

# HESS CORPORATION



## ENVIRONMENT, HEALTH, SAFETY AND SOCIAL RESPONSIBILITY

2005 REPORT

# OUR COMPANY / SCOPE OF REPORT

## OUR COMPANY

Hess Corporation is a leading, global energy company that explores for, produces, purchases, transports and sells crude oil and natural gas. These activities occur in the United States, the United Kingdom, Norway, Denmark, Russia, Equatorial Guinea, Egypt, Algeria, Gabon, Libya, Indonesia, Thailand, Azerbaijan, and Malaysia.

The Company also manufactures, purchases, trades and markets refined petroleum products, natural gas and electricity. Our customers are the motoring public on the East Coast of the United States, wholesale distributors of oil and natural gas, industrial and commercial users, other petroleum companies, governmental agencies and public utilities.

To help supply the energy needs of these customers, the Company owns 50 percent of the HOVENSA joint venture in the U.S. Virgin Islands, one of the world's largest refineries. Additionally, the Company owns and operates a fluid catalytic cracking facility in Port Reading, New Jersey that manufactures gasoline and heating oil. Our supply operation includes 22 storage terminals with a capacity of 22 million barrels.

The Company is a significant retail operator through its network of 1,354 Hess gasoline stations and Hess Express convenience stores along the East Coast from Massachusetts to Florida.

Hess Corporation is also a joint venture partner in other energy related businesses, including a 50 percent interest in Hess LNG, which is pursuing investments in liquefied natural gas (LNG) terminals and related supply, trading and marketing opportunities; a 50 percent voting interest in

a consolidated partnership that trades energy commodities and derivatives, in which the Company takes trading positions for its own account; and a significant investment in Nuvera Fuel Cells, Inc., engaged in the development of fuel cells for automotive use and electric generation.

Additionally, Hess Microgen provides distributed electricity generating equipment to industrial and commercial customers as an alternative to purchasing electricity from local utilities.

## SCOPE OF REPORT

This report covers the principal facilities and assets operated by Hess Corporation and its subsidiaries. Information and data pertaining to HOVENSA is available in our web-based report at [www.hess.com](http://www.hess.com). Data from new assets are included in this report but may be reported separately from company totals. Emission data and other environmental metrics refer to gross figures from operated facilities. Company baselines used for assessing performance against targets have been adjusted to reflect material changes from acquisitions or divestitures. For copies of the data referred to in this report in tabular format, please visit our web-based report at [www.hess.com](http://www.hess.com).

This report does not include data on oil and gas fields or marketing sites in which the Company has an equity interest but which are operated by other companies.

The format of this report follows the framework of the Global Reporting Initiative (GRI). However, gaps may exist where GRI reporting requirements are not applicable or are not reported for Hess operations.

**2005 Operating Statistics can be found on the inside back cover.**

*Cover Photo: Platform safely in route from fabrication yard to Equatorial Guinea*

## CONTENTS

1	Management Letter	5	Health, Safety and Environmental Performance	11	Alternative Energy
3	Management of Environment, Health, Safety and Social Responsibility	9	Social Responsibility	12	Verification Statement

# MANAGEMENT LETTER

We made significant progress during 2005 in our exploration and production operations across the globe to grow our reserves and production to meet future energy demand. We are making substantial investments in new field developments, drilling activities and production operations. We also continue to expand our retail and energy marketing businesses as well as operate our refineries to supply our customers with petroleum products. With this high level of activity, we continue to operate in a safe and environmentally sound manner.

We achieved our best ever recorded safety performance in 2005. We are especially pleased to report that we experienced no work related fatalities during the year. Over the past five years we have reduced our injury rate by nearly 50 percent. Continuing and sustaining improvement in safety performance is our No. 1 priority.

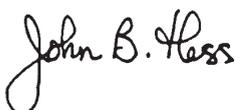
We are also pleased to report that we have reduced our normalized emissions of greenhouse gases by nearly four percent since 2001, primarily through efficiency gains in Algeria and United States Exploration and Production activities. In 2005, we also successfully met our targets to reduce atmospheric emissions of sulphur oxides, nitrogen oxides and volatile organic hydrocarbons.

We remain committed to the communities where we live and work. We are proud of our many initiatives to improve the environment, health and education. In Equatorial Guinea the Company, in partnership with the government,

has committed \$20 million of a \$40 million, multi-year program to support education in the West African country. The program will focus on strengthening the country's educational system for children ages 6 to 18 while improving teacher training, learning initiatives and infrastructure development. In Azerbaijan, we began the second phase of our successful Emergency Medicine Development Initiative, which will rehabilitate five hospitals within the communities where we operate.

Natural disasters were particularly devastating in late 2004 and 2005. We were saddened by the loss of life and destruction of the communities caused by the tsunami in Southeast Asia and the Katrina, Rita and Wilma hurricanes in the United States. We moved quickly to provide immediate emergency assistance to the victims of these disasters, donating approximately \$5 million to relief agencies working in these areas.

We trust that the information presented in this report and on our website, [www.hess.com](http://www.hess.com), demonstrate both our commitment to environmental, health and safety issues as well as our progress in helping to meet society's needs while growing energy supplies to meet world demand. Our success would not be possible without the support of our customers, contractors, suppliers and stockholders and we remain grateful for the commitment and dedication of our employees.



**JOHN B. HESS**

Chairman of the Board and  
Chief Executive Officer



**J. BARCLAY COLLINS**

Executive Vice President and  
General Counsel



**GERALD I. BRESNICK, PH.D.**

Vice President,  
Environment, Health and Safety



*Hess Express Retail Facility in South Florida*

# MANAGEMENT OF ENVIRONMENT, HEALTH, SAFETY AND SOCIAL RESPONSIBILITY

## GOVERNANCE

Hess Corporation has implemented a values-based, socially responsible strategy focused on improving environment, health and safety (EHS) performance and improving the quality of life in the communities where we operate. This strategy is guided by the Company's EHS policies and by management systems and programs that work to protect our employees, customers and host communities. These policies can be found at [www.hess.com](http://www.hess.com), our internet web site.

Our EHS management systems are based on recognized international standards that promote consistency, adherence to policies, and continued improvement in performance. In 2005, nearly a quarter of our total oil production and throughput was from ISO 14001 certified operations.

Hess Corporation recognizes its responsibilities as a global energy producer, especially as we grow and expand our exploration and production activities worldwide. Our Business Practice Guide provides employees with guidance and expectations regarding business ethics, citizenship, contracting and labor practices, regulatory compliance, safety and stewardship of the environment. The Hess Leadership Team, comprised of the Company's top management, establishes company-wide performance

objectives and reviews results. Additionally, the Audit Committee of the Hess Corporation Board of Directors routinely reviews our performance in these areas.

We have management systems, an audit program and strong governance policies in place to drive continuous improvement. Technical support and functional guidance is provided to various business units through corporate and business unit staff. A chart showing the Environment, Health and Safety organization is available at [www.hess.com](http://www.hess.com).

We work with other companies in the energy industry as well as external groups such as trade associations and professional organizations to advance our knowledge of worldwide EHS and Social Responsibility issues. Various internal task forces also foster information sharing that helps business managers to address company performance objectives.

We will continue to use this report to chart our progress. Ultimately, the better we are at being safer, healthier, environmentally sound and socially responsible, the more value we will create for shareholders and other stakeholders that help us to be an industry leader. A summary of our objectives and performance is included on the following pages.

## **HESS CORPORATION SUPPORTS SEVERAL INTERNATIONAL VOLUNTARY INITIATIVES. THESE INCLUDE:**

- **UNITED NATIONS UNIVERSAL DECLARATION OF HUMAN RIGHTS**
- **UNITED NATIONS GLOBAL COMPACT**
- **VOLUNTARY PRINCIPLES ON SECURITY AND HUMAN RIGHTS**
- **EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE**



*HOVENSA Refinery, recipient of the 2005  
Chairman's Award for Safety Excellence*

# HEALTH, SAFETY AND ENVIRONMENTAL PERFORMANCE

## HEALTH AND SAFETY

We have made significant improvements in our safety performance since 2000, reducing our annual injury rate by almost one-half. We achieved our best ever recorded safety performance in 2005 (chart 1, chart 2) and had no work-related fatalities. The safety target for employee recordable injuries was achieved. The year-end Lost Time/Restricted Duty rate fell slightly short of the target rate. Notably, our entire Exploration & Production Division had zero employee lost time or restricted duty cases in 2005.

The annual Chairman's Award for Safety Excellence recognizes one operation or group that demonstrates outstanding commitment to workforce safety through systematic processes, exceptional performance, and sustainability of improvement.

The HOVENSA refinery in St. Croix was selected as the 2005 recipient of the Chairman's Award for Safety Excellence. The award recognizes HOVENSA's significant improvement in safety over the last several years, culminating in first quartile performance compared to industry peers. HOVENSA's outstanding performance is the result of dedication to improvement and action by the entire organization.

President's Awards were also given to the West Texas Exploration and Production operations and the Southeast Florida/South Carolina Retail operations for their exemplary safety performance.

## ENVIRONMENTAL PERFORMANCE

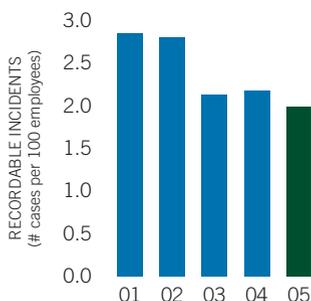
Hess Corporation recognizes that to grow our business and to help meet the increasing global demand for energy, we must do so in a manner that protects the world's land, water and air resources. Our priority is to put in place environmentally sound practices wherever we work.

### Global Climate Change

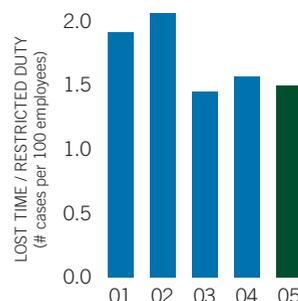
Climate change is an issue that has a potential impact on future global economic growth and development and has prompted much public debate. We share this concern.

The Company has undertaken a program to assess, monitor and reduce greenhouse gas (GHG) emissions, including carbon dioxide and methane. The challenges associated with this program are significant, not only from the standpoint of technical feasibility, but also from the perspective of adequately measuring our entire GHG inventory. In 2005 we made further progress in developing our standardized reporting methodology.

1. RECORDABLE WORKPLACE INJURY RATE



2. LOST WORK TIME & RESTRICTED DUTY INCIDENT RATE



We set a company-wide target of reducing our normalized GHG emissions by 5 percent by 2005 compared to 2001 emissions. We came close and are encouraged that our 2005 normalized emissions decreased by 4 percent in comparison to our 2001 baseline (chart 3). Our reported total GHG emissions increased by around 20 percent, from 5.1 million tons in 2001 to 6.1 million tons in 2005. This increase is largely attributable to an increase in operated production and the inclusion of sources not previously quantified.

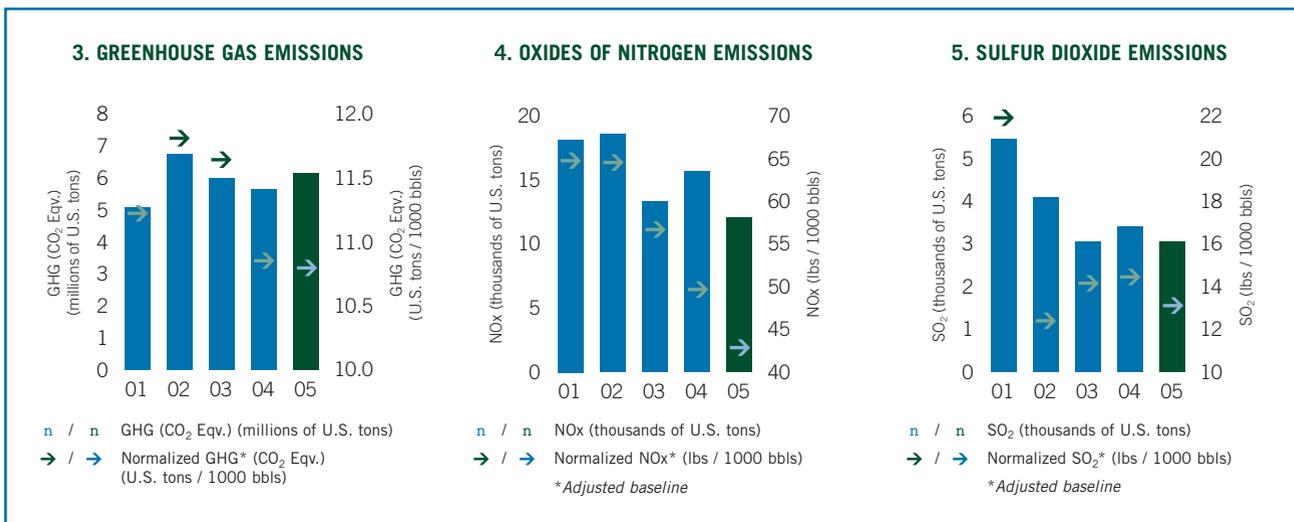
As we continue to expand our operations our total atmospheric emissions may increase. We will continue to look for opportunities to sustain or reduce our overall carbon footprint. For example, our North Dakota operations are participating in the Plains CO<sub>2</sub> Reduction Partnership, assessing the technical and economic feasibility of capturing and storing CO<sub>2</sub> emissions from stationary sources in the northern Great Plains and adjacent areas.

### Air Emissions

We set a target of reducing our normalized nitrogen oxides (NOx), sulfur oxides (SOx) and volatile organic compounds (VOC) emissions by 5 percent by 2005 compared to our 2001 baseline. We are pleased to report that our company-wide NOx emissions were reduced by 34 percent (chart 4), SOx emissions by 40 percent (chart 5) and VOC emissions by 14 percent (chart 6). These reductions were met largely by efficiency measures, fuel switching, vapor recovery and changes to our asset base.

### Water Resources

Our operations have the potential to impact water resources. We have established metrics to help us monitor and improve our performance and controls to minimize these impacts.



### Oil Spills and Releases

Our goal is to have no spills. Because oil spills and releases to the environment do occur accidentally, we track our company-wide spills in order to monitor performance, identify root causes and plan mitigation measures.

In 2005, we had 270 spills which totaled 531 barrels (bbls) of oil (chart 7). Both the number and volume of spills increased in comparison to 2004. Approximately 28 percent of spills were discovered as a result of an ongoing equipment replacement program at retail facilities, which will prevent further spills and leaks in the future. Spills at onshore production locations in the United States accounted for the greatest volume of oil spilled. All spills were promptly addressed and the recovered material was properly handled and disposed of.

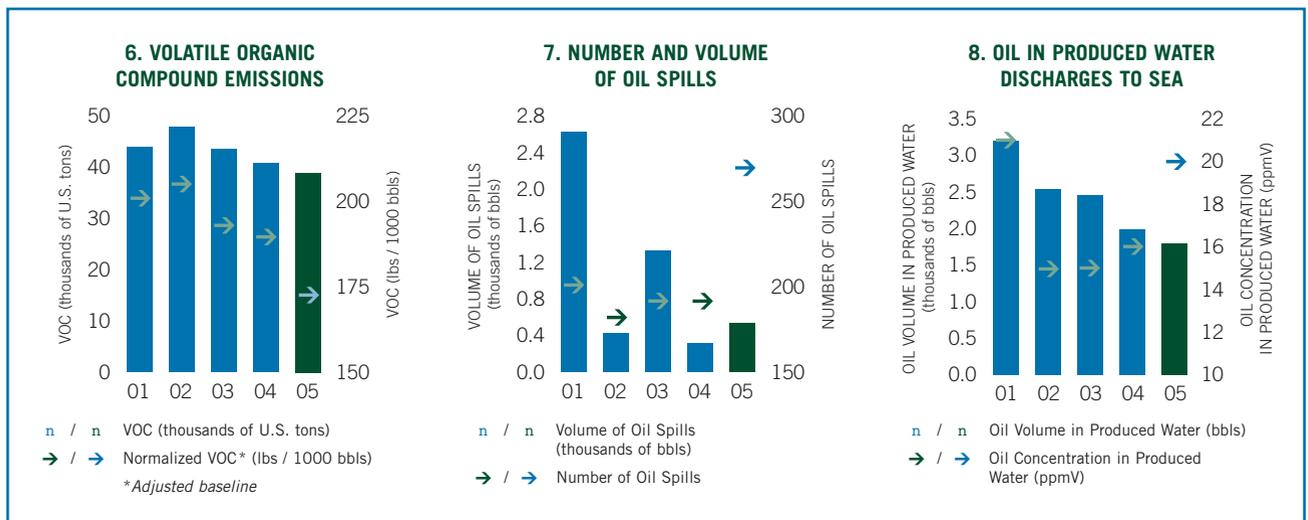
The volume of oil discharged in produced water at offshore facilities decreased from 1,985 bbls in 2004 to 1,796 bbls in 2005. As in previous years, the quantity of water discharged also decreased and consequently

the oil in water concentration increased from 16 parts per million (ppm) in 2004 to 20 ppm in 2005 (chart 8). This is well below the generally accepted regulatory limits of 30-40ppm.

In 2005, our overall volume of drilling mud and cuttings discharged decreased significantly, mainly due to a reduction in the number of wells drilled. However, the amount of oil discharged with cuttings increased from 101 tons in 2004 to 350 tons in 2005.

### RESOURCE USE

The overall quantity of waste generated increased from 90,708 tons in 2004 to 196,763 in 2005. New remediation projects in the Permian Basin resulted in 91,812 tons of this total. Of all waste generated in 2005, 39 percent was recycled. As in 2004, approximately 0.3 percent of waste generated in 2005 was categorized as hazardous.





*Children at Hess supported school in northern Thailand*

# SOCIAL RESPONSIBILITY

## COMMUNITY INVESTMENT

We have a long tradition of investing in projects that improve health, education and quality of life in communities where we live and work. We support charitable and other non-profit organizations, community projects, scholarships and employee volunteerism.

We work closely with the local communities to help us understand and evaluate specific needs. This collaboration ensures the sustainability of our social responsibility program.

In 2005, we invested \$7.7 million in cash and in-kind donations worldwide, including disaster relief contributions.

## PLANNED SOCIAL INVESTMENTS

The majority of our planned social expenditures were in the United States, Equatorial Guinea and Azerbaijan. Some highlights from 2005 include the following:

### *Equatorial Guinea Educational Development*

The Company, in partnership with the government of Equatorial Guinea, has committed \$20 million of a \$40 million, multi-year program to support education

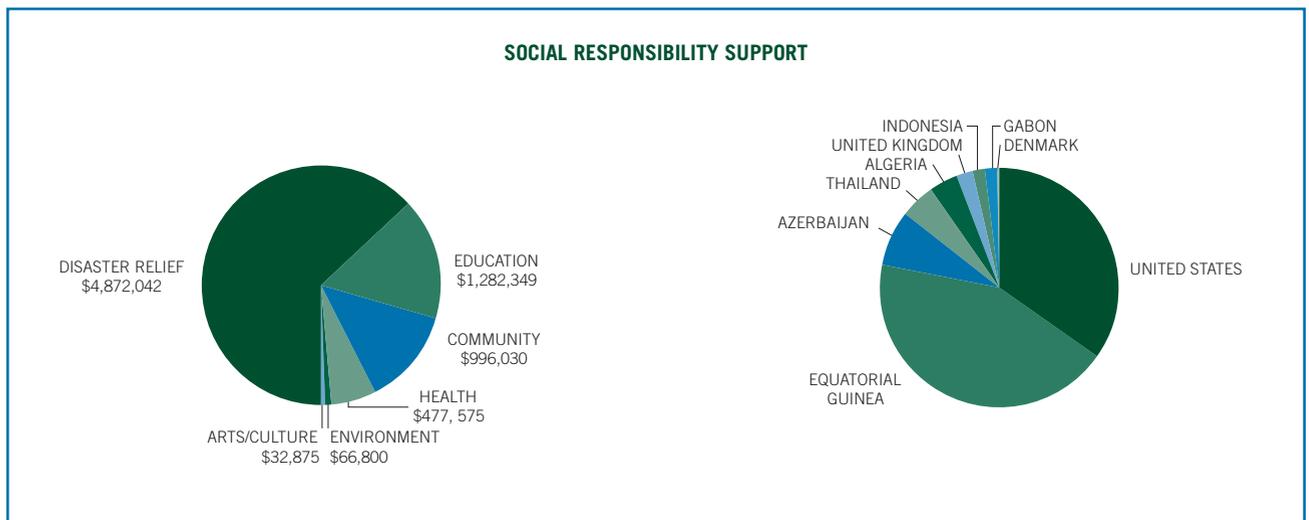
in the West African country. The program will focus on strengthening the country's educational system for children ages 6 to 18 while improving teacher training, learning initiatives and infrastructure development.

We worked with the Equatorial Ministry of Mines, Industry and Energy; the Ministry of Education and the international non-profit agency Academy for Education Development in 2005 to support a feasibility study on national education improvement, which led to the funding commitments by Hess and the government.

The program represents a model for public/private cooperation and is designed to transform education and provide sustainable benefits for citizens of the country.

### *Azerbaijan: Phase II of Emergency Medicine Development Initiative*

In Phase I of the Emergency Medicine Development Initiative we worked to help raise the quality of emergency medical services at First Medical Emergency Hospital No. 3 in Azerbaijan. Based on the excellent results achieved, Phase II of the Emergency Medicine Development Initiative



was launched in September 2005. With the support of additional donors, the scope and geographic coverage of the project was expanded to include five hospitals, emergency medicine training centers and development of a new national policy on emergency medical services.

## **TSUNAMI RESPONSE**

Following the massive destruction and loss of life caused by the tsunami that hit Southeast Asia in the final days of 2004, our field offices in Indonesia, Thailand and Malaysia responded with immediate aid to local relief organizations. Within days of the disaster, Hess pledged \$1 million to Save the Children for their relief efforts in Indonesia. This organization provided immediate care for children's health and nutrition through daily care at activity centers and community kitchens, thereby averting further calamity. Save the Children was also able to reunite thousands of families separated by the disaster. Save the Children has provided direct assistance to more than 276,000 survivors in Indonesia alone – the largest relief effort in the organization's history.

In Thailand, we also pledged \$1 million to the Rachaprachanukroach Foundation, under the royal patronage of the King, for its invaluable support of the children affected by the tragedy.

Our employees were also highly supportive of the relief efforts. An employee matching gift program with four humanitarian relief organizations provided additional relief assistance. Since the tsunami we have worked with local governments, non-governmental organizations and local communities to assist in rebuilding efforts.

## **HURRICANE RESPONSE**

Hurricanes Katrina and Rita struck the Gulf Coast of the United States in August and September 2005, forcing millions of people from their homes. Hess Corporation donated \$1 million to the Red Cross for its relief efforts and also created a special matching gift program for employees who made personal contributions.

Recognizing the devastating consequences of the hurricanes on children in the damaged areas, we were honored to join with the U.S. Marine Corps Toys for Tots holiday program and donated 50,000 of our 2005 Hess toy trucks.

# ALTERNATIVE ENERGY

## LIQUEFIED NATURAL GAS

Natural gas, together with energy conservation, efficiency, and renewable energy, can help meet the growing demand for cleaner energy, while helping to reduce emissions of greenhouse gases and air pollutants. The Company has a 50 percent interest in a joint venture, Hess LNG, which is pursuing investments in liquefied natural gas (LNG) terminals and related supply, trading and marketing opportunities.

LNG is used to move natural gas from producers to consumers where pipelines are not economically viable due to distance or technical limitations. LNG is produced when natural gas is cooled and condenses to a liquid. Prior to the liquefaction process, oxygen, carbon dioxide, sulphur compounds, water and other impurities are removed from the gas.

Natural gas can help mitigate climate change, as it produces far fewer global warming gases than either traditional coal or oil technologies. Natural gas produces fewer emissions of acid rain and ozone smog precursors, and produces no mercury, as compared to other traditional fossil fuel technologies. LNG could help to repower coal and oil fired electric power plants to a cleaner fuel while combined cycle natural gas-fired turbines help provide an efficient technology for generating grid-scale electricity.

## RENEWABLE ENERGY

Through Nuvera Fuel Cells Inc., Hess is diversifying its energy portfolio by investing in new fuel sources and end use technologies. Nuvera is engaged in developing multi-fuel processors and fuel cell stacks for fuel cell vehicles and stationary applications that will provide an important energy alternative with lower greenhouse emissions.

## ENERGY EFFICIENCY

Hess supports the development of energy efficient technologies through the Hess Microgen subsidiary. Hess Microgen cogeneration units generate both electrical and thermal power from the same energy source. The cogeneration units are more efficient than central power stations and subject to lower transmission losses resulting in a greater percentage of fuel conversion into usable energy. In addition to natural gas fueled units, systems have been developed to run on methane derived from livestock facilities such as dairy farms. With regards to air emissions, the units are capable of meeting some of the lowest emission standards in the world ([www.hessmicrogen.com](http://www.hessmicrogen.com)).

# Verification Statement from ERM CVS



## VERIFICATION OBJECTIVES AND SCOPE

ERM Certification & Verification Services (ERM CVS) was commissioned by Hess Corporation to undertake verification of its 2005 Environment, Health, Safety and Social Responsibility Report (the Report). This is the fourth year that ERM CVS has been engaged by Hess Corporation in this role. The objective of the verification was to establish that the information presented is a reliable representation of Hess Corporation's performance and programs.

The verification scope included both data and representations made by Hess Corporation in the 2005 Report and relevant linked information provided by the Company at their web site. Verification of information pertaining to Hovensa, a refining joint venture has not been included in the scope of our activities. The Management of Hess Corporation is responsible for the information contained within the Report.

## VERIFICATION APPROACH

ERM CVS verification procedures and methodologies have been developed with due regard to the requirements of international standards governing environmental management systems, and general principles of auditing. Our verification approach involves detailed challenge of the contents of the report, random chain of custody audits for data, selected interrogation of both source and consolidated data, and interviews with corporate and operational staff with responsibilities for data management and report content. Substantiation of a sample of statements and claims made in the Report has been undertaken and evidence sought where deemed appropriate. We did not attend, nor directly communicate with, any stakeholder groups or individuals.

Our activities included interrogation of source data at the following operations: the St Lucia Terminal, the Triton Floating Production Storage and Offloading facility in the North Sea, the Garden Banks 260 Platform and a deep water drill ship in the Gulf of Mexico. Our choice of operational sites took into account previous locations sampled by ERM CVS as well as type of activity and region. We also tested data collection and data

management practices for Exploration and Production data at the Houston and Aberdeen Offices. Consolidated data practices were interrogated at both the Hess Corporation Headquarters, and the Marketing and Refining head office. This year interviews were conducted with staff regarding Hess Corporation activities associated with social programs in South East Asia – specifically Thailand. Business level and Group level data management processes, including internal assurance processes were reviewed for ability to deliver accurate and reliable data.

## OPINION & RECOMMENDATIONS

In the opinion of ERM CVS, and based on the sample of data reviewed, the Report provides a reasonable level of reliability and ERM CVS is not aware of the exclusion of any material issues or misstatements made in relation to the information presented. Where ERM CVS uncovered errors in data or sought greater clarity of text we have confirmed that action has been taken to address our findings.

Our key recommendations build on those provided by ERM CVS previously and the work that Hess Corporation has accomplished this year and is committed to pursuing further. These are as follows:

- A review of waste accounting and compliance issues with the aim of enhancing the completeness and comparability of information presented in future reports.
- Development of more consistent methodologies for the collation and reporting of data related to water abstraction, use and disposal.
- The reporting of information on contractor EHS data relevant to Hess Corporation's operations.
- The reporting of information related to stakeholder interest and concern and Hess response to these.

Continuation of efforts to develop social responsibility metrics that will make a meaningful contribution to the understanding of Hess Corporation's activities and performance in this area.

ERM Certification and Verification Services  
London, July 2006

# 2005 OPERATING STATISTICS

At December 31, 2005, the Company had 692 million barrels of proved crude oil and natural gas liquids reserves and 2,406 million Mcf proved natural gas reserves. Our average number of employees in 2005 was 11,610.

	Production & Throughput	2004	2005
<b>Exploration &amp; Production</b>	Net Crude Oil and NGL Production ('000 bbls/day)	246	<b>244</b>
	Gross Crude Oil and NGL Production from operated fields (bbls/day) <sup>(a)</sup>	281	<b>265</b>
	Net Natural Gas Production (Mcf/day)	575	<b>544</b>
	Gross Natural Gas Production from operated fields (Mcf/day)	1,164	<b>982</b>
	<b>Total Net Barrels of Oil Equivalent Production ('000 bbls/day)</b>	<b>342</b>	<b>335</b>
<b>Refining &amp; Marketing</b>	Gross HOVENSA refinery production rate ('000 bbls/day) <sup>(a)</sup>	484	<b>461</b>
	Port Reading facility production rate ('000 bbls/day)	52	<b>55</b>
	Retail / Terminals throughput ('000 bbls/day) <sup>(a)</sup>	561	<b>642</b>
	Retail Outlets Year-end <sup>(b)</sup>	1,254	<b>1,354</b>
	<b>Net Refined Products Sold ('000 bbls/day)</b>	<b>428</b>	<b>456</b>

(a) Gross operated production and throughput figures are used for data normalization for consistency with reported emissions.

(b) Approximately 86 percent are company operated.

Additional operating and financial data are available in our 2005 Annual Report at [www.hess.com](http://www.hess.com).

## FOR MORE INFORMATION

For copies of our Environment, Health and Safety Policy and our Corporate Social Responsibility Policy, or for more information regarding our operations, please visit our website at [www.hess.com](http://www.hess.com).

We invite your questions, comments and suggestions regarding this report. To send us your questions or comments, or request more information or additional copies of this report, please contact:

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