North Carolina and South Carolina.

Refined product sales averaged 472,000 barrels per day in 2008 compared with 451,000 barrels per day in 2007 and 459,000 barrels in 2006. Total energy marketing natural gas sales volumes, including utility and spot sales, were approximately 2.0 million mcf per day in 2008, 1.9 million mcf per day in 2007 and 1.8 million mcf per day in 2006. In addition, energy marketing sold electricity volumes at the rate of 3,200, 2,800 and 1,400 megawatts (round the clock) in 2008, 2007 and 2006, respectively. The increases reflect the impact of acquisitions and organic growth.

The Corporation owns 21 terminals with an aggregate storage capacity of 22 million barrels in its East Coast marketing areas. The Corporation also owns a terminal in St. Lucia with a storage capacity of 10 million barrels, which is operated for third party storage.

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

The Corporation also has a 92.5% interest in Hess LNG, which is pursuing investments in liquefied natural gas (LNG) terminals and related supply, trading and marketing opportunities. The joint venture is pursuing the development of LNG terminal projects located in Fall River, Massachusetts and Shannon, Ireland. In addition, a wholly-owned subsidiary of the Corporation is exploring the development of fuel cell technology.

Competition and Market Conditions

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

Other Items

Compliance with various existing environmental and pollution control regulations imposed by federal, state, local and foreign governments is not expected to have a material adverse effect on the Corporation's financial condition or results of operations. The Corporation spent $23 million in 2008 for environmental remediation.

The number of persons employed by the Corporation at year end was approximately 13,500 in 2008 and 13,300 in 2007.

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

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

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

Commodity Price Risk: Our estimated proved reserves, revenue, operating cash flows, operating margins, future earnings and trading operations are highly dependent on the prices of crude oil, natural gas and refined petroleum products, which are influenced by numerous factors beyond our control. Historically these prices have been very volatile and most recently have been adversely affected by falling demand caused by the global economic downturn. The major foreign oil producing countries, including members of the Organization of Petroleum Exporting Countries (OPEC), exert considerable influence over the supply and price of crude oil and refined petroleum products. Their ability or inability to agree on a common policy on rates of production and other matters has a significant impact on the oil markets. The commodities trading markets may also influence the selling prices of crude oil, natural gas and refined petroleum products. If crude oil and natural gas prices remain at year-end 2008 levels, our revenues, profitability and cash flow will be lower in 2009 compared with 2008. In addition, if crude oil and natural gas prices decline further from year-end 2008 levels, it could result in a reduction in the carrying value of our oil and gas assets, proved oil and gas reserves, deferred tax assets and goodwill. To the extent that we engage in hedging activities to mitigate commodity price volatility, we may not realize the benefit of price increases above the hedged price. Changes in commodity prices can also have a material impact on margin requirements under our derivative contracts.

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

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

Political Risk: Federal, state, local, territorial and foreign laws and regulations relating to tax increases and retroactive tax claims, expropriation or nationalization of property, mandatory government participation, cancellation or amendment of contract rights, and changes in import regulations, limitations on access to exploration and development opportunities, as well as other political developments may affect our operations. Some of the international areas in which we operate are politically less stable than our domestic operations. In addition, the threat of terrorism around the world poses additional risks to the operations of the oil and gas industry. In our M&R segment, we market motor fuels through lessee-dealers and wholesalers in certain states where legislation prohibits producers or refiners of crude oil from directly engaging in retail marketing of motor fuels. Similar legislation has been periodically proposed in the U.S. Congress and in various other states.

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

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

Catastrophic Risk: Although we maintain a level of insurance coverage consistent with industry practices against property and casualty losses, our oil and gas operations are subject to unforeseen occurrences which may damage or destroy assets or interrupt operations. Examples of catastrophic risks include hurricanes, fires, explosions and blowouts. These occurrences have affected us from time to time. During 2008, our annual Gulf of Mexico production of crude oil and natural gas was reduced by an estimated 7,000 boepd due to the impact of Hurricanes Ike and Gustav.

Item 3. *Legal Proceedings*

The Registrant, along with many other companies engaged in refining and marketing of gasoline, has been a party to lawsuits and claims related to the use of methyl tertiary butyl ether (MTBE) in gasoline. A series of similar lawsuits, many involving water utilities or governmental entities, were filed in jurisdictions across the United States against producers of MTBE and petroleum refiners who produced gasoline containing MTBE, including the Registrant. While the majority of the cases were settled in 2008, the Registrant remains a defendant in approximately 20 cases. These cases have been consolidated for pre-trial purposes in the Southern District of New York as part of a multi-district litigation proceeding, with the exception of an action brought in state court by the State of New Hampshire. The principal allegation in all cases is that gasoline containing MTBE is a defective product and that these parties are strictly liable in proportion to their share of the gasoline market for damage to groundwater resources and are required to take remedial action to ameliorate the alleged effects on the environment of releases of MTBE. The damages claimed in these actions are substantial and in almost all cases, punitive damages are also sought. In the fourth quarter 2007, the Corporation recorded a pre-tax charge of $40 million related to MTBE litigation, including amounts for the cases settled in 2008.

Over the last several years, many refiners have entered into consent agreements to resolve the United States Environmental Protection Agency's (EPA) assertions that refining facilities were modified or expanded without complying with New Source Review regulations that require permits and new emission controls in certain circumstances and other regulations that impose emissions control requirements. These consent agreements, which arise out of an EPA enforcement initiative focusing on petroleum refiners and utilities, have typically imposed substantial civil fines and penalties and required (i) significant capital expenditures to install emissions control equipment over a three to eight year time period and (ii) changes to operations which resulted in increased operating costs. The capital expenditures, penalties and supplemental environmental projects for individual refineries covered by the settlements can vary significantly, depending on the size and configuration of the refinery, the circumstances of the alleged modifications and whether the refinery has previously installed more advanced pollution controls. EPA initially contacted Registrant and HOVENSA regarding the Petroleum Refinery Initiative in August 2003. Negotiations with EPA and the relevant states and the Virgin Islands are continuing and substantial progress has been made toward resolving this matter for both the Corporation and HOVENSA. While the effect on the Corporation of the Petroleum Refining Initiative cannot be estimated until a final settlement is reached and entered by a court, additional future capital expenditures and operating expenses will likely be incurred over a number of years. The amount of penalties, if any, is not expected to be material to the Corporation.

On September 13, 2007, HOVENSA received a Notice Of Violation (NOV) pursuant to section 113(a)(i) of the Clean Air Act (Act) from the EPA finding that HOVENSA failed to obtain proper permitting for the construction and operation of its delayed coking unit in accordance with applicable law and regulations. HOVENSA believes it properly obtained all necessary permits for this project. The NOV states that EPA has authority to issue an administrative order assessing penalties for violation of the Act. HOVENSA has entered into discussions with the EPA to reach resolution of this matter. Registrant does not believe that this matter will result in material liability to HOVENSA or Registrant.

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

Registrant received a directive from the New Jersey Department of Environmental Protection (NJDEP) to remediate contamination in the sediments of the lower Passaic River and NJDEP is also seeking natural resource damages. The directive, insofar as it affects Registrant, relates to alleged releases from a petroleum bulk storage terminal in Newark, New Jersey now owned by the Registrant. Registrant and over 70 companies entered into an Administrative Order on Consent with EPA to study the same contamination. NJDEP has also sued several other companies linked to a facility considered by the State to be the largest contributor to river contamination. In January 2009, these companies added third party defendants, including the Registrant, to that case. In June 2007, EPA issued a draft study which evaluated six alternatives for early action, with costs ranging from $900 million to $2.3 billion. Based on adverse comments from Registrant and others, EPA is reevaluating its alternatives. In addition, the federal trustees for natural resources have begun a separate assessment of damages to natural resources in the Passaic River. Given the ongoing studies, remedial costs cannot be reliably estimated at this time. Based on currently known facts and circumstances, the Registrant does not believe that this matter will result in material liability because its terminal could not have contributed contamination along most of the river's length and did not store or use contaminants which are of the greatest concern in the river sediments, and because there are numerous other parties who will likely share in the cost of remediation and damages.

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

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

The Securities and Exchange Commission (SEC) notified the Registrant that on July 21, 2005, it commenced a private investigation into payments made to the government of Equatorial Guinea or to officials and persons affiliated with officials of the government of Equatorial Guinea. The SEC has requested documents and information from the Registrant and other oil and gas companies that have operations or interests in Equatorial Guinea. Registrant has provided the documents and information requested.

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

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

During the fourth quarter of 2008, no matter was submitted to a vote of security holders through the solicitation of proxies or otherwise.

Executive Officers of the Registrant

The following table presents information as of February 1, 2009 regarding executive officers of the Registrant:

Name	Age	Office Held*	Year Individual Became an Executive Officer
John B. Hess	54	Chairman of the Board, Chief Executive Officer and Director	1983
J. Barclay Collins II	64	Executive Vice President and Director	1986
Gregory P. Hill	47	Executive Vice President and President of Worldwide Exploration and Production	2009
John J. O'Connor	62	Executive Vice President and Director	2001
F. Borden Walker	55	Executive Vice President and President of Marketing and Refining and Director	1996
Brian J. Bohling	48	Senior Vice President	2004
William T. Drennen	58	Senior Vice President	2007
John A. Gartman	61	Senior Vice President	1997
Timothy B. Goodell	51	Senior Vice President and General Counsel	2009
Scott Heck	51	Senior Vice President	2005
Lawrence H. Ornstein	57	Senior Vice President	1995
Howard Paver	58	Senior Vice President	2002
John P. Rielly	46	Senior Vice President and Chief Financial Officer	2002
Lori J. Ryerkerk	46	Senior Vice President	2008
George F. Sandison	52	Senior Vice President	2003
John J. Scelfo	51	Senior Vice President	2004
Gordon Shearer	54	Senior Vice President	2007
John V. Simon	55	Senior Vice President	2007
Sachin Mehra	38	Vice President and Treasurer	2008

* *All officers referred to herein hold office in accordance with the By-Laws until the first meeting of the Directors following the annual meeting of stockholders of the Registrant and until their successors shall have been duly chosen and qualified. Each of said officers was elected to the office opposite his or her name on May 7, 2008, except for Messrs. Hill and Goodell and Ms. Ryerkerk, who were elected effective January 1, 2009, January 5, 2009 and November 5, 2008, respectively. The first meeting of Directors following the next annual meeting of stockholders of the Registrant is scheduled to be held May 6, 2009.*

Except for Messrs. Hill, Bohling, Drennen, Goodell, Mehra, Shearer and Ms. Ryerkerk, each of the above officers has been employed by the Registrant or its subsidiaries in various managerial and executive capacities for more than five years. Prior to joining the Corporation, Mr. Hill served in senior executive positions in exploration and production operations of Royal Dutch Shell and its subsidiaries for 25 years. Mr. Bohling was employed in senior human resource positions with American Standard Corporation and CDI Corporation before joining the Registrant in 2004. Mr. Drennen served in senior executive positions in exploration and technology at ExxonMobil and its subsidiaries prior to joining the Corporation in 2007. Before joining the Corporation in 2009, Mr. Goodell was a partner in the law firm of White & Case LLP. Ms. Ryerkerk was employed in senior managerial positions principally in the refining and marketing operations of ExxonMobil prior to joining the Corporation in 2008. Mr. Mehra was employed in treasury and financial functions at General Motors before joining the Corporation in 2007. Prior to joining Hess LNG, a joint venture subsidiary of the Corporation, in 2004, Mr. Shearer was a consultant at Poten Partners, and held other senior positions in the liquefied natural gas industry.

PART II

Item 5. *Market for the Registrant's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Stock Market Information

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

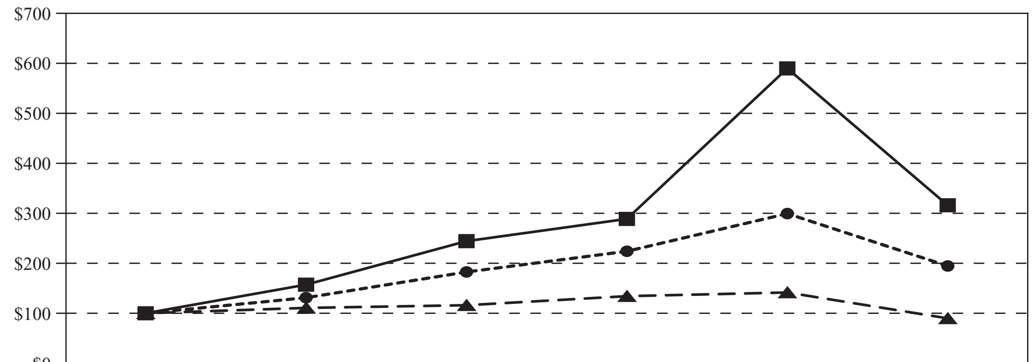
	2008		2007	
Quarter Ended	High	Low	High	Low
March 31	**$101.65**	**$76.67**	$ 58.00	$45.96
June 30	**137.00**	**88.20**	61.48	54.55
September 30	**129.00**	**71.16**	69.87	53.12
December 31	**82.03**	**35.50**	105.85	63.58

Performance Graph

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

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

Comparison of Five-Year Shareholder Returns
Years Ended December 31,



	2003	2004	2005	2006	2007	2008
Hess Corporation	100.00	157.19	244.28	288.76	589.87	316.05
S & P 500	100.00	110.74	116.09	134.21	141.57	89.82
Amex Oil Index	100.00	131.10	182.58	223.97	299.38	194.57

Holders

At December 31, 2008, there were 5,909 stockholders (based on number of holders of record) who owned a total of 326,132,740 shares of common stock.

Dividends

Cash dividends on common stock totaled $.40 per share ($.10 per quarter) during 2008 and 2007.

Equity Compensation Plans

Following is information on the Registrant's equity compensation plans at December 31, 2008:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	9,700,000	$52.73	12,804,000*
Equity compensation plans not approved by security holders**	—	—	—

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

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

See Note 8, "Share-Based Compensation," in the notes to the financial statements for further discussion of the Corporation's equity compensation plans.

Item 6. *Selected Financial Data*

A five-year summary of selected financial data follows:

	2008	2007	2006	2005	2004
	(Millions of dollars, except per share amounts)				
Sales and other operating revenues					
Crude oil and natural gas liquids	**$ 7,764**	$ 6,303	$ 5,307	$ 3,219	$ 2,594
Natural gas (including sales of purchased gas)	**8,800**	6,877	6,826	6,423	4,638
Refined petroleum products	**19,765**	14,741	13,339	11,317	7,907
Electricity	**2,926**	2,322	1,064	363	207
Convenience store sales and other operating revenues	**1,910**	1,404	1,531	1,425	1,387
Total	**$41,165**	$31,647	$28,067	$22,747	$16,733
Income from continuing operations	**$ 2,360(a)**	$ 1,832(b)	$ 1,920(c)	$ 1,226(d)	$ 970(e)
Discontinued operations	**—**	—	—	—	7
Net income	**$ 2,360**	$ 1,832	$ 1,920	$ 1,226	$ 977
Less preferred stock dividends	**—**	—	44	48	48
Net income applicable to common shareholders	**$ 2,360**	$ 1,832	$ 1,876	$ 1,178	$ 929
Basic earnings per share*					
Continuing operations	**$ 7.35**	$ 5.86	$ 6.75	$ 4.32	$ 3.43
Net income	**7.35**	5.86	6.75	4.32	3.46
Diluted earnings per share*					
Continuing operations	**$ 7.24**	$ 5.74	$ 6.08	$ 3.93	$ 3.17
Net income	**7.24**	5.74	6.08	3.93	3.19
Total assets	**$28,589**	$26,131	$22,442	$19,158	$16,312
Total debt	**3,955**	3,980	3,772	3,785	3,835
Stockholders' equity	**12,307**	9,774	8,147	6,318	5,597
Dividends per share of common stock*	**$ .40**	$ .40	$ .40	$ .40	$ .40

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

(a) *Includes net after-tax expenses of $26 million primarily relating to asset impairments and hurricanes in the Gulf of Mexico.*

(b) *Includes net after-tax expenses of $75 million primarily relating to asset impairments, estimated production imbalance settlements and a charge for MTBE litigation, partially offset by income from LIFO inventory liquidations and gains from asset sales.*

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

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

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

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

Overview

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

Net income in 2008 was $2,360 million compared with $1,832 million in 2007 and $1,920 million in 2006. Diluted earnings per share were $7.24 in 2008 compared with $5.74 in 2007 and $6.08 in 2006. A table of items affecting comparability between periods is shown on page 21.

Exploration and Production

The Corporation's strategy for the E&P segment is to profitably grow reserves and production in a sustainable and financially disciplined manner. The Corporation's total proved reserves were 1,432 million barrels of oil equivalent (boe) at December 31, 2008 compared with 1,330 million boe at December 31, 2007 and 1,243 million boe at December 31, 2006. Total proved reserves at year end 2008 increased 102 million boe or 8% from the end of 2007.

E&P net income was $2,423 million in 2008, $1,842 million in 2007 and $1,763 million in 2006. The improved results in 2008 as compared to 2007 were primarily driven by higher average crude oil selling prices. At December 31, 2008, crude oil selling prices were significantly below the average prices in 2008.

Production averaged 381,000 barrels of oil equivalent per day (boepd) in 2008 compared with 377,000 boepd in 2007 and 359,000 boepd in 2006. Production in 2008 increased 4,000 boepd or 1% from 2007. In 2009, the Corporation currently estimates total worldwide production to be approximately 380,000 boepd to 390,000 boepd.

During 2008, the Corporation progressed the following development projects that will add to its production in future years:

- In November 2008, upon the commissioning of a third-party gas export pipeline to Thailand, Phase 2 gas sales commenced at Block A-18 of the Joint Development Area of Malaysia and Thailand (JDA) (Hess 50%).
- In the deepwater Gulf of Mexico, development of the Shenzi Field (Hess 28%) progressed. Tension leg platform tendons, hull and topsides were installed and flowlines were laid and tested. First production is expected in the second quarter of 2009.
- Additional production from a Phase 2 oil project at the Ujung Pangkah Field (Hess 75%) in Indonesia is expected in mid 2009.
- Development of a residual oil zone advanced at the Seminole-San Andres Unit (Hess 34%) with the installation of facilities and equipment.

During 2008, the Corporation's exploration activities included:

- In the Pony prospect on Green Canyon Block 468 (Hess 100%) in the deepwater Gulf of Mexico, the Corporation successfully completed drilling an appraisal well. The Corporation is evaluating development options for Pony.
- At the Corporation's Tubular Bells prospect (Hess 20%) located in the Mississippi Canyon area of the deepwater Gulf of Mexico, a third well was successfully drilled during 2008. The operator is evaluating development options for Tubular Bells.
- The Corporation completed drilling its initial four exploration wells of a 16 well commitment on the WA-Block-390-P offshore Western Australia (Hess 100%). Three of the four wells discovered natural gas and the Corporation plans to drill five additional exploration wells in 2009. The operator of the WA-Block 404-P (Hess 50%) offshore Western Australia plans to drill three exploration wells in 2009.

- The Corporation drilled a successful exploration well in Area 54 offshore Libya (Hess 100%). The Corporation intends to obtain 3D seismic in Area 54 and further drilling is planned.
- The Corporation drilled a successful exploration well on the West Med Block (Hess 55%) in Egypt, which encountered natural gas and crude oil. The Corporation is currently conducting engineering studies and further exploratory drilling is planned.
- The operator commenced drilling of an exploration well on the BM-S-22 Block (Hess 40%) in the Santos Basin offshore Brazil and filed a Notice of Discovery with the regulators on January 16, 2009.
- The Corporation was successful in acquiring new deepwater blocks in the Central and Western Gulf of Mexico and the offshore Semai V exploration block in Indonesia.

Marketing and Refining

The Corporation's strategy for the M&R segment is to deliver consistent operating performance and generate free cash flow. M&R net income was $277 million in 2008, $300 million in 2007 and $394 million in 2006. Earnings in 2008 and 2007 reflect lower average margins compared to the prior periods.

Refining operations contributed net income of $73 million in 2008, $193 million in 2007 and $240 million in 2006. The Corporation received cash distributions from HOVENSA totaling $50 million in 2008, $300 million in 2007 and $400 million in 2006. Gross crude runs at HOVENSA averaged 441,000 barrels per day in 2008 compared with 454,000 barrels per day in 2007 and 448,000 barrels per day in 2006. In 2007, HOVENSA successfully completed the first turnaround of its delayed coker unit. The Port Reading refinery operated at an average of 64,000 barrels per day in 2008 versus 61,000 barrels per day in 2007 and 63,000 barrels per day in 2006. Marketing earnings were $240 million in 2008, $83 million in 2007 and $108 million in 2006. Total refined product sales volumes averaged 472,000 barrels per day in 2008 compared with 451,000 barrels per day in 2007 and 459,000 barrels per day in 2006.

Liquidity and Capital and Exploratory Expenditures

Net cash provided by operating activities was $4,567 million in 2008, $3,507 million in 2007 and $3,491 million in 2006, principally reflecting increased earnings. At December 31, 2008, cash and cash equivalents totaled $908 million compared with $607 million at December 31, 2007. Total debt was $3,955 million at December 31, 2008 compared with $3,980 million at December 31, 2007. The Corporation's debt to capitalization ratio at December 31, 2008 was 24.3% compared with 28.9% at the end of 2007. The Corporation has debt maturities of $143 million in 2009 and $31 million in 2010. In February 2009, the Corporation issued $250 million of 5 year notes with a coupon of 7% and $1 billion of 10 year notes with a coupon of 8.125%.

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

	2008	**2007**
	(Millions of dollars)	
Exploration and Production		
United States	**$2,164**	$1,603
International	**2,477**	2,183
Total Exploration and Production	**4,641**	3,786
Marketing, Refining and Corporate	**187**	140
Total Capital and Exploratory Expenditures	**$4,828**	$3,926
Exploration expenses charged to income included above:		
United States	**$ 211**	$ 192
International	**179**	156
Total exploration expenses charged to income included above	**$ 390**	$ 348

The Corporation anticipates $3.2 billion in capital and exploratory expenditures in 2009, of which $3.1 billion relates to E&P operations.

Consolidated Results of Operations

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

	2008	2007	2006
	(Millions of dollars, except per share data)		
Exploration and Production	**$2,423**	$1,842	$1,763
Marketing and Refining	**277**	300	394
Corporate	**(173)**	(150)	(110)
Interest expense	**(167)**	(160)	(127)
Net income	**$2,360**	$1,832	$1,920
Net income per share — diluted	**$ 7.24**	$ 5.74	$ 6.08

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

The following table summarizes, on an after-tax basis, items of income (expense) that are included in net income and affect comparability between periods. The items in the table below are explained, and the pre-tax amounts are shown, on pages 25 through 27.

	2008	2007	2006
	(Millions of dollars)		
Exploration and Production	**$(26)**	$(74)	$173
Marketing and Refining	**—**	24	—
Corporate	**—**	(25)	—
	$(26)	$(75)	$173

Comparison of Results

Exploration and Production

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

	2008	2007	2006
	(Millions of dollars)		
Sales and other operating revenues*	**$9,806**	$7,498	$6,524
Other, net	**(167)**	65	428
Total revenues and non operating income	**9,639**	7,563	6,952
Costs and expenses			
Production expenses, including related taxes	**1,872**	1,581	1,250
Exploration expenses, including dry holes and lease impairment	**725**	515	552
General, administrative and other expenses	**302**	257	209
Depreciation, depletion and amortization	**1,952**	1,503	1,159
Total costs and expenses	**4,851**	3,856	3,170
Results of operations from continuing operations before income taxes	**4,788**	3,707	3,782
Provision for income taxes	**2,365**	1,865	2,019
Results of operations	**$2,423**	$1,842	$1,763

* *Amounts differ from E&P operating revenues in Note 17 "Segment Information" primarily due to the exclusion of sales of hydrocarbons purchased from third parties.*

After considering the Exploration and Production items in the table on page 21, the remaining changes in Exploration and Production earnings are primarily attributable to changes in selling prices, production volumes, operating costs, exploration expenses, foreign exchange, and income taxes, as discussed below.

Selling prices: Higher average selling prices increased Exploration and Production revenues by approximately $2,100 million in 2008 compared with 2007. At December 31, 2008, the selling prices of crude oil and natural gas had decreased significantly from the average 2008 selling prices indicated below. In 2007, an increase in average crude oil selling prices and reduced hedge positions compared with 2006 increased revenues by approximately $740 million.

The Corporation's average selling prices were as follows:

	2008	2007	2006
Crude oil-per barrel (including hedging)			
United States	**$96.82**	$69.23	$60.45
Europe	**78.75**	60.99	56.19
Africa	**78.72**	62.04	51.18
Asia and other	**97.07**	72.17	61.52
Worldwide	**82.04**	63.44	55.31
Crude oil-per barrel (excluding hedging)			
United States	**$96.82**	$69.23	$60.45
Europe	**78.75**	60.99	58.46
Africa	**93.57**	71.71	62.80
Asia and other	**97.07**	72.17	61.52
Worldwide	**89.23**	67.79	60.41
Natural gas liquids-per barrel			
United States	**$64.98**	$51.89	$46.22
Europe	**74.63**	57.20	47.30
Worldwide	**67.61**	53.72	46.59
Natural gas-per mcf (including hedging)			
United States	**$ 8.61**	$ 6.67	$ 6.59
Europe	**9.44**	6.13	6.20
Asia and other	**5.24**	4.71	4.05
Worldwide	**7.17**	5.60	5.50
Natural gas-per mcf (excluding hedging)			
United States	**$ 8.61**	$ 6.67	$ 6.59
Europe	**9.79**	6.13	6.20
Asia and other	**5.24**	4.71	4.05
Worldwide	**7.30**	5.60	5.50

The after-tax impacts of hedging reduced earnings by $423 million ($685 million before income taxes) in 2008, $244 million ($399 million before income taxes) in 2007 and $285 million ($449 million before income taxes) in 2006. In October 2008, the Corporation closed its Brent crude oil hedge positions by entering into offsetting contracts with the same counterparty covering 24,000 barrels per day from 2009 through 2012 at a per barrel price of $86.95 each year. The deferred after-tax loss as of the date the hedge positions were closed will be recorded in earnings as the contracts mature. The estimated annual after-tax loss from the closed positions will be approximately $335 million from 2009 through 2012. The pretax amounts will continue to be recorded as a reduction of revenue and allocated to the selling prices of the Corporation's African production.

Production and sales volumes: The Corporation's crude oil and natural gas production was 381,000 boepd in 2008 compared with 377,000 boepd in 2007 and 359,000 boepd in 2006. The Corporation currently estimates that its 2009 production will average between 380,000 and 390,000 boepd.

The Corporation's net daily worldwide production was as follows:

	2008	2007	2006
Crude oil (thousands of barrels per day)			
United States	**32**	31	36
Europe	**83**	93	109
Africa	**124**	115	85
Asia and other	**13**	21	12
Total	**252**	260	242
Natural gas liquids (thousands of barrels per day)			
United States	**10**	10	10
Europe	**4**	5	5
Total	**14**	15	15
Natural gas (thousands of mcf per day)			
United States	**78**	88	110
Europe	**255**	259	283
Asia and other	**356**	266	219
Total	**689**	613	612
Barrels of oil equivalent* (thousands of barrels per day)	**381**	377	359

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

United States: Crude oil production in the United States was higher in 2008 compared with 2007, principally due to production from new wells in North Dakota and the deepwater Gulf of Mexico. This increased production was partially offset by the impact of hurricanes in the Gulf of Mexico. Natural gas production was lower in 2008, primarily reflecting hurricane downtime and natural decline. Hurricane impacts reduced full year 2008 production by an estimated 7,000 boepd. At December 31, 2008, approximately 15,000 boepd remained shut-in from the hurricanes and this production is expected to be brought back on line by the end of the first quarter of 2009. Crude oil and natural gas production in 2007 decreased compared with 2006 principally due to natural decline and asset sales.

Europe: Crude oil production in 2008 was lower than in 2007, due to temporary shut-ins at three North Sea fields, cessation of production at the mature Fife, Fergus, Flora and Angus Fields, and natural decline. These decreases were partially offset by increased production in Russia. Crude oil production in 2007 was lower than in 2006, reflecting natural decline, facilities work on three North Sea fields, and the sale of the Corporation's interests in the Scott and Telford Fields in the United Kingdom, partially offset by higher Russian production. Natural gas production was comparable in 2008 and 2007, but decreased in 2007 compared with 2006 principally due to lower nominations related to the shut-down of a non-operated pipeline and natural decline. The decreases were partially offset by higher natural gas production from the Atlantic and Cromarty Fields in the United Kingdom which commenced in June 2006.

Africa: Crude oil production increased in 2008 compared with 2007, primarily due to higher production at the Okume Complex in Equatorial Guinea, partially offset by a lower entitlement to Algerian production. Crude oil production increased in 2007 compared with 2006 primarily due to the start-up of the Okume Complex in December 2006.

Asia and other: The change in crude oil production from 2006 through 2008 principally reflects changes to the Corporation's entitlement to production in Azerbaijan. The increase in 2007 compared with 2006 also reflects increased gross production from the fields in Azerbaijan. Natural gas production increased in 2008 compared with 2007 due to increased production from Block A-18 in the Joint Development Area of Malaysia and Thailand (JDA) and a full year of production from the Ujung Pangkah Field in Indonesia. Higher natural gas production in 2007 compared with 2006 was principally due to new production from the Sinphuhorm onshore gas project in Thailand which commenced in November 2006 and production from the Ujung Pangkah Field which commenced in April 2007. These increases were partially offset by the planned shut-down of the JDA to install facilities required for Phase 2 gas sales.

Sales volumes: Higher sales volumes and other operating revenues increased revenue by approximately $200 million in 2008 compared with 2007 and $240 million in 2007 compared with 2006.

Operating costs and depreciation, depletion and amortization: Cash operating costs, consisting of production expenses and general and administrative expenses, increased by $321 million in 2008 and $409 million in 2007 compared with the corresponding amounts in prior years (excluding the charges for hurricane related costs in 2008 and vacated leased office space in 2006 that are discussed below). The increases in 2008 and 2007 were primarily due to higher production volumes, increased production taxes (due to higher realized selling prices), increased costs of services and materials and higher employee costs. Cash operating costs per barrel of oil equivalent were $15.49 in 2008, $13.36 in 2007 and $10.92 in 2006. Cash operating costs in 2009 are estimated to be in the range of $15.00 to $16.00 per barrel of oil equivalent.

Excluding the pre-tax amount of asset impairments, depreciation, depletion and amortization charges increased by $531 million and $232 million in 2008 and 2007, respectively. The increases were primarily due to higher production volumes and per barrel costs. Depreciation, depletion and amortization costs per barrel of oil equivalent were $13.79 in 2008, $10.11 in 2007 and $8.85 in 2006. Depreciation, depletion and amortization costs for 2009 are estimated to be in the range of $13.00 to $14.00 per barrel.

Exploration expenses: Exploration expenses were higher in 2008 compared with 2007, principally due to higher dry hole costs. Exploration expenses were lower in 2007 compared with 2006, primarily reflecting lower dry hole costs, partially offset by increased seismic studies.

Income taxes: After considering the items in the table below, the effective income tax rates for Exploration and Production operations were 49% in 2008, 50% in 2007 and 54% in 2006. The effective income tax rate for E&P operations in 2009 is estimated to be in the range of 57% to 61%. The increase from the 2008 effective rate largely reflects the impact of Libyan taxes in a lower commodity price environment.

Foreign Exchange: The after-tax foreign currency loss was $84 million in 2008, compared with a loss of $7 million in 2007 and a gain of $10 million in 2006. The increased foreign currency loss reflects the effect of significant exchange rate movements in the fourth quarter of 2008 on the remeasurement of assets, liabilities and foreign currency forward contracts by certain foreign businesses.

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

	Before Income Taxes			After Income Taxes		
	2008	2007	2006	**2008**	2007	2006
	(Millions of dollars)					
Gains from asset sales	**$ —**	$ 21	$369	**$ —**	$ 15	$236
Asset impairments	**(30)**	(112)	—	**(17)**	(56)	—
Hurricane related costs	**(15)**	—	—	**(9)**	—	—
Estimated production imbalance settlements	—	(64)	—	—	(33)	—
Accrued office closing costs	—	—	(30)	—	—	(18)
Income tax adjustments	—	—	—	—	—	(45)
	$(45)	$(155)	$339	**$(26)**	$(74)	$173

2008: The charge for asset impairments relates to mature fields in the United States and the United Kingdom North Sea. The pre-tax amount of this charge is reflected in depreciation, depletion and amortization. The hurricane costs relate to expenses associated with Hurricanes Gustav and Ike in the Gulf of Mexico and are recorded in production expenses.

2007: The gain from asset sales relates to the sale of the Corporation's interests in the Scott and Telford fields in the United Kingdom North Sea. The charge for asset impairments relates to two mature fields also in the United Kingdom North Sea. The estimated production imbalance settlements represent a charge for adjustments to prior meter readings at two offshore fields, which are recorded as a reduction of sales and other operating revenues.

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

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

Marketing and Refining

Earnings from Marketing and Refining activities amounted to $277 million in 2008, $300 million in 2007 and $394 million in 2006. After considering the liquidation of LIFO inventories reflected in the table on page 21 and discussed below, the earnings were $277 million, $276 million and $394 million, respectively.

Refining: Refining earnings, which consist of the Corporation's share of HOVENSA's results, Port Reading earnings, interest income on a note receivable from PDVSA and results of other miscellaneous operating activities, were $73 million in 2008, $193 million in 2007, and $240 million in 2006.

The Corporation's share of HOVENSA's net income was $27 million ($44 million before income taxes) in 2008, $108 million ($176 million before income taxes) in 2007 and $124 million ($201 million before income taxes) in 2006. The lower earnings in 2008 and 2007, compared with the respective prior years, were principally due to lower refining margins. The 2008 utilization rate for the fluid catalytic cracking unit at HOVENSA reflects lower utilization due to weak refining margins, planned and unplanned maintenance of certain units, and a refinery wide shut down for Hurricane Omar. In 2007, the coker unit at HOVENSA was shutdown for approximately 30 days for a scheduled turnaround. Certain related processing units were also included in this turnaround. In 2006, the fluid catalytic cracking unit at HOVENSA was shutdown for approximately 22 days of unscheduled maintenance. Cash distributions received by the Corporation from HOVENSA were $50 million in 2008, $300 million in 2007 and $400 million in 2006.

Pre-tax interest income on the PDVSA note was $4 million, $9 million and $15 million in 2008, 2007 and 2006, respectively. Interest income is reflected in other income in the income statement. At December 31, 2008, the remaining balance of the PDVSA note was $15 million, which was fully repaid in February 2009.

Port Reading and other after-tax refining earnings were $43 million in 2008, $79 million in 2007 and $107 million in 2006, also reflecting lower refining margins.

The following table summarizes refinery utilization rates:

	Refinery Capacity	Refinery Utilization		
		2008	**2007**	**2006**
	(Thousands of barrels per day)			
HOVENSA				
Crude	500	**88.2%**	90.8%	89.7%
Fluid catalytic cracker	150	**72.7%**	87.1%	84.3%
Coker	58	**92.4%**	83.4%	84.3%
Port Reading	70*	**90.7%**	93.2%	97.4%

* *Refinery utilization in 2007 and 2006 is based on capacity of 65 thousand barrels per day.*

Marketing: Marketing operations, which consist principally of retail gasoline and energy marketing activities, generated income of $240 million in 2008, $59 million in 2007 and $108 million in 2006, excluding income from the liquidation of LIFO inventories in 2007 totaling $38 million before income taxes ($24 million after income taxes).

The increase in 2008 primarily reflects higher margins on refined product sales, including sales of retail gasoline operations. Refined product margins were lower in 2007 compared with 2006. Total refined product sales volumes were 472,000 barrels per day in 2008, 451,000 barrels per day in 2007 and 459,000 barrels per day in 2006. Total energy marketing natural gas sales volumes, including utility and spot sales, were approximately 2.0 million mcf per day in 2008, 1.9 million mcf per day in 2007 and 1.8 million mcf per day in 2006. In addition, energy marketing sold electricity volumes at the rate of 3,200, 2,800 and 1,400 megawatts (round the clock) in 2008, 2007 and 2006, respectively.

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 $36 million in 2008, compared with earnings of $24 million in 2007 and $46 million in 2006.

Marketing expenses increased in 2008, 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 external factors, including volatility in margins, competitive industry conditions, government regulations, credit risk, and supply and demand factors, including the effects of weather.

Corporate

The following table summarizes corporate expenses:

	2008	2007	2006
	(Millions of dollars)		
Corporate expenses (excluding the item described below)	**$260**	$187	$156
Income taxes (benefits) on the above	**(87)**	(62)	(46)
	173	125	110
Item affecting comparability between periods, after tax			
Estimated MTBE litigation	**—**	25	—
Net corporate expenses	**$173**	$150	$110

Excluding the item affecting comparability between periods, the increase in corporate expenses in 2008 compared with 2007 primarily reflects losses on pension related investments, higher employee costs, and higher professional fees. The increase in net corporate expenses in 2007 compared with 2006 principally reflects higher employee costs, including stock based compensation. Recurring after-tax corporate expenses in 2009 are estimated to be in the range of $165 to $175 million.

In 2007, Corporate expenses include a charge of $25 million ($40 million before income taxes) related to MTBE litigation. The pre-tax amount of this charge is recorded in general and administrative expenses.

Interest

After-tax interest expense was as follows:

	2008	2007	2006
	(Millions of dollars)		
Total interest incurred	**$274**	$306	$301
Less capitalized interest	**7**	50	100
Interest expense before income taxes	**267**	256	201
Less income taxes	**100**	96	74
After-tax interest expense	**$167**	$160	$127

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 and 2006. Interest expense in each period includes the cost of letters of credit primarily issued to counterparties in hedging and trading activities. After-tax interest expense in 2009 is expected to be in the range of $230 to $240 million. See Future Capital Requirements and Resources for discussion of a $1,250 million note issuance in the first quarter of 2009.

Sales and Other Operating Revenues

Sales and other operating revenues totaled $41,165 million in 2008, an increase of 30% compared with 2007. In 2007, sales and other operating revenues totaled $31,647 million, an increase of 13% compared with 2006. The increase in each year reflects higher selling prices and sales volumes of crude oil, higher refined product selling prices and increased sales volumes of electricity.

The change in cost of goods sold in each year principally reflects the change in sales volumes and prices of refined products and purchased natural gas and electricity.

Liquidity and Capital Resources

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

	2008	2007
	(Millions of dollars)	
Cash and cash equivalents	**$ 908**	$ 607
Current portion of long-term debt	**$ 143**	$ 62
Total debt	**$ 3,955**	$3,980
Stockholders' equity	**$12,307**	$9,774
Debt to capitalization ratio*	**24.3%**	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:

	2008	2007	2006
	(Millions of dollars)		
Net cash provided by (used in):			
Operating activities	**$ 4,567**	$ 3,507	$ 3,491
Investing activities	**(4,444)**	(3,474)	(3,289)
Financing activities	**178**	191	(134)
Net increase in cash and cash equivalents	**$ 301**	$ 224	$ 68

Operating Activities: Net cash provided by operating activities, including changes in operating assets and liabilities, increased to $4,567 million in 2008 from $3,507 million in 2007, reflecting increased earnings. Operating cash flow was comparable in 2007 and 2006. The Corporation received cash distributions from HOVENSA of $50 million in 2008, $300 million in 2007 and $400 million in 2006.

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

	2008	2007	2006
	(Millions of dollars)		
Exploration and Production			
Exploration	**$ 744**	$ 371	$ 590
Production and development	**2,523**	2,605	2,164
Acquisitions (including leaseholds)	**984**	462	921
	4,251	3,438	3,675
Marketing, Refining and Corporate	**187**	140	169
Total	**$4,438**	$3,578	$3,844

Capital expenditures in 2008 include leasehold acquisitions in the United States of $600 million and $210 million for the acquisition of the remaining 22.5% interest in the Corporation's Gabonese subsidiary. In 2008, the Corporation also selectively expanded its energy marketing business by acquiring fuel oil, natural gas, and electricity customer accounts, and a terminal and related assets, for an aggregate of approximately $100 million. In 2007, capital expenditures include the acquisition of a 28% interest in the Genghis Khan Field in the deepwater Gulf of Mexico for $371 million. In 2006, capital expenditures included payments of $359 million to re-enter the Corporation's former oil and gas production operations in the Waha concessions in Libya and $413 million to acquire a 55% working interest in the West Med Block in Egypt.

In 2007, the Corporation received proceeds of $93 million for the sale of its interests in the Scott and Telford fields located in the United Kingdom. Proceeds from asset sales in 2006 totaled $444 million, including the sale of the Corporation's interests in certain producing properties in the Permian Basin and onshore U.S. Gulf Coast.

Financing Activities: During 2008, net repayments of debt were $32 million compared with net borrowings of $208 million in 2007. In 2006, the Corporation reduced debt by $13 million.

Total common and preferred stock dividends paid were $130 million, $127 million and $161 million in 2008, 2007 and 2006, respectively. The Corporation received net proceeds from the exercise of stock options, including related income tax benefits, of $340 million, $110 million and $40 million in 2008, 2007 and 2006, respectively.

Future Capital Requirements and Resources

The Corporation anticipates $3.2 billion in capital and exploratory expenditures in 2009, of which $3.1 billion relates to Exploration and Production operations. Of the total E&P amount, $1.4 billion is for production and $900 million is for developments, with the remainder for exploration. The anticipated 2009 capital program represents a decrease of approximately $1.6 billion from 2008, primarily as a result of lower crude oil selling prices. The Corporation also has maturities of long-term debt of $143 million in 2009. The Corporation anticipates that it can fund its 2009 operations, including planned capital expenditures, dividends, pension contributions and required debt repayments, with existing cash on-hand, projected cash flow from operations and available credit facilities. Crude oil and natural gas prices are volatile and difficult to predict in the near term as a result of the recent global economic recession. In addition, unplanned increases in the Corporation's capital expenditure program could occur. The Corporation will take steps as necessary to protect its financial flexibility, and may pursue other sources of liquidity, including the issuance of debt or equity securities, or asset sales.

The table below summarizes the capacity, usage, and remaining availability of the Corporation's borrowing and letter of credit facilities at December 31, 2008 (in millions):

	Expiration Date	Capacity	Borrowings	Letters of Credit Issued	Total Used	Remaining Capacity
Revolving credit facility	May 2012*	$3,000	$350	$ 176	$ 526	$2,474
Asset backed credit facility	October 2009	500	500	—	500	—
Committed lines	Various**	1,993	—	1,973	1,973	20
Uncommitted lines	Various	1,686	—	1,686	1,686	—
Total		$7,179	$850	$3,835	$4,685	$2,494

* *$75 million of capacity expires in May 2011.*

** *Committed lines have expiration dates ranging from 2009 through 2011.*

The Corporation maintains a $3.0 billion syndicated, revolving credit facility (the facility), of which $2,925 million is committed through May 2012. The facility can be used for borrowings and letters of credit. At December 31, 2008, additional available capacity under the facility was $2,474 million.

The Corporation has a 364-day asset-backed credit facility securitized by certain accounts receivable from its Marketing and Refining operations. Under the terms of this financing arrangement, the Corporation has the ability to borrow or issue letters of credit up to $500 million, subject to the availability of sufficient levels of eligible receivables. At December 31, 2008, outstanding borrowings under this facility were collateralized by $1,249 million of accounts receivable, which are held by a wholly-owned subsidiary. These receivables are not available to pay the general obligations of the Corporation before repayment of outstanding borrowings under the asset-backed facility. At December 31, 2008, $500 million of outstanding borrowings under the asset-backed credit facility are classified as long-term based on the Corporation's available capacity under the committed revolving credit facility.

In February 2009, the Corporation issued $250 million of 5 year senior unsecured notes with a coupon of 7% and $1 billion of 10 year senior unsecured notes with a coupon of 8.125%. The majority of the proceeds were used to repay revolving credit debt and outstanding borrowings on other credit facilities. The remainder of the proceeds is available for working capital and other corporate purposes.

The Corporation also has a shelf registration under which it may issue additional debt securities, warrants, common stock or preferred stock.

A loan agreement covenant based on the Corporation's debt to equity ratio allows the Corporation to borrow up to an additional $16.6 billion for the construction or acquisition of assets at December 31, 2008. The Corporation has the ability to borrow up to an additional $2.8 billion of secured debt at December 31, 2008 under the loan agreement covenants.

In order to reduce credit risk, the Corporation has agreements with counterparties to exchange collateral which is determined based on the fair values of positions held under these agreements. The Corporation's $3.8 billion of letters of credit outstanding at December 31, 2008 were primarily issued to satisfy collateral requirements. Additionally, the Corporation has posted cash collateral of approximately $394 million and has received cash collateral of approximately $705 million from its hedging and trading counterparties. Changes in commodity prices can have a material impact on collateral requirements under these agreements.

Credit Ratings

There are three major credit rating agencies that rate the Corporation's debt. All three agencies have currently assigned an investment grade rating to the Corporation's debt. The interest rates and facility fees charged on the Corporation's credit facilities, as well as margin requirements from non-trading and trading counterparties, are subject to adjustment if the Corporation's credit rating changes.

Contractual Obligations and Contingencies

Following is a table showing aggregated information about certain contractual obligations at December 31, 2008:

		Payments Due by Period			
	Total	2009	2010 and 2011	2012 and 2013	Thereafter
		(Millions of dollars)			
Long-term debt*	$ 3,955	$ 143	$ 733	$ 907	$2,172
Operating leases	3,561	551	725	638	1,647
Purchase obligations					
Supply commitments	24,252	8,602	8,204	7,344	102**
Capital expenditures	1,356	929	427	—	—
Operating expenses	1,011	486	321	77	127
Other long-term liabilities	2,011	134	474	93	1,310

* *At December 31, 2008, the Corporation's debt bears interest at a weighted average rate of 6.7%.*

** *The Corporation intends to continue purchasing refined product supply from HOVENSA. Estimated future purchases amount to approximately $4.0 billion annually using year-end 2008 prices.*

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

The table also reflects future capital expenditures, including a portion of the Corporation's planned $3.2 billion capital investment program for 2009 that is contractually committed at December 31, 2008. Obligations for operating expenses include commitments for transportation, seismic purchases, oil and gas production expenses and other normal business expenses. Other long-term liabilities reflect contractually committed obligations on the balance sheet at December 31, 2008, including asset retirement obligations, pension plan liabilities and anticipated obligations for uncertain income tax positions.

The Corporation and certain of its subsidiaries lease gasoline stations, drilling rigs, tankers, office space and other assets for varying periods under leases accounted for as operating leases. During 2007, the Corporation entered into a lease agreement for a new drillship and related support services for use in its global deepwater exploration and development activities beginning in the middle of 2009. The total payments under this five year contract are expected to be approximately $950 million.

The Corporation has a contingent purchase obligation, expiring in April 2010, to acquire the remaining interest in WilcoHess, a retail gasoline station joint venture, for approximately $175 million as of December 31, 2008.

The Corporation guarantees the payment of up to 50% of HOVENSA's crude oil purchases from certain suppliers other than PDVSA. The amount of the Corporation's guarantee fluctuates based on the volume of crude oil purchased and related prices and at December 31, 2008 amounted to $78 million. In addition, the Corporation has agreed to provide funding up to a maximum of $15 million to the extent HOVENSA does not have funds to meet its senior debt obligations.

The Corporation is contingently liable under letters of credit and under guarantees of the debt of other entities directly related to its business, as follows:

	Total (Millions of dollars)
Letters of credit	$126
Guarantees	93
	$219

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 December 31, 2008 compared with $493 million at December 31, 2007. The Corporation's December 31, 2008 debt to capitalization ratio would increase from 24.3% to 26.5% if these leases were included as debt.

See also Note 4, "Refining Joint Venture," and Note 16, "Guarantees and Contingencies," in the notes to the financial statements.

Foreign Operations

The Corporation conducts exploration and production activities principally in Algeria, Australia, Azerbaijan, Brazil, Denmark, Egypt, Equatorial Guinea, Gabon, Ghana, Indonesia, Libya, Malaysia, Norway, Peru, Russia, Thailand, the United Kingdom and the United States. Therefore, the Corporation is subject to the risks associated with foreign operations, including political risk, tax law changes, and currency risk.

HOVENSA owns and operates a refinery in the United States Virgin Islands. In 2002, there was a political disruption in Venezuela that reduced the availability of Venezuelan crude oil used in refining operations; however, this disruption did not have a material adverse effect on the Corporation's financial position.

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

Accounting Policies

Critical Accounting Policies and Estimates

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

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

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

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

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

The oil and gas reserve estimates reported in the Supplementary Oil and Gas Data in accordance with Statement of Financial Accounting Standards (FAS) 69 *Disclosures about Oil and Gas Producing Activities* (FAS 69) are determined independently by the consulting firm of DeGolyer and MacNaughton (D&M) and are consistent with internal estimates. Annually, the Corporation provides D&M with engineering, geological and geophysical data, actual production histories and other information necessary for the reserve determination. The Corporation's and D&M's technical staffs meet to review and discuss the information provided. Senior management and the Board of Directors review the final reserve estimates issued by D&M.

On December 31, 2008, the Securities and Exchange Commission published a final rule which revises its oil and gas reserve estimation and disclosure requirements. The revisions are effective for filings on Form 10-K for fiscal years ending December 31, 2009. The Corporation is evaluating the impact of these requirements on its oil and gas reserve estimates and disclosures.

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

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

The Corporation's impairment tests of long-lived Exploration and Production producing assets are based on its best estimates of future production volumes (including recovery factors), selling prices, operating and capital costs, the timing of future production and other factors, which are updated each time an impairment test is performed. The

Corporation could have impairments if the projected production volumes from oil and gas fields decrease, crude oil and natural gas selling prices decline significantly for an extended period or future estimated capital and operating costs increase significantly.

In accordance with FAS 142, *Goodwill and Other Intangible Assets*, the Corporation's goodwill is not amortized, but is tested for impairment at a reporting unit level, which is an operating segment or one level below an operating segment. The impairment test is conducted annually in the fourth quarter or when events or changes in circumstances indicate that the carrying amount of the goodwill may not be recoverable. The reporting unit or units used to evaluate and measure goodwill for impairment are determined primarily from the manner in which the business is managed. The Corporation's goodwill is assigned to the Exploration and Production operating segment and it expects that the benefits of goodwill will be recovered through the operation of that segment.

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

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

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

Asset Retirement Obligations: The Corporation has material legal obligations to remove and dismantle long lived assets and to restore land or seabed at certain exploration and production locations. In accordance with generally accepted accounting principles, the Corporation recognizes a liability for the fair value of required asset retirement obligations. In addition, the fair value of any legally required conditional asset retirement obligations is recorded if the liability can be reasonably estimated. The Corporation capitalizes such costs as a component of the carrying amount of the underlying assets in the period in which the liability is incurred. In order to measure these obligations, the Corporation estimates the fair value of the obligations by discounting the future payments that will be required to satisfy the obligations. In determining these estimates, the Corporation is required to make several assumptions and judgments related to the scope of dismantlement, timing of settlement, interpretation of legal requirements, inflationary factors and discount rate. In addition, there are other external factors which could significantly affect the ultimate settlement costs for these obligations including: changes in environmental regulations and other statutory requirements, fluctuations in industry costs and foreign currency exchange rates, and advances in technology. As a result, the Corporation's estimates of asset retirement obligations are subject to revision due to the factors described above. Changes in estimates prior to settlement result in adjustments to both the liability and related asset values.

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

All derivative instruments are recorded at fair value in the Corporation's balance sheet. The Corporation's policy for recognizing the changes in fair value of derivatives varies based on the designation of the derivative. The changes in fair value of derivatives that are not designated as hedges under FAS 133, *Accounting for Derivative Instruments and Hedging Activities*, are recognized currently in earnings. Derivatives may be designated as hedges of expected future cash flows or forecasted transactions (cash flow hedges) or hedges of firm commitments (fair value hedges). The effective portion of changes in fair value of derivatives that are designated as cash flow hedges is recorded as a component of other comprehensive income (loss). Amounts included in accumulated other comprehensive income (loss) for cash flow hedges are reclassified into earnings in the same period that the hedged item is recognized in earnings. The ineffective portion of changes in fair value of derivatives designated as cash flow hedges is recorded currently in earnings. Changes in fair value of derivatives designated as fair value hedges are recognized currently in earnings. The change in fair value of the related hedged commitment is recorded as an adjustment to its carrying amount and recognized currently in earnings.

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

Fair Value Measurements: The Corporation's derivative instruments and supplemental pension plan investments are carried at fair value, with changes in fair value recognized in earnings or other comprehensive income each period. In determining fair value, the Corporation uses various valuation approaches, including the market and income approaches. The Corporation's fair value measurements also include non-performance risk and time value of money considerations. Counterparty credit is considered for receivable balances, and the Corporation's credit is considered for accrued liabilities.

The Corporation adopted the provisions of FAS 157, *Fair Value Measurements* (FAS 157), effective January 1, 2008. 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 is based on the lowest significant input level within this fair value hierarchy. 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 Corporation's supplemental pension plan 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 hedges is classified as Level 2.

Fair value measurements based on Level 3 inputs:

Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts or are positions with longer durations. 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.

Income Taxes: Judgments are required in the determination and recognition of income tax assets and liabilities in the financial statements. These judgements include the requirement to only recognize the financial statement effect of a tax position when management believes that it is more likely than not, that based on the technical merits, the position will be sustained upon examination.

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

Retirement Plans: The Corporation has funded non-contributory defined benefit pension plans and an unfunded supplemental pension plan. In accordance with FAS 158, *Employer's Accounting For Defined Benefit Pension and Other Postretirement Plans* (FAS 158), the Corporation recognizes on the balance sheet the net change in the funded status of the projected benefit obligation for these plans.

The determination of the obligations and expenses related to these plans are based on several actuarial assumptions, the most significant of which relate to the discount rate for measuring the present value of future plan obligations; expected long-term rates of return on plan assets; and rate of future increases in compensation levels. These assumptions represent estimates made by the Corporation, some of which can be affected by external factors. For example, the discount rate used to estimate the Corporation's projected benefit obligation is based on a portfolio of high-quality, fixed-income debt instruments with maturities that approximate the expected payment of plan obligations, while the expected return on plan assets is developed from the expected future returns for each asset category, weighted by the target allocation of pension assets to that asset category. Changes in these assumptions can have a material impact on the amounts reported in the Corporation's financial statements.

Changes in Accounting Policies

As discussed on page 35, the Corporation adopted FAS 157 effective January 1, 2008. 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 $193 million, after income taxes.

Effective December 31, 2008, the Corporation applied the provisions of Emerging Issues Task Force 08-5, *Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement* (EITF 08-5). Upon adoption, the Corporation revalued certain derivative liabilities collateralized by letters of credit to reflect the Corporation's credit rating rather than the credit rating of the issuing bank. The adoption resulted in an increase in sales and other operating revenues of approximately $13 million and an increase in other comprehensive income of approximately $78 million, with a corresponding decrease in derivative liabilities recorded within accounts payable.

Recently Issued Accounting Standard

In December 2007, the FASB issued FAS 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 will adopt the provisions of FAS 160 effective January 1, 2009 and estimates that adoption will result in a decrease in other long term liabilities and an increase in stockholders' equity of approximately $85 million.

Environment, Health and Safety

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

The Corporation and HOVENSA produce and the Corporation distributes fuel oils in the United States. Proposals by state regulatory agencies and legislatures have been made that would require a lower sulfur content of fuel oils. If adopted, these proposals could require capital expenditures by the Registrant and HOVENSA to meet the required sulfur content standards.

As described in Item 3 "Legal Proceedings," in 2003 the Corporation and HOVENSA began discussions with the U.S. EPA regarding the EPA's Petroleum Refining Initiative (PRI). The PRI is an ongoing program that is designed to reduce certain air emissions at all U.S. refineries. Since 2000, the EPA has entered into settlements addressing these emissions with petroleum refining companies that control nearly 90% of the domestic refining capacity. Negotiations with the EPA are continuing and substantial progress has been made toward resolving this matter for both the Corporation and HOVENSA. While the effect on the Corporation of the Petroleum Refining Initiative cannot be estimated until a final settlement is reached and entered by a court, additional future capital expenditures and operating expenses will likely be incurred over a number of years. The amount of penalties, if any, is not expected to be material to the Corporation.

The Corporation has undertaken a program to assess, monitor and reduce the emission of "greenhouse gases," including carbon dioxide and methane. The Corporation recognizes that climate change is a global environmental concern with potentially significant consequences for society and the energy industry. The Corporation is committed to the responsible management of greenhouse gas emissions from our existing assets and future developments and is developing and implementing a strategy to control our carbon emissions.

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

The Corporation accrues for environmental assessment and remediation expenses when the future costs are probable and reasonably estimable. At year-end 2008, the Corporation's reserve for estimated environmental liabilities was approximately $61 million. The Corporation expects that existing reserves for environmental liabilities will adequately cover costs to assess and remediate known sites. The Corporation's remediation spending was $23 million in 2008, $23 million in 2007 and $15 million in 2006. Capital expenditures for facilities, primarily to comply with federal, state and local environmental standards, other than for the low sulfur requirements, were $15 million in 2008 and $22 million in 2007 and 2006.

Forward-Looking Information

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

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

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

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

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

- *Forward Commodity Contracts:* The Corporation enters into contracts for the forward purchase and sale of commodities. At settlement date, the notional value of the contract is exchanged for physical delivery of the commodity. Forward contracts that are designated as normal purchase and sale contracts under FAS 133 are excluded from the quantitative market risk disclosures.

- *Forward Foreign Exchange Contracts:* The Corporation enters into forward contracts primarily for the British pound, the Norwegian krone, and the Danish krone, which commit the Corporation to buy or sell a fixed amount of these currencies at a predetermined exchange rate on a future date.

- *Exchange Traded Contracts:* The Corporation uses exchange traded contracts, including futures, on a number of different underlying energy commodities. These contracts are settled daily with the relevant exchange and may be subject to exchange position limits.

- *Swaps:* The Corporation uses financially settled swap contracts with third parties as part of its hedging and trading activities. Cash flows from swap contracts are determined based on underlying commodity prices and are typically settled over the life of the contract.

- *Options:* Options on various underlying energy commodities include exchange traded and third party contracts and have various exercise periods. As a seller of options, the Corporation receives a premium at the outset and bears the risk of unfavorable changes in the price of the commodity underlying the option. As a purchaser of options, the Corporation pays a premium at the outset and has the right to participate in the favorable price movements in the underlying commodities. These premiums are a component of the fair value of the options.

- *Energy Securities:* Energy securities include energy related equity or debt securities issued by a company or government or related derivatives on these securities.

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

	Trading Activities	Non-trading Activities
	(Millions of dollars)	
2008		
At December 31	**$17**	**$ 13**
Average	**13**	**90**
High	**17**	**140**
Low	**11**	**13**
2007		
At December 31	$10	$ 72
Average	12	63
High	13	72
Low	10	54

Non-trading: The Corporation's non-trading activities may include hedging of crude oil and natural gas production. Futures and swaps are used to fix the selling prices of a portion of the Corporation's future production and the related gains or losses are an integral part of the Corporation's selling prices. In October 2008, the Corporation closed its Brent crude oil hedge positions by entering into offsetting contracts with the same counterparty covering 24,000 barrels per day from 2009 through 2012 at a per barrel price of $86.95 each year. The after-tax deferred losses related to closed crude oil contracts will be recorded in earnings as the contracts mature.

There were no hedges of WTI crude oil or natural gas production at December 31, 2008. The Corporation also markets energy commodities including refined petroleum products, natural gas and electricity. The Corporation uses futures, swaps and options to manage the risk in its marketing activities. Accumulated other comprehensive income (loss) at December 31, 2008 includes after-tax deferred losses of $1,478 million primarily related to closed crude oil contracts that were used as hedges of exploration and production sales.

The Corporation uses foreign exchange contracts to reduce its exposure to fluctuating foreign exchange rates by entering into forward contracts for various currencies including the British pound, the Norwegian krone and the Danish krone. At December 31, 2008, the Corporation had $896 million of notional value foreign exchange contracts maturing in 2009. The fair value of the foreign exchange contracts was a payable of $75 million at December 31, 2008. The change in fair value of the foreign exchange contracts from a 20% change in exchange rates is estimated to be approximately $165 million at December 31, 2008.

The Corporation's outstanding debt of $3,955 million has a fair value of $3,883 million at December 31, 2008. A 15% decrease in the rate of interest would increase the fair value of debt by approximately $85 million at December 31, 2008.

Trading: In trading activities, the Corporation is primarily 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, securities and derivatives. The accounts of the partnership are consolidated with those of the Corporation. The Corporation also takes trading positions for its own account. The information that follows represents 100% of the trading partnership and the Corporation's proprietary trading accounts.

Gains or losses from sales of physical products are recorded at the time of sale. Total realized gains (losses) on trading activities amounted to $(317) million in 2008 and $303 million in 2007. Derivative trading transactions are marked-to-market and unrealized gains or losses are reflected in income currently. The following table provides an assessment of the factors affecting the changes in fair value of trading activities and represents 100% of the trading partnership and other trading activities.

	2008	2007
	(Millions of dollars)	
Fair value of contracts outstanding at the beginning of the year	**$ 154**	$ 365
Change in fair value of contracts outstanding at the beginning of the year and still outstanding at the end of year	**(257)**	193
Reversal of fair value for contracts closed during the year	**42**	(230)
Fair value of contracts entered into during the year and still outstanding	**925**	(174)
Fair value of contracts outstanding at the end of the year	**$ 864**	$ 154

The Corporation measures fair value and summarizes the sources of fair value for derivatives in accordance with the provisions of FAS 157. See the discussion on page 35 for more details on how the Corporation measures fair value.

The following table summarizes the sources of fair values of derivatives used in the Corporation's trading activities at December 31, 2008:

	Total	2009	2010	2011	2012 and Beyond
		(Millions of dollars)			
Source of fair value					
Level 1	$ 35	$ (22)	$ 63	$ 2	$ (8)
Level 2	885	564	180	82	59
Level 3	(56)	(42)	(12)	(1)	(1)
Total	$864	$500	$231	$83	$50

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

	2008	2007
	(Millions of dollars)	
Investment grade determined by outside sources	**$263**	$364
Investment grade determined internally*	**133**	173
Less than investment grade	**58**	55
Fair value of net receivables outstanding at the end of the year	**$454**	$592

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

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

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND SCHEDULE

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

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2008.

The Corporation's independent registered public accounting firm, Ernst & Young LLP, has audited the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2008, as stated in their report, which is included herein.

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

By /s/ John B. Hess
John B. Hess
Chairman of the Board and
Chief Executive Officer

February 20, 2009

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Hess Corporation

We have audited Hess Corporation's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Hess Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Hess Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Hess Corporation and consolidated subsidiaries as of December 31, 2008 and 2007, and the related statements of consolidated income, cash flows, stockholders' equity and comprehensive income of Hess Corporation and consolidated subsidiaries for each of the three years in the period ended December 31, 2008, and our report dated February 20, 2009 expressed an unqualified opinion thereon.

Ernst & Young LLP

February 20, 2009
New York, New York

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Hess Corporation

We have audited the accompanying consolidated balance sheet of Hess Corporation and consolidated subsidiaries as of December 31, 2008 and 2007, and the related statements of consolidated income, cash flows, stockholders' equity and comprehensive income for each of the three years in the period ended December 31, 2008. Our audits also included the Financial Statement Schedule listed in the Index at Item 8. These financial statements and schedule are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hess Corporation and consolidated subsidiaries at December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related Financial Statement Schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Corporation adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, effective January 1, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Hess Corporation's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 20, 2009 expressed an unqualified opinion thereon.

Ernst & Young LLP

February 20, 2009
New York, New York

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	December 31, 2008	December 31, 2007
	(Millions of dollars; thousands of shares)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 908**	$ 607
Accounts receivable		
Trade	**4,059**	4,527
Other	**238**	181
Inventories	**1,308**	1,250
Other current assets	**819**	361
Total current assets	**7,332**	6,926
INVESTMENTS IN AFFILIATES		
HOVENSA L.L.C.	**919**	933
Other	**208**	184
Total investments in affiliates	**1,127**	1,117
PROPERTY, PLANT AND EQUIPMENT		
Exploration and Production	**25,332**	22,903
Marketing, Refining and Corporate	**2,105**	1,928
Total — at cost	**27,437**	24,831
Less reserves for depreciation, depletion, amortization and lease impairment	**11,166**	10,197
Property, plant and equipment — net	**16,271**	14,634
GOODWILL	**1,225**	1,225
DEFERRED INCOME TAXES	**2,292**	1,873
OTHER ASSETS	**342**	356
TOTAL ASSETS	**$28,589**	$26,131
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	**$ 5,045**	$ 5,741
Accrued liabilities	**1,905**	1,638
Taxes payable	**637**	583
Current maturities of long-term debt	**143**	62
Total current liabilities	**7,730**	8,024
LONG-TERM DEBT	**3,812**	3,918
DEFERRED INCOME TAXES	**2,241**	2,362
ASSET RETIREMENT OBLIGATIONS	**1,164**	1,016
OTHER LIABILITIES AND DEFERRED CREDITS	**1,335**	1,037
Total liabilities	**16,282**	16,357
STOCKHOLDERS' EQUITY		
Preferred stock, par value $1.00, 20,000 shares authorized		
3% cumulative convertible series		
Authorized: 330 shares		
Issued: 2008 — 0 shares; 2007 — 284 shares	**—**	—
Common stock, par value $1.00		
Authorized: 600,000 shares		
Issued: 2008 — 326,133 shares; 2007 — 320,600 shares	**326**	321
Capital in excess of par value	**2,347**	1,882
Retained earnings	**11,642**	9,412
Accumulated other comprehensive income (loss)	**(2,008)**	(1,841)
Total stockholders' equity	**12,307**	9,774
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$28,589**	$26,131

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

See accompanying notes to consolidated financial statements.

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME

	Years Ended December 31,		
	2008	**2007**	**2006**
	(In millions, except per share data)		
REVENUES AND NON-OPERATING INCOME			
Sales (excluding excise taxes) and other operating revenues	**$41,165**	$31,647	$28,067
Equity in income of HOVENSA L.L.C.	**44**	176	201
Gain on asset sales	**—**	21	369
Other, net	**(115)**	80	81
Total revenues and non-operating income	**41,094**	31,924	28,718
COSTS AND EXPENSES			
Cost of products sold (excluding items shown separately below)	**29,595**	22,573	19,912
Production expenses	**1,872**	1,581	1,250
Marketing expenses	**1,025**	944	940
Exploration expenses, including dry holes and lease impairment	**725**	515	552
Other operating expenses	**209**	161	122
General and administrative expenses	**672**	614	471
Interest expense	**267**	256	201
Depreciation, depletion and amortization	**2,029**	1,576	1,224
Total costs and expenses	**36,394**	28,220	24,672
INCOME BEFORE INCOME TAXES	**4,700**	3,704	4,046
Provision for income taxes	**2,340**	1,872	2,126
NET INCOME	**$ 2,360**	$ 1,832	$ 1,920
Less preferred stock dividends	**—**	—	44
NET INCOME APPLICABLE TO COMMON SHAREHOLDERS	**$ 2,360**	$ 1,832	$ 1,876
BASIC NET INCOME PER SHARE	**$ 7.35**	$ 5.86	$ 6.75
DILUTED NET INCOME PER SHARE	**$ 7.24**	$ 5.74	$ 6.08
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (DILUTED)	**325.8**	319.3	315.7

See accompanying notes to consolidated financial statements.

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED CASH FLOWS

	Years Ended December 31,		
	2008	**2007**	**2006**
	(Millions of dollars)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	**$ 2,360**	$ 1,832	$ 1,920
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation, depletion and amortization	**2,029**	1,576	1,224
Exploratory dry hole costs	**210**	65	241
Lease impairment	**125**	102	99
Pre-tax gain on asset sales	**—**	(21)	(369)
Provision (benefit) for deferred income taxes	**(57)**	(33)	281
Distributed earnings of HOVENSA L.L.C., net	**6**	124	199
Changes in other operating assets and liabilities:			
(Increase) decrease in accounts receivable	**357**	(783)	(179)
Increase in inventories	**(56)**	(254)	(152)
Increase (decrease) in accounts payable and accrued liabilities	**(252)**	597	(44)
Increase in taxes payable	**61**	134	47
Changes in other assets and liabilities	**(216)**	168	224
Net cash provided by operating activities	**4,567**	3,507	3,491
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	**(4,438)**	(3,578)	(3,844)
Proceeds from asset sales	**—**	93	444
Payments received on notes receivable	**61**	61	76
Other, net	**(67)**	(50)	35
Net cash used in investing activities	**(4,444)**	(3,474)	(3,289)
CASH FLOWS FROM FINANCING ACTIVITIES			
Debt with maturities of greater than 90 days			
Borrowings	**380**	1,094	320
Repayments	**(412)**	(886)	(333)
Cash dividends paid	**(130)**	(127)	(161)
Employee stock options exercised, including income tax benefits	**340**	110	40
Net cash provided by (used in) financing activities	**178**	191	(134)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**301**	224	68
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**607**	383	315
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 908**	$ 607	$ 383

See accompanying notes to consolidated financial statements.

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED STOCKHOLDERS' EQUITY

	2008		2007		2006	
	Shares	Amount	Shares	Amount	Shares	Amount
	(Millions of dollars; thousands of shares)					
PREFERRED STOCK						
Balance at January 1	**284**	**$ —**	324	$ —	13,824	$ 14
Conversion of preferred stock to common stock	**(284)**	**—**	(40)	—	(13,500)	(14)
Balance at December 31	**—**	**—**	284	—	324	—
COMMON STOCK						
Balance at January 1	**320,600**	**321**	315,018	315	279,197	279
Activity related to restricted common stock awards, net	**1,148**	**1**	941	1	903	1
Employee stock options exercised	**3,852**	**4**	4,566	5	1,283	1
Conversion of preferred stock to common stock	**533**	**—**	75	—	33,635	34
Balance at December 31	**326,133**	**326**	320,600	321	315,018	315
CAPITAL IN EXCESS OF PAR VALUE						
Balance at January 1		**1,882**		1,689		1,656
Activity related to restricted common stock awards, net		**145**		50		36
Employee stock options, including income tax benefits		**320**		143		68
Conversion of preferred stock to common stock		**—**		—		(20)
Reclassification resulting from adoption of FAS 123R		**—**		—		(51)
Balance at December 31		**2,347**		1,882		1,689
RETAINED EARNINGS						
Balance at January 1		**9,412**		7,707		5,946
Net income		**2,360**		1,832		1,920
Dividends declared on common stock		**(130)**		(127)		(115)
Dividends on preferred stock		**—**		—		(44)
Balance at December 31		**11,642**		9,412		7,707
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)						
Balance at January 1		**(1,841)**		(1,564)		(1,526)
Net other comprehensive income (loss)		**(167)**		(277)		104
Cumulative effect of adoption of FAS 158		**—**		—		(142)
Balance at December 31		**(2,008)**		(1,841)		(1,564)
DEFERRED COMPENSATION						
Balance at January 1		**—**		—		(51)
Reclassification resulting from adoption of FAS 123R		**—**		—		51
Balance at December 31		**—**		—		—
TOTAL STOCKHOLDERS' EQUITY at December 31		**$12,307**		$ 9,774		$ 8,147

See accompanying notes to consolidated financial statements.

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

	Years Ended December 31,		
	2008	2007	2006
	(Millions of dollars)		
COMPONENTS OF COMPREHENSIVE INCOME			
Net income	**$2,360**	$1,832	$1,920
Other comprehensive income (loss):			
Deferred gains (losses) on cash flow hedges, after tax:			
Effect of hedge losses recognized in income	**342**	325	345
Net change in fair value of cash flow hedges	**(341)**	(659)	(379)
Effect of adoption of FAS 157	**193**	—	—
Change in retirement plan liabilities, after tax	**(241)**	17	90
Change in foreign currency translation adjustment and other	**(120)**	40	48
Net other comprehensive income (loss)	**(167)**	(277)	104
COMPREHENSIVE INCOME	**$2,193**	$1,555	$2,024

See accompanying notes to consolidated financial statements.

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

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

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

Intercompany transactions and accounts are eliminated in consolidation.

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

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

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

All derivative instruments are recorded at fair value in the Corporation's balance sheet. The Corporation's policy for recognizing the changes in fair value of derivatives varies based on the designation of the derivative. The changes in fair value of derivatives that are not designated as hedges under FAS 133, *Accounting for Derivative Instruments and Hedging Activities,* are recognized currently in earnings. Derivatives may be designated as hedges of expected future cash flows or forecasted transactions (cash flow hedges) or hedges of firm commitments (fair value hedges). The effective portion of changes in fair value of derivatives that are designated as cash flow hedges is recorded as a component of other comprehensive income (loss). Amounts included in accumulated other comprehensive income (loss) for cash flow hedges are reclassified into earnings in the same period that the hedged item is recognized in earnings. The ineffective portion of changes in fair value of derivatives designated as cash flow hedges is recorded currently in earnings. Changes in fair value of derivatives designated as fair value hedges are recognized currently in earnings. The change in fair value of the related hedged commitment is recorded as an adjustment to its carrying amount and recognized currently in earnings.

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

Inventories: Inventories are valued at the lower of cost or market. For refined product inventories valued at cost, the Corporation uses principally the last-in, first-out (LIFO) inventory method. For the remaining inventories, cost is generally determined using average actual costs.

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

The costs of exploratory wells that find oil and gas reserves are capitalized pending determination of whether proved reserves have been found. In accordance with Financial Accounting Standards Board (FASB) Staff Position 19-1, *Accounting for Suspended Well Costs*, which amended FAS 19, *Financial Accounting and Reporting by Oil and Gas Producing Companies* (FAS 19), exploratory drilling costs remain capitalized after drilling is completed if (1) the well has found a sufficient quantity of reserves to justify completion as a producing well and (2) sufficient progress is being made in assessing the reserves and the economic and operating viability of the project. If either of those criteria is not met, or if there is substantial doubt about the economic or operational viability of a project, the capitalized well costs are charged to expense. Indicators of sufficient progress in assessing reserves and the economic and operating viability of a project include commitment of project personnel, active negotiations for sales contracts with customers, negotiations with governments, operators and contractors, firm plans for additional drilling and other factors.

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

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

Asset Retirement Obligations: The Corporation has material legal obligations to remove and dismantle long-lived assets and to restore land or seabed at certain exploration and production locations. The Corporation accounts for asset retirement obligations as required by FAS 143, *Accounting for Asset Retirement Obligations* and FASB Interpretation 47, *Accounting for Conditional Asset Retirement Obligations.* Under these standards, a liability is recognized for the fair value of legally required asset retirement obligations associated with long-lived assets in the period in which the retirement obligations are incurred. In addition, the fair value of any legally required conditional asset retirement obligations is recorded if the liability can be reasonably estimated. The Corporation capitalizes the associated asset retirement costs as part of the carrying amount of the long-lived assets.

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

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

Impairment of Goodwill: In accordance with FAS 142, *Goodwill and Other Intangible Assets*, goodwill is not amortized; however, it is tested for impairment annually in the fourth quarter or when events or changes in circumstances indicate that the carrying amount of the goodwill may not be recoverable. This impairment test is calculated at the reporting unit level, which for the Corporation's goodwill is the Exploration and Production operating segment. The Corporation identifies potential impairments by comparing the fair value of the reporting unit to its book value, including goodwill. If the fair value of the reporting unit exceeds the carrying amount, goodwill is not impaired. If the carrying value exceeds the fair value, the Corporation calculates the possible impairment loss by comparing the implied fair value of goodwill with the carrying amount. If the implied fair value of goodwill is less than the carrying amount, an impairment would be recorded.

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

Effective January 1, 2007, the Corporation adopted Financial Accounting Standards Board (FASB) Staff Position (FSP) AUG AIR-1, *Accounting for Planned Major Maintenance Activities.* This FSP eliminated the previously acceptable accrue-in-advance method of accounting for planned major maintenance. As required, the Corporation retrospectively applied the provisions of this FSP which resulted in a change of its method of accounting to recognize expenses associated with refinery turnarounds when such costs are incurred. The impact of adopting this FSP increased previously reported 2006 earnings by $4 million ($.01 per diluted share). All prior period amounts in the consolidated financial statements and accompanying notes reflect this retrospective accounting change.

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

Share-Based Compensation: The fair value of all share-based compensation is expensed and recognized on a straight-line basis over the vesting period of the awards in accordance with FAS 123R, *Share-Based Payment*, which was adopted on January 1, 2006.

Income Taxes: Deferred income taxes are determined using the liability method. The Corporation regularly assesses the realizability of deferred tax assets, based on estimates of future taxable income, the availability of tax planning strategies, the existence of appreciated assets, the available carryforward periods for net operating losses and other factors. If it is more likely than not that some or all of the deferred tax assets will not be realized, a valuation allowance is recorded to reduce the deferred tax assets to the amount expected to be realized.

The Corporation adopted the provisions of FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes*, (FIN 48) on January 1, 2007. The impact of adoption was not material to the Corporation's financial position, results of operations or cash flows. A deferred tax asset of $28 million related to an acquired net operating loss carryforward was recorded in accordance with FIN 48 and goodwill was reduced. In addition, effective with its adoption of FIN 48, the Corporation recognizes the financial statement effect of a tax position only when management believes that it is more likely than not, that based on the technical merits, the position will be sustained upon examination. The Corporation does not provide for deferred U.S. income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations. The Corporation classifies interest and penalties associated with uncertain tax positions as income tax expense.

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

Fair Value Measurements: The Corporation adopted the provisions of FAS 157, *Fair Value Measurements* (FAS 157), effective January 1, 2008. 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 is based on the lowest significant input level within this fair value hierarchy. See Note 15, "Fair Value Measurements", for more details on the methods and assumptions used to determine the fair values of the financial assets and liabilities.

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 $193 million, after income taxes.

Effective December 31, 2008, the Corporation applied the provisions of Emerging Issues Task Force 08-5, *Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement* (EITF 08-5). Upon adoption, the Corporation revalued certain derivative liabilities collateralized by letters of credit to reflect the Corporation's credit rating rather than the credit rating of the issuing bank. The adoption resulted in an increase in sales and other operating revenues of approximately $13 million and an increase in accumulated other comprehensive income of approximately $78 million, with a corresponding decrease in derivative liabilities recorded within accounts payable.

Retirement Plans: Effective December 31, 2006, the Corporation adopted FAS 158, *Employer's Accounting For Defined Benefit Pension and Other Postretirement Plans*, which required the recognition of the underfunded status of defined benefit postretirement plans on the balance sheet. For the Corporation's pension plans, the underfunded status is measured as the difference between the fair value of plan assets and the projected benefit obligation. For the Corporation's postretirement medical plan, the underfunded status represents the difference between the fair value of plan assets and the accumulated postretirement benefit obligation. The Corporation recognizes the net changes in the funded status of these plans in the year in which such changes occur.

Recently Issued Accounting Standard: In December 2007, the FASB issued FAS 160, *Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB 51* (FAS 160). FAS 160 changes the accounting for and reporting of noncontrolling interests in a subsidiary. The Corporation will adopt the provisions of FAS 160 effective January 1, 2009 and estimates that the impact of adoption will result in a decrease to other long term liabilities and an increase to stockholders' equity of approximately $85 million.

2. Acquisitions and Divestitures

2008: In the third quarter of 2008, the Corporation acquired the remaining 22.5% interest in its Gabonese subsidiary for $285 million, of which $210 million was allocated to proved properties. The Corporation expanded its energy marketing business by acquiring fuel oil, natural gas, and electricity customer accounts, and a terminal and related assets, for an aggregate of approximately $100 million.

2007: In the first quarter of 2007, the Corporation completed the acquisition of a 28% interest in the Genghis Khan oil and gas development located in the deepwater Gulf of Mexico on Green Canyon Blocks 652 and 608 for $371 million, of which $342 million was allocated to proved and unproved properties and the remainder to wells and equipment. This transaction was accounted for as an asset acquisition. Genghis Khan has been unitized with the Shenzi development.

During the second quarter of 2007, the Corporation completed the sale of its interests in the Scott and Telford fields located in the United Kingdom for $93 million and recorded a gain of $21 million ($15 million after income taxes). At the time of sale, these two fields were producing at a combined net rate of 6,500 barrels of oil per day.

3. Inventories

Inventories at December 31 are as follows:

	2008	2007
	(Millions of dollars)	
Crude oil and other charge stocks	**$ 383**	$ 338
Refined products and natural gas	**988**	1,577
Less: LIFO adjustment	**(500)**	(1,029)
	871	886
Merchandise, materials and supplies	**437**	364
Total	**$1,308**	$ 1,250

The percentage of LIFO inventory to total crude oil, refined products and natural gas inventories was 60% and 69% at December 31, 2008 and 2007, respectively. During 2007 the Corporation reduced LIFO inventories, which are carried at lower costs than current inventory costs. The effect of the LIFO inventory liquidations was to decrease cost of products sold by approximately $38 million ($24 million after income taxes).

4. Refining Joint Venture

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

	2008	2007	2006
	(Millions of dollars)		
Summarized Balance Sheet, at December 31			
Cash and cash equivalents	**$ 75**	$ 279	$ 290
Other current assets	**664**	1,183	943
Net fixed assets	**2,136**	2,181	2,123
Other assets	**58**	62	32
Current liabilities	**(679)**	(1,459)	(1,013)
Long-term debt	**(356)**	(356)	(252)
Deferred liabilities and credits	**(104)**	(75)	(70)
Partners' equity	**$ 1,794**	$ 1,815	$ 2,053
Summarized Income Statement, for the years ended December 31			
Total revenues	**$ 17,480**	$ 13,396	$ 11,788
Costs and expenses	**(17,385)**	(13,039)	(11,381)
Net income	**$ 95**	$ 357	$ 407
Hess Corporation's share*	**$ 44**	$ 176	$ 201
Summarized Cash Flow Statement, for the years ended December 31			
Net cash provided by (used in):			
Operating activities	**$ (20)**	$ 654	$ 484
Investing activities	**(85)**	(165)	(10)
Financing activities	**(99)**	(500)	(796)
Net decrease in cash and cash equivalents	**$ (204)**	$ (11)	$ (322)

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

The Corporation received cash distributions from HOVENSA of $50 million, $300 million and $400 million during 2008, 2007 and 2006, respectively. The Corporation's share of HOVENSA's undistributed income aggregated $206 million at December 31, 2008.

The Corporation guarantees the payment of up to 50% of the value of HOVENSA's crude oil purchases from certain suppliers other than PDVSA. The guarantee amounted to $78 million at December 31, 2008. This amount fluctuates based on the volume of crude oil purchased and the related crude oil prices. In addition, the Corporation has agreed to provide funding up to $15 million to the extent HOVENSA does not have funds to meet its senior debt obligations.

At formation of the joint venture in 1999, PDVSA V.I., a wholly-owned subsidiary of PDVSA, purchased a 50% interest in the fixed assets of the Corporation's Virgin Islands refinery for $62.5 million in cash and a 10-year note from PDVSA V.I. for $562.5 million bearing interest at 8.46% per annum and requiring principal payments over its term. The principal balance of the note was $15 million and $76 million at December 31, 2008 and 2007, respectively, which was fully repaid in February 2009.

5. Property, Plant and Equipment

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

	2008	2007
	(Millions of dollars)	
Exploration and Production		
Unproved properties	**$ 2,265**	$ 1,688
Proved properties	**3,009**	3,350
Wells, equipment and related facilities	**20,058**	17,865
	25,332	22,903
Marketing, Refining and Corporate	**2,105**	1,928
Total — at cost	**27,437**	24,831
Less: reserves for depreciation, depletion, amortization and lease impairment	**11,166**	10,197
Property, plant and equipment — net	**$16,271**	$14,634

In 2008, the Corporation recorded asset impairments at fields located in the United States and U.K. North Sea totaling $30 million ($17 million after income taxes). In 2007 the Corporation recorded asset impairments at two mature fields in the U.K. North Sea totaling $112 million ($56 million after income taxes). These impairments are reflected in depreciation, depletion and amortization.

At December 31, 2008, the Corporation has classified its Gabonese assets as held for sale. As a result, the net book value of $452 million at December 31, 2008 was reclassified to other current assets. In addition, $169 million of asset retirement obligations and deferred income taxes were reclassified to accrued liabilities.

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

	2008	2007	2006
	(Millions of dollars)		
Beginning balance at January 1	**$ 608**	$399	$ 244
Additions to capitalized exploratory well costs pending the determination of proved reserves	**560**	229	299
Reclassifications to wells, facilities, and equipment based on the determination of proved reserves	**(67)**	(20)	(144)
Capitalized exploratory well costs charged to expense	**(7)**	—	—
Ending balance at December 31	**$1,094**	$608	$ 399
Number of wells at end of year	**45**	30	28

The preceding table excludes exploratory dry hole costs of $203 million, $65 million and $241 million in 2008, 2007 and 2006, respectively, which were incurred and subsequently expensed in the same year.

At December 31, 2008, exploratory drilling costs capitalized in excess of one year past completion of drilling were as follows (in millions):

2007	$109
2006	216
2003 to 2005	56
	$381

The capitalized well costs in excess of one year relate to 10 projects. Approximately 80% of the costs relates to the Pony and Tubular Bells projects in the deepwater Gulf of Mexico where development options are being evaluated at December 31, 2008. The remainder of the costs relate to projects where further drilling is planned or development planning activities are ongoing.

6. Asset Retirement Obligations

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

	2008	2007
	(Millions of dollars)	
Asset retirement obligations at January 1	**$1,055**	$ 882
Liabilities incurred	**35**	62
Liabilities settled or disposed of	**(56)**	(51)
Accretion expense	**67**	50
Revisions	**309**	84
Foreign currency translation	**(196)**	28
Asset retirement obligations at December 31	**1,214**	1,055
Less: current obligations	**50**	39
Long-term obligations at December 31	**$1,164**	$1,016

Revisions are primarily attributable to higher service and equipment costs in the oil and gas industry.

7. Long-Term Debt

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

	2008	2007
	(Millions of dollars)	
Revolving credit facility, weighted average rate 2.2%	**$ 350**	$ 220
Asset-backed credit facility, weighted average rate 2.8%	**500**	250
Short-term credit facilities	**—**	350
Fixed rate debentures:		
7.4% due 2009	**104**	103
6.7% due 2011	**662**	662
7.9% due 2029	**694**	694
7.3% due 2031	**745**	745
7.1% due 2033	**598**	598
Total fixed rate debentures	**2,803**	2,802
Fixed rate notes, payable principally to insurance companies, weighted average rate 9.1%, due through 2014	**108**	126
Project lease financing, weighted average rate 5.1%, due through 2014	**132**	140
Pollution control revenue bonds, weighted average rate 5.9%, due through 2034	**53**	53
Other loans, weighted average rate 7.5%, due through 2019	**9**	39
	3,955	3,980
Less: amount included in current maturities	**143**	62
Total	**$3,812**	$3,918

The aggregate long-term debt maturing during the next five years is as follows (in millions): 2009 — $143 (included in current liabilities); 2010 — $31; 2011 — $702; 2012 — $874 and 2013 — $33.

At December 31, 2008, the Corporation's fixed rate debentures have a principal amount of $2,816 million ($2,803 million net of unamortized discount). Interest rates on the outstanding fixed rate debentures have a weighted average rate of 7.3%.

The Corporation has a $3.0 billion syndicated revolving credit facility (the facility), which can be used for borrowings and letters of credit, substantially all of which is committed through May 2012. At December 31, 2008, the Corporation has available capacity on the facility of $2,474 million. Current borrowings under the facility bear interest at 0.4% above the London Interbank Offered Rate and a facility fee of 0.1% per annum is payable on the amount of the credit line. The interest rate and facility fee are subject to adjustment if the Corporation's credit rating changes.

The Corporation has a 364-day asset-backed credit facility securitized by certain accounts receivable from its Marketing and Refining operations. Under the terms of this financing arrangement, the Corporation has the ability to borrow or issue letters of credit up to $500 million, subject to the availability of sufficient levels of eligible receivables. At December 31, 2008, outstanding borrowings under this facility were collateralized by $1,249 million of accounts receivable, which are held by a wholly-owned subsidiary. These receivables are not available to pay the general obligations of the Corporation before repayment of outstanding borrowings under the asset-backed facility. At December 31, 2008, $500 million of outstanding borrowings under the asset-backed credit facility are classified as long-term based on the Corporation's available capacity under the committed revolving credit facility.

The Corporation's long-term debt agreements contain a financial covenant that restricts the amount of total borrowings and secured debt. At December 31, 2008, the Corporation is permitted to borrow up to an additional $16.6 billion for the construction or acquisition of assets. The Corporation has the ability to borrow up to an additional $2.8 billion of secured debt at December 31, 2008.

Outstanding letters of credit at December 31 were as follows:

	2008	2007
	(Millions of dollars)	
Revolving credit facility	**$ 176**	$ —
Asset-backed credit facility	**—**	534
Committed lines*	**1,973**	995
Uncommitted short-term lines	**1,686**	1,510
Total	**$3,835**	$3,039

* *Committed lines have expiration dates ranging from 2009 through 2011.*

Of the total letters of credit outstanding at December 31, 2008, $126 million relates to contingent liabilities and the remaining $3,709 million relates to liabilities recorded on the balance sheet.

The total amount of interest paid (net of amounts capitalized) was $266 million, $257 million and $200 million in 2008, 2007 and 2006, respectively. The Corporation capitalized interest of $7 million, $50 million and $100 million in 2008, 2007, and 2006, respectively.

8. Share-Based Compensation

The Corporation awards restricted common stock and stock options under its 2008 Long-Term Incentive Plan. Generally, stock options vest in one to three years from the date of grant, have a 10-year option life, and the exercise price equals or exceeds the market price on the date of grant. Outstanding restricted common stock generally vests in three years from the date of grant.

Share-based compensation expense consists of the following:

	Before Taxes		After Taxes	
	2008	2007	2008	2007
	(Millions of dollars)			
Stock options	**$ 51**	$36	**$31**	$23
Restricted stock	**68**	51	**43**	31
Total	**$119**	$87	**$74**	$54

Based on restricted stock and stock option awards outstanding at December 31, 2008, unearned compensation expense, before income taxes, will be recognized in future years as follows (in millions): 2009 — $92, 2010 — $56 and 2011 — $6.

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

	Stock Options		Restricted Stock	
	Options (Thousands)	Weighted-Average Exercise Price per Share	Shares of Restricted Common Stock (Thousands)	Weighted-Average Price on Date of Grant
Outstanding at January 1, 2006	11,451	$24.09	4,363	$22.32
Granted	2,853	49.46	984	50.40
Exercised	(1,283)	22.96	—	—
Vested	—	—	(237)	22.78
Forfeited	(98)	40.07	(66)	30.24
Outstanding at December 31, 2006	12,923	29.68	5,044	27.68
Granted	3,066	53.82	1,032	53.92
Exercised	(4,566)	24.07	—	—
Vested	—	—	(1,184)	24.53
Forfeited	(131)	46.41	(91)	36.40
Outstanding at December 31, 2007	**11,292**	**38.31**	**4,801**	**33.93**
Granted	**2,473**	**82.55**	**1,289**	**84.45**
Exercised	**(3,852)**	**29.17**	**—**	**—**
Vested	**—**	**—**	**(2,787)**	**21.40**
Forfeited	**(213)**	**60.61**	**(142)**	**58.60**
Outstanding at December 31, 2008	**9,700**	**52.73**	**3,161**	**64.47**
Exercisable at December 31, 2006	6,832	$22.08		
Exercisable at December 31, 2007	5,408	27.34		
Exercisable at December 31, 2008	**4,522**	**36.95**		

The table below summarizes information regarding the outstanding and exercisable stock options as of December 31, 2008:

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Options	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price per Share	Options	Weighted-Average Exercise Price per Share
	(Thousands)	(Years)		(Thousands)	
$10.00 – $40.00	2,514	5	$25.78	2,512	$25.77
$40.01 – $70.00	4,749	8	51.65	1,996	50.77
$70.01 – $120.00	2,437	9	82.62	14	73.06
	9,700	7	52.73	4,522	36.95

The intrinsic value (or the amount by which the market price of the Corporation's Common Stock exceeds the exercise price of an option) for outstanding options and exercisable options at December 31, 2008 was $80 million and $76 million, respectively. At December 31, 2008, assuming forfeitures of 2% per year, 9,500,000 outstanding options are expected to vest at a weighted average exercise price of $52.45 per share. At December 31, 2008 the weighted average remaining term of exercisable options was 6 years.

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

	2008	2007	2006
Risk free interest rate	2.70%	4.70%	4.50%
Stock price volatility	.294	.316	.321
Dividend yield	.50%	.75%	.80%
Expected term in years	5	5	5
Weighted average fair value per option granted	$24.09	$18.07	$16.50

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

In May 2008, shareholders approved the 2008 Long-Term Incentive Plan. The Corporation also has stock options outstanding under a former plan. At December 31, 2008, the number of common shares reserved for issuance under the 2008 Long-Term Incentive Plan is as follows (in thousands):

Total common shares reserved for issuance	12,884
Less: stock options outstanding	80
Available for future awards of restricted stock and stock options	12,804

9. Foreign Currency Translation

Foreign currency gains (losses) before income taxes amounted to $(212) million in 2008, $17 million in 2007 and $21 million in 2006. The foreign currency loss in 2008 reflects the effect of significant exchange rate movements in the fourth quarter of 2008 on the remeasurement of assets, liabilities and foreign currency forward contracts by certain foreign businesses. The balances in accumulated other comprehensive income (loss) related to foreign currency translation were reductions in stockholders' equity of $123 million at December 31, 2008 and $3 million at December 31, 2007.

10. Retirement Plans

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

	Funded Pension Plans		Unfunded Pension Plan		Postretirement Medical Plan	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
			(Millions of dollars)			
Change in benefit obligation						
Balance at January 1	**$1,136**	$1,098	**$ 147**	$ 114	**$ 86**	$ 89
Service cost	**36**	36	**6**	5	**3**	3
Interest cost	**71**	65	**9**	8	**4**	4
Actuarial (gain) loss	**19**	(31)	**11**	30	**(13)**	(5)
Benefit payments	**(42)**	(37)	**(8)**	(10)	**(3)**	(5)
Foreign currency exchange rate changes	**(95)**	5	**—**	—	**—**	—
Balance at December 31	**1,125**	1,136	**165**	147	**77**	86
Change in fair value of plan assets						
Balance at January 1	**1,075**	961	**—**	—	**—**	—
Actual return on plan assets	**(280)**	70	**—**	—	**—**	—
Employer contributions	**70**	77	**8**	10	**3**	5
Benefit payments	**(42)**	(37)	**(8)**	(10)	**(3)**	(5)
Foreign currency exchange rate changes	**(78)**	4	**—**	—	**—**	—
Balance at December 31	**745**	1,075	**—**	—	**—**	—
Funded status (plan assets less than benefit obligations) at December 31	**(380)**	(61)	**(165)***	(147)*	**(77)**	(86)
Unrecognized net actuarial losses	**513**	162	**77**	75	**13**	27
Unrecognized prior service cost	**—**	—	**1**	2	**—**	(1)
Net amount recognized	**$ 133**	$ 101	**$ (87)**	$ (70)	**$(64)**	$(60)

* *The trust established by the Corporation for the supplemental plan held assets valued at $65 million at December 31, 2008 and $88 million at December 31, 2007.*

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

	Funded Pension Plans		Unfunded Pension Plan		Postretirement Medical Plan	
	2008	2007	**2008**	2007	**2008**	2007
	(Millions of dollars)					
Accrued benefit liability	**$(380)**	$ (61)	**$(165)**	$(147)	**$(77)**	$(86)
Accumulated other comprehensive loss*	**513**	162	**78**	77	**13**	26
Net amount recognized	**$ 133**	$101	**$ (87)**	$ (70)	**$(64)**	$(60)

* *The after-tax reduction to stockholders' equity recorded in Accumulated other comprehensive income (loss) was $407 million at December 31, 2008 and $166 million at December 31, 2007.*

The accumulated benefit obligation for the funded defined benefit pension plans was $1,032 million at December 31, 2008 and $1,019 million at December 31, 2007. The accumulated benefit obligation for the unfunded defined benefit pension plan was $149 million at December 31, 2008 and $120 million at December 31, 2007.

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

	Pension Plans			Postretirement Medical Plan		
	2008	2007	2006	**2008**	2007	2006
	(Millions of dollars)					
Service cost	**$ 42**	$ 41	$ 34	**$ 3**	$ 3	$ 3
Interest cost	**80**	73	63	**4**	4	5
Expected return on plan assets	**(80)**	(74)	(63)	**—**	—	—
Amortization of prior service cost	**1**	1	1	**(1)**	(1)	(1)
Amortization of unrecognized net actuarial loss	**18**	22	30	**1**	—	—
Settlement loss	**—**	—	—	**—**	2	3
Net periodic benefit cost	**$ 61**	$ 63	$ 65	**$ 7**	$ 8	$10

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

The Corporation's 2009 pension and postretirement medical expense is estimated to be approximately $125 million, of which approximately $57 million relates to the amortization of unrecognized net actuarial losses.

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

	2008	2007	2006
Weighted-average assumptions used to determine benefit obligations at December 31			
Discount rate	**6.3%**	6.3%	5.8%
Rate of compensation increase	**4.4**	4.4	4.4
Weighted-average assumptions used to determine net benefit cost for years ended December 31			
Discount rate	**6.3**	5.8	5.5
Expected return on plan assets	**7.5**	7.5	7.5
Rate of compensation increase	**4.4**	4.4	4.3

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

	2008	2007	2006
Assumptions used to determine benefit obligations at December 31			
Discount rate	**6.3%**	6.3%	5.8%
Initial health care trend rate	**9.0%**	9.0%	8.0%
Ultimate trend rate	**4.5%**	4.5%	4.5%
Year in which ultimate trend rate is reached	**2013**	2013	2011

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

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

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

Asset Category	Target Allocation	December 31, 2008	December 31, 2007
Equity securities	**50%**	**48%**	57%
Debt securities	**25**	**27**	29
Other investments	**25**	**25**	14
Total	**100%**	**100%**	100%

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

The Corporation has budgeted contributions ranging from approximately $110 million to $150 million to its funded pension plans in 2009. The Corporation has not budgeted any contributions to the trust established for the unfunded plan.

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

	(Millions of dollars)
2009	$ 63
2010	73
2011	90
2012	76
2013	83
Years 2014 to 2018	492

The Corporation also contributes to several defined contribution plans for eligible employees. Employees may contribute a portion of their compensation to the plans and the Corporation matches a portion of the employee contributions. The Corporation recorded expense of $22 million in 2008, $19 million in 2007 and $16 million in 2006 for contributions to these plans.

11. Income Taxes

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

	2008	**2007**	**2006**
	(Millions of dollars)		
United States Federal			
Current	**$ 10**	$ 2	$ 4
Deferred	**(140)**	62	96
State	**10**	(149)	19
	(120)	(85)*	119
Foreign			
Current	**2,377**	1,898	1,836
Deferred	**87**	64	142
	2,464	1,962	1,978
Adjustment of deferred tax liability for foreign income tax rate change	**(4)**	(5)	29
Total provision for income taxes	**$2,340**	$1,872	$2,126

* *Includes a provision for an increase in the valuation allowance for foreign tax credit carryforwards of $81 million and a benefit from a decrease in the valuation allowance for state net operating loss carryforwards of $96 million..*

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

	2008	2007	2006
	(Millions of dollars)		
United States*	**$ (318)**	$ (228)	$ 406
Foreign**	**5,018**	3,932	3,640
Total income before income taxes	**$4,700**	$3,704	$4,046

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

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

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

	2008	2007
	(Millions of dollars)	
Deferred tax liabilities		
Fixed assets and investments	**$2,918**	$3,048
Other	**114**	70
Total deferred tax liabilities	**3,032**	3,118
Deferred tax assets		
Net operating loss carryforwards	**1,832**	1,884
Tax credit carryforwards	**458**	285
Accrued liabilities	**415**	390
Asset retirement obligations	**406**	430
Other	**227**	48
Total deferred tax assets	**3,338**	3,037
Valuation allowance	**(266)**	(224)
Net deferred tax assets	**3,072**	2,813
Net deferred tax assets (liabilities)	**$ 40**	$ (305)

At December 31, 2008, the Corporation has net operating loss carryforwards in the United States of approximately $4.0 billion, substantially all of which expire in 2024 through 2027. At December 31, 2008, the Corporation has alternative minimum tax credit carryforwards of approximately $165 million, which can be carried forward indefinitely. Foreign tax credit carryforwards, which expire in 2017 and 2018, total $248 million. The Corporation also has approximately $45 million of general business credits, substantially all of which expire between 2012 and 2025.

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

	2008	2007
	(Millions of dollars)	
Other current assets	**$ 188**	$ 211
Deferred income taxes (long-term asset)	**2,292**	1,873
Accrued liabilities	**(199)**	(27)
Deferred income taxes (long-term liability)	**(2,241)**	(2,362)
Net deferred tax assets (liabilities)	**$ 40**	$ (305)

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

	2008	2007	2006
United States statutory rate	**35.0%**	35.0%	35.0%
Effect of foreign operations	**13.0**	15.6	17.5
State income taxes, net of Federal income tax	**0.1**	(2.6)	0.3
Other	**1.7**	2.5	(0.3)
Total	**49.8%**	50.5%	52.5%

Below is a reconciliation of the beginning and ending amount of unrecognized tax benefits (millions of dollars):

	2008	2007
Balance at January 1	**$165**	$142
Additions based on tax positions taken in the current year	**16**	38
Additions based on tax positions of prior years	**11**	5
Reductions based on tax positions of prior years	**(15)**	—
Reductions due to settlements with taxing authorities	**(2)**	(20)
Balance at December 31	**$175**	$165

At December 31, 2008, the unrecognized tax benefits include $145 million which, if recognized, would affect the Corporation's effective income tax rate. Over the next 12 months, it is reasonably possible that the total amount of unrecognized tax benefits could decrease by up to $30 million due to settlements with taxing authorities.

The Corporation has not recorded deferred income taxes applicable to undistributed earnings of foreign subsidiaries that are expected to be indefinitely reinvested in foreign operations. The Corporation had undistributed earnings from foreign subsidiaries of approximately $7.1 billion at December 31, 2008. If the earnings of foreign subsidiaries were not indefinitely reinvested, a deferred tax liability of approximately $2.5 billion would be required, excluding the potential use of foreign tax credits in the United States.

The Corporation and its subsidiaries file income tax returns in the United States and various foreign jurisdictions. The Corporation is no longer subject to examinations by income tax authorities in most jurisdictions for years prior to 2003.

Income taxes paid (net of refunds) in 2008, 2007, and 2006 amounted to $2,420 million, $1,826 million and $1,799 million, respectively. As of December 31, 2008, the Corporation had approximately $6 million of accrued interest and penalties.

12. Stockholders' Equity and Net Income Per Share

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

	2008	2007	2006
	(Thousands of shares)		
Common shares — basic	**320,803**	312,736	278,100
Effect of dilutive securities			
Stock options	**2,870**	2,925	3,135
Restricted common stock	**1,815**	3,066	2,776
Convertible preferred stock	**359**	585	31,656
Common shares — diluted	**325,847**	319,312	315,667

The table above excludes the effect of out-of-the-money options on 425,000 shares, 715,000 shares, and 2,080,000 shares in 2008, 2007 and 2006, respectively.

During the third quarter of 2008, the Corporation's remaining 284,139 outstanding shares of 3% cumulative convertible preferred shares were converted into common stock at a conversion rate of 1.8783 shares of common stock for each preferred share. The Corporation issued 533,697 shares of common stock for the conversion of these preferred shares and fractional shares were settled by cash payments.

On December 1, 2006, all of the Corporation's 13,500,000 outstanding shares of 7% cumulative mandatory convertible preferred shares were converted into common stock at a conversion rate of 2.4915 shares of common stock for each preferred share. The Corporation issued 33,635,191 shares of common stock for the conversion of its 7% cumulative mandatory convertible preferred shares. Fractional shares were settled by cash payments.

13. Leased Assets

The Corporation and certain of its subsidiaries lease gasoline stations, drilling rigs, tankers, office space and other assets for varying periods under leases accounted for as operating leases. Certain operating leases provide an option to purchase the related property at fixed prices. At December 31, 2008, future minimum rental payments applicable to non-cancelable operating leases with remaining terms of one year or more (other than oil and gas property leases) are as follows:

	(Millions of dollars)
2009	$ 551
2010	422
2011	303
2012	316
2013	322
Remaining years	1,647
Total minimum lease payments	3,561
Less: income from subleases	60
Net minimum lease payments	$3,501

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

Rental expense was as follows:

	2008	2007	2006
	(Millions of dollars)		
Total rental expense	**$270**	$266	$198
Less: income from subleases	**12**	13	15
Net rental expense	**$258**	$253	$183

The Corporation accrued $30 million in 2006 for vacated leased office space in the United Kingdom. The related expenses are reflected principally in general and administrative expense in the income statement. The accrual balance was $16 million at December 31, 2008 and $31 million at December 31, 2007. Payments were $15 million in 2008 and $15 million in 2007.

14. Financial Instruments, Non-trading and Trading Activities

Non-trading: The Corporation uses futures, forwards, options and swaps, individually or in combination to mitigate its exposure to fluctuations in the prices of crude oil, natural gas, refined products and electricity and changes in foreign currency exchange rates. Hedging activities decreased Exploration and Production revenues by $685 million in 2008, $399 million in 2007 and $449 million in 2006. The amount of hedge ineffectiveness gains (losses) reflected in revenue in 2008, 2007 and 2006 was $(13) million, $6 million and $(5) million respectively.

In October 2008, the Corporation closed its Brent crude oil hedge positions by entering into offsetting contracts with the same counterparty covering 24,000 barrels per day from 2009 through 2012 at a per barrel price of $86.95 each year. The deferred after-tax losses related to the closed crude oil contracts will be recorded in earnings as the contracts mature. The estimated annual after-tax loss from the closed positions will be approximately $355 million from 2009 through 2012.

Accumulated other comprehensive income (loss) at December 31, 2008 includes after-tax deferred losses of $1,478 million ($1,672 at December 31, 2007) related to closed crude oil contracts and certain energy marketing contracts. Approximately $515 million of after-tax deferred losses is expected to be reclassified into earnings in 2009. 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.

Commodity Trading: The Corporation, principally through a consolidated partnership, trades energy commodities, securities and derivatives including futures, forwards, options and swaps, based on expectations of future market conditions. The Corporation's income (loss) before income taxes from trading activities, including its share of the earnings of the trading partnership, amounted to $(57) million in 2008, $49 million in 2007 and $83 million in 2006.

Other Financial Instruments: At December 31, 2008, the Corporation has $896 million of notional value foreign currency forward contracts maturing through 2009 ($977 million at December 31, 2007). Notional amounts do not quantify risk or represent assets or liabilities of the Corporation, but are used in the calculation of cash settlements under the contracts. The fair value of the foreign currency forward contracts recorded by the Corporation were payables of $75 million and $1 million at December 31, 2008 and December 31, 2007, respectively.

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

	2008	2007
	(Millions of dollars, asset (liability))	
Futures and forwards		
Assets	**$ 1,047**	$ 431
Liabilities	**(314)**	(215)
Options		
Held	**518**	508
Written	**(637)**	(277)
Swaps		
Assets	**1,488**	473
Liabilities (including hedging contracts)	**(3,528)**	(3,377)

The carrying amounts of the Corporation's financial instruments and derivatives, including those used in the Corporation's non-trading and trading activities, generally approximate their fair values at December 31, 2008 and 2007, except fixed rate long-term debt which had a carrying value of $3,103 million and a fair value of $3,031 million at December 31, 2008 and a carrying value of $3,124 million and a fair value of $3,407 million at December 31, 2007.

The Corporation offsets cash collateral received or paid against the fair value of its derivative instruments executed with the same counterparty. At December 31, 2008 and 2007, the Corporation is holding cash from counterparties of approximately $705 million and $393 million, respectively. The Corporation has posted cash to counterparties at December 31, 2008 and 2007 of approximately $394 million and $380 million, respectively.

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

15. Fair Value Measurements

The Corporation adopted the provisions of FAS 157 effective January 1, 2008 (see Note 1, "Summary of Significant Accounting Policies"). 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 December 31, 2008 (in millions):

	Level 1	Level 2	Level 3	Collateral and Counterparty Netting	Total
Supplemental pension plan investments	$ 55	$ —	$ 10	$ —	$ 65
Derivative contracts					
Assets	449	1,795	695	(1,023)	1,916
Liabilities	(397)	(3,413)	(555)	712	(3,653)

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 hedges is classified as Level 2.

Fair value measurements based on Level 3 inputs: Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts or are positions with longer durations. 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.

The following table provides changes in financial assets and liabilities that are measured at fair value based on Level 3 inputs (in millions):

	Year Ended December 31, 2008
Balance at January 1	$ (4)
Unrealized gains (losses)	
Included in earnings(*)	634
Included in other comprehensive income	(351)
Purchases, sales or other settlements during the period	(37)
Net transfers in to (out of) Level 3	(93)
Balance at December 31	$ 149

* *Reflected in Sales and other operating revenue*

16. Guarantees and Contingencies

At December 31, 2008, the Corporation's guarantees include $78 million of HOVENSA's crude oil purchases and $15 million of HOVENSA's senior debt obligations. In addition, the Corporation has $126 million in letters of credit for which it is contingently liable. As a result, the maximum potential amount of future payments that the Corporation could be required to make under its guarantees is $219 million at December 31, 2008 ($353 million at December 31, 2007). The Corporation also has a contingent purchase obligation expiring in April 2010, to acquire the remaining interest in WilcoHess, a retail gasoline station joint venture. As of December 31, 2008, the estimated value of the purchase obligation is approximately $175 million.

The Corporation is subject to loss contingencies with respect to various lawsuits, claims and other proceedings, including environmental matters. A liability is recognized in the Corporation's consolidated financial statements when it is probable a loss has been incurred and the amount can be reasonably estimated. If the risk of loss is probable, but the amount cannot be reasonably estimated or the risk of loss is only reasonably possible, a liability is not accrued; however, the Corporation discloses the nature of those contingencies in accordance with FAS 5, *Accounting for Contingencies.*

The Corporation, along with many other companies engaged in refining and marketing of gasoline, has been a party to lawsuits and claims related to the use of methyl tertiary butyl ether (MTBE) in gasoline. A series of similar lawsuits, many involving water utilities or governmental entities, were filed in jurisdictions across the United States against producers of MTBE and petroleum refiners who produce gasoline containing MTBE, including the Corporation. While the majority of the cases were settled in 2008, the Corporation remains a defendant in approximately 20 cases. These cases have been consolidated for pre-trial purposes in the Southern District of New York as part of a multi-district litigation proceeding, with the exception of an action brought in state court by the State of New Hampshire. The principal allegation in all cases is that gasoline containing MTBE is a defective product and that these parties are strictly liable in proportion to their share of the gasoline market for damage to groundwater resources and are required to take remedial action to ameliorate the alleged effects on the environment of releases of MTBE. The damages claimed in these actions are substantial and in almost all cases, punitive damages are also sought. In the fourth quarter 2007, the Corporation recorded a pre-tax charge of $40 million related to MTBE litigation, including amounts for the cases settled in 2008.

Over the last several years, many refiners have entered into consent agreements to resolve the United States Environmental Protection Agency's (EPA) assertions that refining facilities were modified or expanded without complying with New Source Review regulations that require permits and new emission controls in certain circumstances and other regulations that impose emissions control requirements. These consent agreements, which arise out of an EPA enforcement initiative focusing on petroleum refiners and utilities, have typically imposed substantial civil fines and penalties and required (i) significant capital expenditures to install emissions control equipment over a three to eight year time period and (ii) changes to operations which resulted in increased operating costs. The capital expenditures, penalties and supplemental environmental projects for individual refineries covered by the settlements can vary significantly, depending on the size and configuration of the refinery, the circumstances of the alleged modifications and whether the refinery has previously installed more advanced pollution controls. EPA initially contacted the Corporation and HOVENSA regarding the Petroleum Refinery Initiative in August 2003. Negotiations with EPA and the relevant states and the Virgin Islands are continuing and substantial progress has been made toward resolving this matter for both the Corporation and HOVENSA. While the effect on the Corporation of the Petroleum Refining Initiative cannot be estimated until a final settlement is reached and entered by a court, additional future capital expenditures and operating expenses will likely be incurred over a number of years. The amount of penalties, if any, is not expected to be material to the Corporation.

The United States Deep Water Royalty Relief Act of 1995 (the act) implemented a royalty relief program that relieves eligible leases issued between November 28, 1995 and November 28, 2000 from paying royalties on deep-water production in Federal Outer Continental Shelf lands. Some of the Corporation's leases in the Gulf of Mexico qualify for royalty relief under the act. The act is silent on satisfying any price thresholds in order to qualify for the royalty relief. The U.S. Minerals Management Service (MMS) created regulations that included pricing requirements to qualify for the royalty relief provided in the act. The legality of the thresholds determined by the MMS has been challenged in federal courts. On January 12, 2009, the U.S. 5th Circuit Court of Appeals ruled against the MMS, which has until March 30, 2009 to seek a rehearing by the 5th Circuit Court and until April to seek leave to bring the matter before the U.S. Supreme Court. At December 31, 2008, the Corporation has accrued $114 million in liabilities and paid $15 million relating to these royalties.

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

17. Segment Information

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

The following table presents financial data by operating segment for each of the three years ended December 31, 2008:

	Exploration and Production	Marketing and Refining	Corporate and Interest	Consolidated(a)
	(Millions of dollars)			
2008				
Operating revenues				
Total operating revenues(b)	**$10,095**	**$31,304**	**$ 3**	
Less: Transfers between affiliates	**237**	**—**	**—**	
Operating revenues from unaffiliated customers	**$ 9,858**	**$31,304**	**$ 3**	**$41,165**
Net income (loss)	**$ 2,423**	**$ 277**	**$ (340)**	**$ 2,360**
Equity in income of HOVENSA L.L.C.	**$ —**	**$ 44**	**$ —**	**$ 44**
Interest expense	**—**	**—**	**267**	**267**
Depreciation, depletion and amortization	**1,952**	**74**	**3**	**2,029**
Provision (benefit) for income taxes	**2,365**	**162**	**(187)**	**2,340**
Investments in affiliates	**57**	**1,070**	**—**	**1,127**
Identifiable assets	**19,506**	**6,680**	**2,403**	**28,589**
Capital employed(c)	**12,936**	**3,103**	**223**	**16,262**
Capital expenditures	**4,251**	**149**	**38**	**4,438**

	Exploration and Production	Marketing and Refining	Corporate and Interest	Consolidated(a)
	(Millions of dollars)			
2007				
Operating revenues				
Total operating revenues(b)	$ 7,933	$23,913	$ 2	
Less: Transfers between affiliates	201	—	—	
Operating revenues from unaffiliated customers	$ 7,732	$23,913	$ 2	$31,647
Net income (loss)	$ 1,842	$ 300	$ (310)	$ 1,832
Equity in income of HOVENSA L.L.C.	$ —	$ 176	$ —	$ 176
Interest expense	—	—	256	256
Depreciation, depletion and amortization	1,503	68	5	1,576
Provision (benefit) for income taxes	1,865	181	(174)	1,872
Investments in affiliates	57	1,060	—	1,117
Identifiable assets	17,008	6,667	2,456	26,131
Capital employed(c)	11,274	2,979	(499)	13,754
Capital expenditures	3,438	118	22	3,578
2006				
Operating revenues				
Total operating revenues(b)	$ 6,860	$21,480	$ 2	
Less: Transfers between affiliates	275	—	—	
Operating revenues from unaffiliated customers	$ 6,585	$21,480	$ 2	$28,067
Net income (loss)	$ 1,763	$ 394	$ (237)	$ 1,920
Equity in income of HOVENSA L.L.C.	$ —	$ 201	$ —	$ 201
Interest expense	—	—	201	201
Depreciation, depletion and amortization	1,159	61	4	1,224
Provision (benefit) for income taxes	2,019	226	(119)	2,126
Investments in affiliates	57	1,186	—	1,243
Identifiable assets	14,397	6,228	1,817	22,442
Capital employed(c)	9,397	2,955	(433)	11,919
Capital expenditures	3,675	158	11	3,844

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

(b) Sales and operating revenues are reported net of excise and similar taxes in the consolidated statement of income, which amounted to approximately $2,200 million, $2,000 million and $1,900 million in 2008, 2007 and 2006, respectively.

(c) Calculated as equity plus debt.

Financial information by major geographic area for each of the three years ended December 31, 2008:

	United States	Europe	Africa	Asia and Other	Consolidated
	(Millions of dollars)				
2008					
Operating revenues	**$33,233**	**$3,488**	**$3,173**	**$1,271**	**$41,165**
Property, plant and equipment (net)	**5,319**	**3,674**	**4,139**	**3,139**	**16,271**
2007					
Operating revenues	$25,450	$2,647	$2,443	$1,107	$31,647
Property, plant and equipment (net)	3,611	3,749	4,599	2,675	14,634
2006					
Operating revenues	$22,599	$3,108	$1,677	$ 683	$28,067
Property, plant and equipment (net)	2,402	3,255	4,495	2,156	12,308

18. Related Party Transactions

Related party transactions for the year-ended December 31:

	2008	2007	2006
	(Millions of dollars)		
Purchases of petroleum products:			
HOVENSA*	**$6,589**	$5,238	$4,694
Sales of petroleum products and crude oil:			
WilcoHess	**2,590**	2,014	1,664
HOVENSA	**701**	213	179

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

19. Subsequent Event

In February 2009, the Corporation issued $250 million of 5 year senior unsecured notes with a coupon of 7% and $1 billion of 10 year senior unsecured notes with a coupon of 8.125%. The majority of the proceeds were used to repay revolving credit debt and outstanding borrowings on other credit facilities. The remainder of the proceeds is available for working capital and other corporate purposes.

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
SUPPLEMENTARY OIL AND GAS DATA
(Unaudited)

The supplementary oil and gas data that follows is presented in accordance with FAS 69, *Disclosures about Oil and Gas Producing Activities*, and includes (1) costs incurred, capitalized costs and results of operations relating to oil and gas producing activities, (2) net proved oil and gas reserves, and (3) a standardized measure of discounted future net cash flows relating to proved oil and gas reserves, including a reconciliation of changes therein.

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

Costs Incurred in Oil and Gas Producing Activities

For the Years Ended December 31	Total	United States	Europe	Africa	Asia and Other
	(Millions of dollars)				
2008					
Property acquisitions					
Unproved	**$ 684**	**$ 642**	**$ —**	**$ —**	**$ 42**
Proved*	**300**	**87**	**—**	**210**	**3**
Exploration	**1,134**	**408**	**121**	**275**	**330**
Production and development capital expenditures**	**2,867**	**1,042**	**881**	**451**	**493**
2007					
Property acquisitions					
Unproved	$ 325	$ 316	$ —	$ 1	$ 8
Proved*	137	137	—	—	—
Exploration	719	421	65	77	156
Production and development capital expenditures**	2,751	690	764	698	599
2006					
Property acquisitions					
Unproved	$ 607	$ 86	$ 32	$ 483	$ 6
Proved*	314	—	8	306	—
Exploration	802	544	92	57	109
Production and development capital expenditures**	2,462	329	644	1,080	409

* *Includes wells, equipment and facilities acquired with proved reserves.*

** *Also includes $344 million, $146 million and $298 million in 2008, 2007 and 2006, respectively, related to the accruals for asset retirement obligations.*

Capitalized Costs Relating to Oil and Gas Producing Activities

	At December 31 2008	At December 31 2007
	(Millions of dollars)	
Unproved properties	**$ 2,265**	$ 1,688
Proved properties	**3,009**	3,350
Wells, equipment and related facilities	**20,058**	17,865
Total costs	**25,332**	22,903
Less: reserve for depreciation, depletion, amortization and lease impairment	**10,269**	9,373
Net capitalized costs	**$15,063**	$13,530

Results of Operations for Oil and Gas Producing Activities

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

For the Years Ended December 31	Total	United States	Europe	Africa	Asia and Other
		(Millions of dollars)			
2008					
Sales and other operating revenues					
Unaffiliated customers	**$9,569**	**$1,415**	**$3,435**	**$3,580**	**$1,139**
Inter-company	**237**	**237**	**—**	**—**	**—**
Total revenues	**9,806**	**1,652**	**3,435**	**3,580**	**1,139**
Costs and expenses					
Production expenses, including related taxes(a)	**1,872**	**373**	**811**	**465**	**223**
Exploration expenses, including dry holes and lease impairment	**725**	**305**	**45**	**186**	**189**
General, administrative and other expenses	**302**	**159**	**86**	**19**	**38**
Depreciation, depletion, amortization(b)	**1,952**	**238**	**591**	**888**	**235**
Total costs and expenses	**4,851**	**1,075**	**1,533**	**1,558**	**685**
Results of operations before income taxes	**4,955**	**577**	**1,902**	**2,022**	**454**
Provision for income taxes	**2,490**	**223**	**920**	**1,181**	**166**
Results of operations	**$2,465**	**$ 354**	**$ 982**	**$ 841**	**$ 288**

For the Years Ended December 31	Total	United States	Europe	Africa	Asia and Other
		(Millions of dollars)			
2007					
Sales and other operating revenues					
Unaffiliated customers	$7,297	$1,010	$2,670	$2,609	$1,008
Inter-company	201	201	—	—	—
Total revenues	7,498	1,211	2,670	2,609	1,008
Costs and expenses					
Production expenses, including related taxes	1,581	280	723	381	197
Exploration expenses, including dry holes and lease impairment	515	302	43	90	80
General, administrative and other expenses	257	130	73	17	37
Depreciation, depletion and amortization(c)	1,503	187	548	593	175
Total costs and expenses	3,856	899	1,387	1,081	489
Results of operations before income taxes	3,642	312	1,283	1,528	519
Provision for income taxes	1,817	121	661	911	124
Results of operations	$1,825	$ 191	$ 622	$ 617	$ 395
2006					
Sales and other operating revenues					
Unaffiliated customers	$6,249	$ 957	$3,052	$1,637	$ 603
Inter-company	275	275	—	—	—
Total revenues	6,524	1,232	3,052	1,637	603
Costs and expenses					
Production expenses, including related taxes	1,250	221	631	284	114
Exploration expenses, including dry holes and lease impairment	552	353	39	117	43
General, administrative and other expenses(d)	209	95	74	15	25
Depreciation, depletion and amortization	1,159	127	490	401	141
Total costs and expenses	3,170	796	1,234	817	323
Results of operations before income taxes	3,354	436	1,818	820	280
Provision for income taxes	1,870	161	1,009	609	91
Results of operations	$1,484	$ 275	$ 809	$ 211	$ 189

(a) Includes $15 million ($9 million after income taxes) of Gulf of Mexico hurricane related costs.

(b) Includes asset impairment charges of $30 million ($17 million after income taxes).

(c) Includes asset impairment charges of $112 million ($56 million after income taxes).

(d) Includes accrued costs for vacated office space of approximately $30 million ($18 million after income taxes).

Oil and Gas Reserves

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

On December 31, 2008, the Securities and Exchange Commission published a final rule which revises its oil and gas reserve estimation and disclosure requirements. The revisions are effective for filings on Form 10-K for fiscal year ending December 31, 2009. The Corporation is evaluating the impact of these requirements on its oil and gas reserve estimates and disclosures.

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

	Crude Oil, Condensate and Natural Gas Liquids					Natural Gas			
	United States	Europe	Africa	Asia and Other	Total	United States	Europe	Africa, Asia and Other	Total
	(Millions of barrels)					(Millions of mcf)			
Net Proved Developed and Undeveloped Reserves									
At January 1, 2006	124	348	165	55	692(c)	282(d)	715	1,409	2,406
Revisions of previous estimates(a)	7	21	39	(3)	64	2	63	45	110
Extensions, discoveries and other additions	45	11	6	2	64	32	11	168	211
Improved recovery	—	—	4	—	4	—	—	—	—
Purchases of minerals in place	—	2	121	—	123	—	—	15	15
Sales of minerals in place	(21)	—	—	—	(21)	(37)	—	—	(37)
Production	(17)	(42)	(31)	(4)	(94)	(43)	(112)	(84)	(239)
At December 31, 2006	138	340	304	50	832(c)	236(d)	677	1,553	2,466
Revisions of previous estimates(a)	37	17	17	1	72	32	73	143	248
Extensions, discoveries and other additions	17	14	6	23	60	26	11	148	185
Improved recovery	22	—	—	—	22	13	—	—	13
Purchases of minerals in place	5	—	—	—	5	1	—	—	1
Sales of minerals in place	—	(6)	—	—	(6)	—	(4)	—	(4)
Production	(15)	(36)	(42)	(7)	(100)	(38)	(101)	(102)	(241)
At December 31, 2007	**204**	**329**	**285**	**67**	**885(c)**	**270(d)**	**656**	**1,742**	**2,668**
Revisions of previous estimates(a)	**9**	**30**	**83**	**25**	**147**	**22**	**84**	**188**	**294**
Extensions, discoveries and other additions	**26**	**5**	**1**	**—**	**32**	**18**	**—**	**65**	**83**
Improved recovery	**1**	**—**	**—**	**—**	**1**	**—**	**—**	**—**	**—**
Purchases of minerals in place	**2**	**—**	**—**	**—**	**2**	**—**	**—**	**—**	**—**
Sales of minerals in place	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Production	**(15)**	**(32)**	**(45)**	**(5)**	**(97)**	**(34)**	**(101)**	**(137)**	**(272)**
At December 31, 2008(b)	**227**	**332**	**324**	**87**	**970(c)**	**276(d)**	**639**	**1,858**	**2,773**

	Crude Oil, Condensate and Natural Gas Liquids					Natural Gas			
	United States	Europe	Africa	Asia and Other	Total	United States	Europe	Africa, Asia and Other	Total
	(Millions of barrels)					(Millions of mcf)			
Net Proved Developed Reserves									
At January 1, 2006	108	233	67	13	421	251	559	496	1,306
At December 31, 2006	90	223	194	19	526	195	517	585	1,297
At December 31, 2007	101	201	201	15	518	199	519	654	1,372
At December 31, 2008	**119**	**192**	**237**	**23**	**571**	**202**	**502**	**727**	**1,431**

(a) Includes the impact of changes in selling prices on production sharing contracts with cost recovery provisions and stipulated rates of return. In 2008, revisions included increases of approximately 59 million barrels of crude oil and 104 million mcf of natural gas, relating to lower selling prices. In 2007 revisions included reductions of approximately 29 million barrels of crude oil and 104 million mcf of natural gas, relating to higher selling prices. In 2006 this amount was immaterial for both oil and natural gas

(b) Includes 28% of crude oil reserves and 58% of natural gas reserves held under production sharing contracts. These reserves are located outside of the United States and are subject to different political and economic risks.

(c) Includes 16 million barrels in 2008, 20 million barrels in 2007 and 23 million barrels in 2006 of crude oil reserves relating to minority interest owners of corporate joint ventures.

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

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

Future net cash flows are calculated by applying year-end oil and gas selling prices (adjusted for price changes provided by contractual arrangements) to estimated future production of proved oil and gas reserves, less estimated future development and production costs, which are based on year-end costs and existing economic assumptions. Future income tax expenses are computed by applying the appropriate year-end statutory tax rates to the pre-tax net cash flows relating to the Corporation's proved oil and gas reserves. Future net cash flows are discounted at the prescribed rate of 10%. The discounted future net cash flow estimates required by FAS 69 do not include exploration expenses, interest expense or corporate general and administrative expenses. The selling prices of crude oil and natural gas are highly volatile. The year-end prices, which are required to be used for the discounted future net cash flows, do not include the effects of hedges and may not be representative of future selling prices. The future net cash flow estimates could be materially different if other assumptions were used.

At December 31	Total	United States	Europe	Africa	Asia and Other
		(Millions of dollars)			
2008					
Future revenues	**$46,846**	**$ 9,801**	**$15,757**	**$12,332**	**$ 8,956**
Less:					
Future production costs	**15,884**	**3,422**	**5,998**	**3,763**	**2,701**
Future development costs	**10,649**	**1,983**	**4,014**	**1,781**	**2,871**
Future income tax expenses	**9,299**	**1,467**	**2,741**	**4,440**	**651**
	35,832	**6,872**	**12,753**	**9,984**	**6,223**
Future net cash flows	**11,014**	**2,929**	**3,004**	**2,348**	**2,733**
Less: discount at 10% annual rate	**4,050**	**1,602**	**984**	**493**	**971**
Standardized measure of discounted future net cash flows	**$ 6,964**	**$ 1,327**	**$ 2,020**	**$ 1,855**	**$ 1,762**

At December 31	Total	United States	Europe	Africa	Asia and Other
		(Millions of dollars)			
2007					
Future revenues	$94,955	$18,876	$32,778	$28,960	$14,341
Less:					
Future production costs	17,862	2,733	7,569	4,770	2,790
Future development costs	10,118	1,472	4,329	1,640	2,677
Future income tax expenses	33,833	5,291	12,083	14,309	2,150
	61,813	9,496	23,981	20,719	7,617
Future net cash flows	33,142	9,380	8,797	8,241	6,724
Less: discount at 10% annual rate	11,237	3,792	2,826	2,155	2,464
Standardized measure of discounted future net cash flows	$21,905	$ 5,588	$ 5,971	$ 6,086	$ 4,260
2006					
Future revenues	$55,252	$ 8,686	$19,751	$18,480	$ 8,335
Less:					
Future production costs	13,312	1,376	6,482	3,783	1,671
Future development costs	7,043	722	2,916	1,846	1,559
Future income tax expenses	16,765	2,331	5,625	7,908	901
	37,120	4,429	15,023	13,537	4,131
Future net cash flows	18,132	4,257	4,728	4,943	4,204
Less: discount at 10% annual rate	5,771	1,423	1,358	1,322	1,668
Standardized measure of discounted future net cash flows	$12,361	$ 2,834	$ 3,370	$ 3,621	$ 2,536

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

For the Years Ended December 31	2008	2007	2006
	(Millions of dollars)		
Standardized measure of discounted future net cash flows at beginning of year	**$ 21,905**	$12,361	$14,489
Changes during the year			
Sales and transfers of oil and gas produced during year, net of production costs	**(7,934)**	(5,917)	(5,274)
Development costs incurred during year	**2,523**	2,605	2,164
Net changes in prices and production costs applicable to future production	**(28,627)**	18,646	(4,329)
Net change in estimated future development costs	**(1,056)**	(2,554)	(2,402)
Extensions and discoveries (including improved recovery) of oil and gas reserves, less related costs	**334**	3,173	1,937
Revisions of previous oil and gas reserve estimates	**1,730**	4,036	1,235
Net purchases (sales) of minerals in place, before income taxes	**18**	(50)	2,937
Accretion of discount	**4,109**	2,233	2,308
Net change in income taxes	**13,859**	(9,259)	(1,381)
Revision in rate or timing of future production and other changes	**103**	(3,369)	677
Total	**(14,941)**	9,544	(2,128)
Standardized measure of discounted future net cash flows at end of year	**$ 6,964**	$21,905	$12,361

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

QUARTERLY FINANCIAL DATA
(Unaudited)

Quarterly results of operations for the years ended December 31:

	Sales and Other Operating Revenues	Gross Profit(a)	Net Income (Loss)	Diluted Net Income (Loss) per Share
	(Million of dollars, except per share data)			
2008				
First	**$10,667**	**$1,795**	**$759**	**$2.34**
Second	**11,717**	**2,073**	**900**	**2.76**
Third	**11,398**	**1,905**	**775**	**2.37**
Fourth	**7,383**	**662**	**(74)(b)**	**(.23)**
2007				
First	$ 7,319	$ 980	$370	$1.17
Second	7,421	1,222	557(c)	1.75
Third	7,451	1,087	395(d)	1.23
Fourth	9,456	1,523	510(e)	1.59

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

(b) Includes after-tax charges of $17 million related to asset impairments in the United States and United Kingdom North Sea and $9 million associated with Hurricanes Gustav and Ike in the Gulf of Mexico.

(c) Includes after-tax income of $15 million from asset sales in the United Kingdom North Sea.

(d) Includes after-tax charges of $33 million from estimated production imbalance settlements at two offshore fields.

(e) Includes net after-tax expense of $57 million related to asset impairments at two mature fields in the United Kingdom North Sea and a charge related to MTBE litigation, partially offset by income due to the liquidation of prior year LIFO inventories.

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

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

None.

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

Based upon their evaluation of the Corporation's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 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 December 31, 2008.

There was no change in internal controls over financial reporting identified in the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 in the quarter ended December 31, 2008 that has materially affected, or is reasonably likely to materially affect, internal controls over financial reporting.

Management's report on internal control over financial reporting and the attestation report on management's assessment are included in Item 8 of this annual report on Form 10-K.

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

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

Information relating to Directors is incorporated herein by reference to "Election of Directors" from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on May 6, 2009.

Information regarding executive officers is included in Part I hereof.

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

Information relating to the audit committee is incorporated herein by reference to "Election of Directors" from the registrant's definitive proxy statement for the annual meeting of stockholders to be held on May 6, 2009.

Item 11. ***Executive Compensation***

Information relating to executive compensation is incorporated herein by reference to "Election of Directors — Executive Compensation and Other Information," from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on May 6, 2009.

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

Information pertaining to security ownership of certain beneficial owners and management is incorporated herein by reference to "Election of Directors — Ownership of Voting Securities by Certain Beneficial Owners" and "Election of Directors — Ownership of Equity Securities by Management" from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on May 6, 2009.

See "Equity Compensation Plans" in Item 5 for information pertaining to securities authorized for issuance under equity compensation plans.

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

Information relating to this item is incorporated herein by reference to "Election of Directors" from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on May 6, 2009.

Item 14. *Principal Accounting Fees and Services*

Information relating to this item is incorporated by reference to "Ratification of Selection of Independent Auditors" from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on May 6, 2009.

PART IV

Item 15. *Exhibits, Financial Statement Schedules*

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

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

3. Exhibits

3(1) Restated Certificate of Incorporation of Registrant, including amendment thereto dated May 3, 2006 incorporated by reference to Exhibit 3 of Registrant's Form 10-Q for the three months ended June 30, 2006.

3(2) By-Laws of Registrant incorporated by reference to Exhibit 3 of Form 10-Q of Registrant for the three months ended June 30, 2002.

4(1) Certificate of designations, preferences and rights of 3% cumulative convertible preferred stock of Registrant incorporated by reference to Exhibit 4 of Form 10-Q of Registrant for the three months ended June 30, 2000.

4(2) Five-Year Credit Agreement dated as of December 10, 2004, as amended and restated as of May 12, 2006, among Registrant, certain subsidiaries of Registrant, J.P. Morgan Chase Bank, N.A. as lender and administrative agent, and the other lenders party thereto, incorporated by reference to Exhibit(4) of Form 10-Q of Registrant for the three months ended June 30, 2006.

4(3) Indenture dated as of October 1, 1999 between Registrant and The Chase Manhattan Bank, as Trustee, incorporated by reference to Exhibit 4(1) of Form 10-Q of Registrant for the three months ended September 30, 1999.

4(4) First Supplemental Indenture dated as of October 1, 1999 between Registrant and The Chase Manhattan Bank, as Trustee, relating to Registrant's 73/8% Notes due 2009 and 77/8% Notes due 2029, incorporated by reference to Exhibit 4(2) to Form 10-Q of Registrant for the three months ended September 30, 1999.

4(5) Prospectus Supplement dated August 8, 2001 to Prospectus dated July 27, 2001 relating to Registrant's 5.30% Notes due 2004, 5.90% Notes due 2006, 6.65% Notes due 2011 and 7.30% Notes due 2031, incorporated by reference to Registrant's prospectus filed pursuant to Rule 424(b)(2) under the Securities Act of 1933 on August 9, 2001.

4(6) Prospectus Supplement dated February 28, 2002 to Prospectus dated July 27, 2001 relating to Registrant's 7.125% Notes due 2033, incorporated by reference to Registrant's prospectus filed pursuant to Rule 424(b)(2) under the Securities Act of 1933 on February 28, 2002. Other instruments defining the rights of holders of long-term debt of Registrant and its consolidated subsidiaries are not being filed since the total amount of securities authorized under each such instrument does not exceed 10 percent of the total assets of Registrant and its subsidiaries on a consolidated basis. Registrant agrees to furnish to the Commission a copy of any instruments defining the rights of holders of long-term debt of Registrant and its subsidiaries upon request.

4(7) Indenture dated as of March 1, 2006 between Registrant and The Bank of New York Mellon as successor to JP Morgan Chase, as Trustee, including form of Note. Incorporated by reference to Exhibit 4 to Registrant's Form S-3ASR filed with the Securities and Exchange Commission on March 1, 2006.

4(8) Form of 2014 Note issued pursuant to Indenture, dated as of March 1, 2006, among Registrant and The Bank of New York Mellon, as successor to JP Morgan Chase as Trustee. Incorporated by reference to Exhibit 4.1 to Registrant's Form 8-K filed with the Securities and Exchange Commission on February 4, 2009.

4(9) Form of 2019 Note issued pursuant to Indenture, dated as of March 1, 2006, among Registrant and The Bank of New York Mellon, as successor to JP Morgan Chase, as Trustee. Incorporated by reference to Exhibit 4.2 to Registrant's Form 8-K filed with the Securities and Exchange Commission on February 4, 2009.

10(1) Extension and Amendment Agreement between the Government of the Virgin Islands and Hess Oil Virgin Islands Corp. incorporated by reference to Exhibit 10(4) of Form 10-Q of Registrant for the three months ended June 30, 1981.

10(2) Restated Second Extension and Amendment Agreement dated July 27, 1990 between Hess Oil Virgin Islands Corp. and the Government of the Virgin Islands incorporated by reference to Exhibit 19 of Form 10-Q of Registrant for the three months ended September 30, 1990.

10(3) Technical Clarifying Amendment dated as of November 17, 1993 to Restated Second Extension and Amendment Agreement between the Government of the Virgin Islands and Hess Oil Virgin Islands Corp. incorporated by reference to Exhibit 10(3) of Form 10-K of Registrant for the fiscal year ended December 31, 1993.

10(4) Third Extension and Amendment Agreement dated April 15, 1998 and effective October 30, 1998 among Hess Oil Virgin Islands Corp., PDVSA V.I., Inc., HOVENSA L.L.C. and the Government of the Virgin Islands incorporated by reference to Exhibit 10(4) of Form 10-K of Registrant for the fiscal year ended December 31, 1998.

10(5)* Incentive Cash Bonus Plan description incorporated by reference to Item 5.02 of Form 8-K of Registrant filed on February 10, 2009.

10(6)* Financial Counseling Program description incorporated by reference to Exhibit 10(6) of Form 10-K of Registrant for fiscal year ended December 31, 2004.

10(7)* Hess Corporation Savings and Stock Bonus Plan incorporated by reference to Exhibit 10(7) of Form 10-K of Registrant for fiscal year ended December 31, 2006.

10(8)* Performance Incentive Plan for Senior Officers, incorporated by reference to Exhibit (10) of Form 10-Q of Registrant for the three months ended June 30, 2006.

10(9)* Hess Corporation Pension Restoration Plan dated January 19, 1990 incorporated by reference to Exhibit 10(9) of Form 10-K of Registrant for the fiscal year ended December 31, 1989.

10(10)* Amendment dated December 31, 2006 to Hess Corporation Pension Restoration Plan incorporated by reference to Exhibit 10(10) of Form 10-K of Registrant for fiscal year ended December 31, 2006.

10(11)* Letter Agreement dated May 17, 2001 between Registrant and John P. Rielly relating to Mr. Rielly's participation in the Hess Corporation Pension Restoration Plan, incorporated by reference to Exhibit 10(18) of Form 10-K of Registrant for the fiscal year ended December 31, 2002.

10(12)* Second Amended and Restated 1995 Long-Term Incentive Plan, including forms of awards thereunder incorporated by reference to Exhibit 10(11) of Form 10-K of Registrant for fiscal year ended December 31, 2004.

10(13)* 2008 Long Term Incentive Plan, incorporated by reference to Annex B to Registrant's definitive proxy statement filed on March 27, 2008.

10(14)* Forms of Awards under Registrant's 2008 Long Term Incentive Plan, incorporated by reference to Exhibit 10(2) of Form 10-Q of Registrant for three months ended June 30, 2008.

10(15)* Compensation program description for non-employee directors, incorporated by reference to Item 1.01 of Form 8-K of Registrant dated January 1, 2007.

10(16)* Change of Control Termination Benefits Agreement dated as of September 1, 1999 between Registrant and John B. Hess, incorporated by reference to Exhibit 10(1) of Form 10-Q of Registrant for the three months ended September 30, 1999. Substantially identical agreements (differing only in the signatories thereto) were entered into between Registrant and J. Barclay Collins, John J. O'Connor and F. Borden Walker.

10(17)* Change of Control Termination Benefits Agreement dated as of September 1, 1999 between Registrant and John A. Gartman incorporated by reference to Exhibit 10(14) of Form 10-K of Registrant for the fiscal year ended December 31, 2001. Substantially identical agreements (differing only in the signatories thereto) were entered into between Registrant and other executive officers (other than the named executive officers referred to in Exhibit 10(15)).

10(18)* Letter Agreement dated March 18, 2002 between Registrant and John J. O'Connor relating to Mr. O'Connor's participation in the Hess Corporation Pension Restoration Plan incorporated by reference to Exhibit 10(15) of Form 10-K of Registrant for the fiscal year ended December 31, 2001.

10(19)* Letter Agreement dated March 18, 2002 between Registrant and F. Borden Walker relating to Mr. Walker's participation in the Hess Corporation Pension Restoration Plan incorporated by reference to Exhibit 10(16) of Form 10-K of Registrant for the fiscal year ended December 31, 2001.

10(20)* Agreement between Registrant and Gregory P. Hill relating to his compensation and other terms of employment, incorporated by reference to Form 8-K of Registrant filed January 7, 2009.

10(21)* Deferred Compensation Plan of Registrant dated December 1, 1999 incorporated by reference to Exhibit 10(16) of Form 10-K of Registrant for the fiscal year ended December 31, 1999.

10(22) Asset Purchase and Contribution Agreement dated as of October 26, 1998, among PDVSA V.I., Inc., Hess Oil Virgin Islands Corp. and HOVENSA L.L.C. (including Glossary of definitions) incorporated by reference to Exhibit 2.1 of Form 8-K of Registrant dated October 30, 1998.

10(23) Amended and Restated Limited Liability Company Agreement of HOVENSA L.L.C. dated as of October 30, 1998 incorporated by reference to Exhibit 10.1 of Form 8-K of Registrant dated October 30, 1998.

21 Subsidiaries of Registrant.

23 Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm, dated February 20, 2009, to the incorporation by reference in Registrant's Registration Statements (Form S-3 No. 333-132145, and Form S-8 Nos. 333-43569, 333-94851, 333-115844 and 333-150992), of its reports relating to Registrant's financial statements, which consent appears on page 88 herein.

31(1) Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)).

31(2) Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)).

32(1) Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).

32(2) Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).

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

(b) Reports on Form 8-K

During the three months ended December 31, 2008, Registrant filed or furnished the following report on Form 8-K:

1. Filing dated October 29, 2008 reporting under Items 2.02 and 9.01, a news release dated October 29, 2008 reporting results for the third quarter of 2008.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 23rd day of February 2009.

HESS CORPORATION
(Registrant)

By /s/ JOHN P. RIELLY

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

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

Signature	Title	Date
/s/ JOHN B. HESS **John B. Hess**	Director, Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	February 23, 2009
/s/ NICHOLAS F. BRADY **Nicholas F. Brady**	Director	February 23, 2009
/s/ J. BARCLAY COLLINS II **J. Barclay Collins II**	Director	February 23, 2009
/s/ EDITH E. HOLIDAY **Edith E. Holiday**	Director	February 23, 2009
/s/ THOMAS H. KEAN **Thomas H. Kean**	Director	February 23, 2009
/s/ DR. RISA LAVIZZO-MOUREY **Dr. Risa Lavizzo-Mourey**	Director	February 23, 2009
/s/ CRAIG G. MATTHEWS **Craig G. Matthews**	Director	February 23, 2009
/s/ JOHN H. MULLIN **John H. Mullin**	Director	February 23, 2009
/s/ JOHN J. O'CONNOR **John J. O'Connor**	Director	February 23, 2009
/s/ FRANK A. OLSON **Frank A. Olson**	Director	February 23, 2009
/s/ JOHN P. RIELLY **John P. Rielly**	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 23, 2009
/s/ ERNST H. VON METZSCH **Ernst H. von Metzsch**	Director	February 23, 2009
/s/ F. BORDEN WALKER **F. Borden Walker**	Director	February 23, 2009
/s/ ROBERT N. WILSON **Robert N. Wilson**	Director	February 23, 2009

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-132145) of Hess Corporation,

(2) Registration Statement (Form S-8 No. 333-43569) pertaining to the Hess Corporation Employees' Savings Plan,

(3) Registration Statement (Form S-8 No. 333-94851), pertaining to the Hess Corporation Amended and Restated 1995 Long-Term Incentive Plan

(4) Registration Statement (Form S-8 No. 333-115844) pertaining to the Hess Corporation Second Amended and Restated 1995 Long-Term Incentive Plan, and

(5) Registration Statement (Form S-8 No. 333-150992) pertaining to the Hess Corporation 2008 Long-Term Incentive Plan;

of our reports dated February 20, 2009, with respect to the consolidated financial statements and schedule of Hess Corporation and consolidated subsidiaries and with respect to the effectiveness of internal control over financial reporting of Hess Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2008.

Ernst + Young LLP

New York, New York
February 20, 2009

Schedule II

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended December 31, 2008, 2007 and 2006

		Additions			
Description	Balance January 1	Charged to Costs and Expenses	Charged to Other Accounts	Deductions from Reserves	Balance December 31
			(In millions)		
2008					
Losses on receivables	**$41**	**$ 9**	**$—**	**$4**	**$46**
2007					
Losses on receivables	$39	$ 5	$—	$3	$41
2006					
Losses on receivables	$30	$14	$—	$5	$39

EXHIBIT INDEX

3(1) Restated Certificate of Incorporation of Registrant, including amendment thereto dated May 3, 2006 incorporated by reference to Exhibit(3) of Registrant's Form 10-Q for the three months ended June 30, 2006.

3(2) By-Laws of Registrant incorporated by reference to Exhibit 3 of Form 10-Q of Registrant for the three months ended June 30, 2002.

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4(5) Prospectus Supplement dated August 8, 2001 to Prospectus dated July 27, 2001 relating to Registrant's 5.30% Notes due 2004, 5.90% Notes due 2006, 6.65% Notes due 2011 and 7.30% Notes due 2031, incorporated by reference to Registrant's prospectus filed pursuant to Rule 424(b)(2) under the Securities Act of 1933 on August 9, 2001.

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Other instruments defining the rights of holders of long-term debt of Registrant and its consolidated subsidiaries are not being filed since the total amount of securities authorized under each such instrument does not exceed 10 percent of the total assets of Registrant and its subsidiaries on a consolidated basis. Registrant agrees to furnish to the Commission a copy of any instruments defining the rights of holders of long-term debt of Registrant and its subsidiaries upon request.

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10(20)* Agreement between Registrant and Gregory P. Hill relating to his compensation and other terms of employment, incorporated by reference to Form 8-K of Registrant filed January 7, 2009.

10(21)* Deferred Compensation Plan of Registrant dated December 1, 1999 incorporated by reference to Exhibit 10(16) of Form 10-K of Registrant for the fiscal year ended December 31, 1999.

10(22) Asset Purchase and Contribution Agreement dated as of October 26, 1998, among PDVSA V.I., Inc., Hess Oil Virgin Islands Corp. and HOVENSA L.L.C. (including Glossary of definitions) incorporated by reference to Exhibit 2.1 of Form 8-K of Registrant dated October 30, 1998.

10(23) Amended and Restated Limited Liability Company Agreement of HOVENSA L.L.C. dated as of October 30, 1998 incorporated by reference to Exhibit 10.1 of Form 8-K of Registrant dated October 30, 1998.

21	Subsidiaries of Registrant.
23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm, dated February 20, 2009, to the incorporation by reference in Registrant's Registration Statements (Form S-3 No. 333-132145, and Form S-8 Nos. 333-43569, 333-94851, 333-115844 and 333-150992), of its reports relating to Registrant's financial statements, which consent appears on page 88 herein.
31(1)	Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)).
31(2)	Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)).
32(1)	Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).
32(2)	Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).

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

EXHIBIT 21

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

SUBSIDIARIES OF THE REGISTRANT

Name of Subsidiary	Organized under the laws of
Hess Energy Exploration Limited	Delaware
Hess Limited	United Kingdom
Hess Norge A/S	Norway
Hess Receivables LLC	Delaware
Hess (GEA) Limited	Cayman Islands
Hess Oil Virgin Islands Corp.	U.S. Virgin Islands
Hess (Indonesia Pangkah) Limited	United Kingdom
Hess Energy Trading Company, LLC	Delaware
Samara — Nafta	Russian Federation
Hess Egypt West Mediterranean Limited	Cayman Islands
Hess (ACG) Limited	Cayman Islands
Amerada Hess Production Gabon	Gabon
Hess Denmark ApS	Denmark
Hess (Thailand) Limited	United Kingdom
Hess Oil and Gas Holdings Inc.	Cayman Islands
Tioga Gas Plant, Inc.	Delaware

Other subsidiaries (names omitted because such unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary)

Each of the foregoing subsidiaries conducts business under the name listed, and is 100% owned by the Registrant, except for Hess Energy Trading Company, LLC, which is a trading company that is a joint venture between the Registrant and unrelated parties.

Exhibit 31(1)

I, John B. Hess, certify that:

1. I have reviewed this annual report on Form 10-K of Hess Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ John B. Hess

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

Date: February 20, 2009

Exhibit 31(2)

I, John P. Rielly, certify that:

1. I have reviewed this annual report on Form 10-K of Hess Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ John P. Rielly

John P. Rielly
Senior Vice President and
Chief Financial Officer

Date: February 20, 2009

Exhibit 32(1)

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Hess Corporation (the Corporation) on Form 10-K for the period ending December 31, 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: February 20, 2009

Exhibit 32(2)

CERTIFICATION PURSUANT TO

**18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Hess Corporation (the Corporation) on Form 10-K for the period ending December 31, 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: February 20, 2009

COMMON STOCK

Listed New York Stock Exchange (ticker symbol: HES)

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

DOCUMENTS AVAILABLE

Copies of the Corporation's 2008 Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and its annual proxy statement filed with the Securities and Exchange Commission, as well as the Corporation's Code of Business Conduct and Ethics, its Corporate Governance Guidelines, and charters of the Audit Committee, Compensation and Management Development Committee and Corporate Governance and Nominating Committee of the Board of Directors, are available, without charge, on our web site listed below or upon written request to the Corporate Secretary, Hess Corporation, 1185 Avenue of the Americas, New York, New York 10036. e-mail: corporatesecretary@hess.com

The Corporation has also filed with the New York Stock Exchange ("NYSE") its annual certification that the Corporation's chief executive officer is not aware of any violation of the NYSE's corporate governance standards. The Corporation has also filed with the SEC the certifications of its chief executive officer and chief financial officer required under SEC Rule 13a-14(a) as exhibits to its 2008 Form 10-K.

ANNUAL MEETING

The Annual Meeting of Stockholders will be held on Wednesday, May 6, 2009 at 2:00 p.m., 1 Hess Plaza, Woodbridge, New Jersey 07095.

DIVIDEND REINVESTMENT PLAN

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

CORPORATE HEADQUARTERS

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

OPERATING OFFICES

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

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

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

Hess Web site
www.hess.com

FSC
Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fiber
www.fsc.org Cert no. BV-COC-08093
© 1996 Forest Stewardship Council

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

HESS CORPORATION
1185 Avenue of the Americas
New York, New York 10036

www.hess.com

EXHIBIT 3

State of New Hampshire

CERTIFICATE OF AUTHORITY OF FOREIGN CORPORATION TO DO BUSINESS IN THE STATE OF NEW HAMPSHIRE

I hereby certify that ....AMERADA PETROLEUM CORPORATION....................... a corporation duly organized under the laws of the State of ....DELAWARE..., has this day qualified under the provisions of New Hampshire RSA, Chapter 300, and is authorized to do business as provided by said statute as amended.

WITNESS my hand and the official seal of the State of New Hampshire.

(Secretary of State)

Dated at Concord, N. H. this ....20th........ day of ....MAY......................... 1969.....

EXHIBIT 4

HESS

HESS CORPORATION
1 Hess Plaza
Woodbridge, NJ 07095

MARISSA J. BACH
Regulatory Affairs Specialist
Energy Marketing
(732) 750-6814
FAX: (732) 750-6899

December 10, 2009

Hon. Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 South Fruit Street
Suite 10
Concord, N.H. 03301-2429

RE: Hess Corporation's Renewal of Surety Bond for Registered Natural Gas Supplier – DM – 03-277

Dear Secretary Howland:

By Secretarial Letter dated February 19, 2004, the New Hampshire Public Utilities Commission approved Hess Corporation's ("Hess") application for registration as a competitive natural gas supplier. Pursuant to the New Hampshire Code of Administrative Rules Part Puc 3003.01(b)(2)(m), enclosed please find Hess' renewed surety bond in the amount of $150,000.

In order to assist in our record keeping, please file stamp the additional copy of this letter accompanying this renewal application and return it to me in the self-addressed stamped envelope provided for that purpose.

Should you have any questions please don't hesitate to contact me at (732) 750-6814. Thank you in advance for your attention to this matter.

Sincerely,

Marissa J. Bach
Regulatory Affairs Specialist

Enclosures

CNA SURETY

40 Wall Street 10th Floor, New York, NY 10005-2301

Telephone: 877.269.3277
Facsimile: 212.440-7351

CONTINUATION CERTIFICATE

WESTERN SURETY COMPANY, hereby continues in force **Bond #929309219** briefly described as a bond to **Provide Natural Gas** for **HESS CORPORATION**, as Principal, **NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION,** 21 S. Fruit Street, Suite 10, Concord, NH 03301, as Obligee, in the sum of **One Hundred Fifty Thousand and 00/100 ($150,000.00) Dollars**, for the term beginning **December 1, 2009 and ending December 1, 2010**, subject to all the covenants and conditions of the original bond referred to above.

This continuation is issued upon the express condition that the liability of **WESTERN SURETY COMPANY** under said Bond and this and all continuations thereof shall not be cumulative and shall in no event exceed the total sum above written.

Dated this 2nd day of December, 2009.

HESS CORPORATION
(Principal)

BY: ______________________

WESTERN SURETY COMPANY
(Surety)

BY: ______________________
James KC Tom, Attorney-in-Fact

Western Surety Company

POWER OF ATTORNEY APPOINTING INDIVIDUAL ATTORNEY-IN-FACT

Know All Men By These Presents, That WESTERN SURETY COMPANY, a South Dakota corporation, is a duly organized and existing corporation having its principal office in the City of Sioux Falls, and State of South Dakota, and that it does by virtue of the signature and seal herein affixed hereby make, constitute and appoint

Ernesta G Bowman, James K C Tom, Individually

of New York, NY, its true and lawful Attorney(s)-in-Fact with full power and authority hereby conferred to sign, seal and execute for and on its behalf bonds, undertakings and other obligatory instruments of similar nature

- In Unlimited Amounts -

and to bind it thereby as fully and to the same extent as if such instruments were signed by a duly authorized officer of the corporation and all the acts of said Attorney, pursuant to the authority hereby given, are hereby ratified and confirmed.

This Power of Attorney is made and executed pursuant to and by authority of the By-Law printed on the reverse hereof, duly adopted, as indicated, by the shareholders of the corporation.

In Witness Whereof, WESTERN SURETY COMPANY has caused these presents to be signed by its Senior Vice President and its corporate seal to be hereto affixed on this 22nd day of September, 2009.

WESTERN SURETY CORPORATE SEAL SOUTH DAKOTA

WESTERN SURETY COMPANY

Paul T. Bruflat

Paul T. Bruflat, Senior Vice President

State of South Dakota }
County of Minnehaha } ss

On this 22nd day of September, 2009, before me personally came Paul T. Bruflat, to me known, who, being by me duly sworn, did depose and say: that he resides in the City of Sioux Falls, State of South Dakota; that he is the Senior Vice President of WESTERN SURETY COMPANY described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed pursuant to authority given by the Board of Directors of said corporation and that he signed his name thereto pursuant to like authority, and acknowledges same to be the act and deed of said corporation.

My commission expires

November 30, 2012

D. KRELL
SEAL NOTARY PUBLIC SOUTH DAKOTA SEAL

Deb Krell

D. Krell, Notary Public

CERTIFICATE

I, L. Nelson, Assistant Secretary of WESTERN SURETY COMPANY do hereby certify that the Power of Attorney hereinabove set forth is still in force, and further certify that the By-Law of the corporation printed on the reverse hereof is still in force. In testimony whereof I have hereunto subscribed my name and affixed the seal of the said corporation this 2nd day of December, 2009.

WESTERN SURETY CORPORATE SEAL SOUTH DAKOTA

WESTERN SURETY COMPANY

L. Nelson

L. Nelson, Assistant Secretary

Form F4280-09-06

ACKNOWLEDGMENT FORMS

COPARTNERSHIP

STATE OF
COUNTY OF }SS:

On this _________ day of _________________________, ______, before me personally appeared __________________ ______________________, to me known and known to me to be one of the firm of ______________________________ described in and who executed the foregoing instrument and (s)he thereupon acknowledged to me that (s)he executed the same as and for the act and deed of said firm.

____
Notary Public

CORPORATE

STATE OF
COUNTY OF }SS:

On this _________ day of _________________________, ______, before me personally appeared __________________ ______________________, to me known, who, being by me first duly sworn, did depose and say that (s)he resides in ____________________________; that (s)he is the ______________________________ of ________________________ ____________________________, the corporation described in and which executed the foregoing instrument; that (s)he knows the corporate seal of said corporation; that the corporate seal affixed to said instrument is such corporate seal; that it was so affixed by order and authority of the Board of Directors of said corporation, and that (s)he signed h______ name thereto by like order and authority.

____
Notary Public

INDIVIDUAL

STATE OF
COUNTY OF }SS:

On this _________ day of _________________________, ______, before me personally appeared __________________ ______________________, to me known and known to me to be the individual described in and who executed the foregoing instrument and ____________ acknowledged to me that ______________ executed the same in h______ individual capacity.

____
Notary Public

SURETY

STATE OF NEW YORK
COUNTY OF NEW YORK }SS:

I, Judith D Levine, Notary Public of New York County, in the State of New York, do hereby certify that James KC Tom Attorney-in-Fact, of **Western Surety Company** who is personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that (s)he signed, sealed and delivered said instrument for and on behalf of **Western Surety Company** for the uses and purposes therein set forth.

Given under my hand and notarial seal at my office in the City of New York in said County, this 2nd day of December A.D., 200 9 .

JUDITH D LEVINE
Notary Public - State of New York
NO. 01LE7514905
Qualified in New York County
My Commission Expires 11/30/10

Judith D Levine
Notary Public

EXHIBIT 5

Without relinquishing our right to seek a waiver in the future, Hess hereby acknowledges the requirements set forth in the New Hampshire Code of Administrative Rules Part 3003.01(r). In accordance with the regulation, Hess agrees to:

(1) Maintain a list of customers who request being placed on a do-not-call list for purpose of telemarketing;

(2) Obtain, no less than semi-annually, access to updated telephone preference services lists maintained by Direct Marketing Association; and

(3) Not initiate calls to New Hampshire customers who have either requested being placed on do-not-call lists or customers who are listed on the Direct Marketing Association's telephone preference lists.

EXHIBIT 6

[redacted], Inc
Attn: Ralph [redacted]
[redacted] Street
Manchester, NH [redacted]

Invoice Date: 12/09/2009
Invoice #: H09559235
Payment Due Date: 12/24/2009
Payment Terms: Net 15 Days
Payment Method: Check

Hess Account # [redacted]
Service Location: [redacted] St.
Manchester, NH [redacted]

Utility Name: Energy North
Pool/Point: [redacted]
Utility Account #: [redacted]

Natural Gas Deliveries	Deal ID	Purchase Order #	Date From - To	Volume	UOM	Unit Price	Total
Commodity	[redacted]		11/07/2009 11/30/2009	[redacted]	MMBTU	[redacted]	[redacted]
Commodity	[redacted]		12/01/2009 12/08/2009	[redacted]	MMBTU	[redacted]	[redacted]

Total Charges: $[redacted]

Customer Name: [redacted] Inc
Hess Account #: [redacted]
Invoice #: [redacted]

Amount Due: $[redacted]
Payment Due Date: 12/24/2009

Check Remittance To:

Hess Corporation
P.O. Box 905243
Charlotte, NC 28290-5243

Please Reference Invoice Number with Payment

EXHIBIT 7

HESS CORPORATION

One Hess Plaza
Woodbridge, NJ 07095
Phone: 1-800-HESS-AOK (Customer Service / QCS)
Phone: 1-800-HESS-USA (Sales)
www.HessEnergy.com

Marketer name [redacted]		Date 9/10/2009	Time 2:24:27PM
Customer name [redacted], Inc			
Contact name		Billing contact	
Address [redacted] Manchester, NH [redacted]		Billing address	
Telephone	Fax	Telephone	Fax

This Transaction Confirmation confirms the terms of the Transaction entered into between Hess Corporation ("Seller"), and the customer above ("Buyer" or "Customer") pursuant to the terms of the Base Agreement for the Purchase and Sale of Natural Gas between Buyer and Seller dated September 10, 2009. The Purchase Price excludes Utility distribution charges and Taxes that are or may be the responsibility of Buyer. Gas volumes will be adjusted for Utility line loss, where applicable. The prices listed below are based on market conditions as of the time, stated above, that this Transaction Confirmation was issued and may be adjusted by Seller to reflect market conditions as of the date the Agreement is executed and returned by Buyer. THIS TRANSACTION CONFIRMATION WILL NOT BE EFFECTIVE UNTIL SIGNED BY BOTH PARTIES.

Delivery period

Begin: January 01, 2010 End: December 31, 2010

Upon the expiration of the Delivery Period, this Transaction shall continue for successive one month terms ("collectively the "Renewal Term") until either Party notifies the other Party in writing, at least 15 days prior to the end of the Delivery Period or 15 days prior to the end of each successive month Renewal Term. The termination date shall be the next effective drop date permitted by the utility. All terms of the Agreement will remain in effect through the termination date as set by the applicable utility. During the Renewal Term, the Purchase Price for each successive month Renewal Term will be the then market price for delivery to the Delivery Point, unless otherwise agreed to in writing by the Parties.

Delivery point

Energy North [redacted]

Contract Quantity (Dth)

_____ Daily x Monthly Total Contract Quantity (Dth): [redacted]

January	[redacted]	July	[redacted]
February	[redacted]	August	[redacted]
March	[redacted]	September	[redacted]
April	[redacted]	October	[redacted]
May	[redacted]	November	[redacted]
June	[redacted]	December	[redacted]

Purchase Price

Fixed Price: [redacted] /Dth

Service Locations

Service Address	Utility Account Number	Rate
[redacted] St.	[redacted]	[redacted]

Special Provisions

New Hampshire Specific Terms: Customer may contact the New Hampshire Public Utilities Commission with any questions about Customer's rights and responsibilities. The Consumer Affairs Division of the Commission may be reached toll-free at 1-800-852-3793.

Fixed Price: [redacted] Dth.

The Buyer acknowledges that it is acting for its own account, and it has made its own independent decisions and that Seller is not acting as a fiduciary, agent, financial, investment or commodity trading advisor for it in connection with the negotiation and execution of this Transaction Confirmation, nor will any communication (written or oral) received from the Seller be deemed to be an assurance or guarantee as to any results expected from executing this Transaction

EXHIBIT 8

Filed
Date Filed: 12/01/2008
Business ID: 145
William M. Gardner
Secretary of State

STATE OF NEW HAMPSHIRE

Filing fee: $35.00 | Form No. 42
Use black print or type. | RSA 293-A:15.04

APPLICATION FOR AMENDED CERTIFICATE OF AUTHORITY FOR PROFIT FOREIGN CORPORATION

TO THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE

PURSUANT TO THE PROVISIONS OF THE NEW HAMPSHIRE BUSINESS CORPORATION ACT, THE UNDERSIGNED CORPORATION HEREBY APPLIES FOR AN AMENDED CERTIFICATE OF AUTHORITY TO TRANSACT BUSINESS IN NEW HAMPSHIRE AND FOR THAT PURPOSE SUBMITS THE FOLLOWING STATEMENT:

FIRST: The name of the corporation is: Amerada Hess Corporation

SECOND: The name the corporation is currently using in the state of New Hampshire is: Amerada Hess Corporation

THIRD: The state or country of incorporation is: Delaware

FOURTH: The date the corporation was authorized to transact business in the state of New Hampshire is: May 20, 1969

FIFTH: This application is filed for the following reason (complete all applicable items)

a. The corporation has changed its corporate name to: Hess Corporation

b. The name the corporation will hereafter use in the state of New Hampshire is changed to: ______ (Note 1)

C. The corporation has changed its period of duration to: ______

d. The corporation has changed the state or country of its incorporation to: ______

Dated November 21, 2008

Amerada Hess Corporation (Note 2)

By ______ (Note 3)
Signature of its VP and Secretary

George C. Barry
Print or type name

(212) 997-8500
Phone Number

Email Address

Mail fee and DATED AND SIGNED ORIGINAL WITH A CERTIFICATE OF LEGAL EXISTENCE OR GOOD STANDING ISSUED BY THE STATE OR COUNTRY OF INCORPORATION (Note 4) to: Corporation Division, Department of State, 107 NH 03301-4989.

State of New Hampshire
Form 42 - Application for Amended Certificate of Authority 2 Page(s)

T0833644014

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "HESS CORPORATION" IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-FIRST DAY OF NOVEMBER, A.D. 2008.

SECRETARY'S OFFICE
1793 DELAWARE 1855

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

0097017 8300

AUTHENTICATION: 6980789

081135565

DATE: 11-21-08

You may verify this certificate online at corp.delaware.gov/authver.shtml

EXHIBIT 9

CERTIFICATION

I, John A. Gartman, hereby certify that I am Senior Vice President of Energy Marketing of Hess Corporation, and have been authorized to file this application for re-registration as a Competitive Natural Gas Supplier in New Hampshire.

I hereby certify that I have reviewed all of the statements contained in this re-registration application and accompanying exhibits and that the matters set forth herein are true and correct to the best of my knowledge, information or belief, and that I know of no material omission.

Dated this 14th day of December, 2009 at Woodbridge, New Jersey.

Signature: J. A. Gartman

John A. Gartman
Senior Vice President of Energy Marketing
Hess Corporation

Notarization: Colleen M. Frost

COLLEEN M. FROST
ID # 2298543
NOTARY PUBLIC OF NEW JERSEY
Commission Expires 4/1/2013