

2011 First Quarter Earnings Conference Call

Thank you Jay and welcome to our first quarter conference call. I will make a few brief comments after which John Rielly will review our financial results.

Net income for the first quarter of 2011 was \$929 million, including a \$310 million gain on the sale of assets, versus \$538 million a year ago. Our earnings were positively impacted by higher crude oil selling prices, which more than offset the impact of lower production volumes and higher exploration expense.

Exploration and Production earned \$979 million. Crude oil and natural gas production averaged 399 thousand barrels of oil equivalent per day, which was 6 percent below the year ago quarter. This decrease resulted primarily from the loss of production from Libya and the previously announced sale of mature natural gas assets in the United Kingdom.

In terms of our 2011 production forecast, we believe the implementation of US and international sanctions make it prudent to assume production from Libya will remain suspended for the balance of the year, resulting in a 20 thousand barrel per day reduction in our forecast. In addition, a shut in well at the outside operated Llano Field in the deepwater Gulf of Mexico and PSC effects related to higher oil prices combine to further reduce our forecast by 10 thousand barrels of oil equivalent per day. We now forecast 2011 net production to average between 385 thousand and 395 thousand barrels of oil equivalent per day, versus our previous forecast of 415 thousand to 425 thousand barrels of oil equivalent per day.

In North Dakota, net production from the Bakken averaged 25 thousand barrels of oil equivalent per day in the first quarter. We are currently operating an 18-rig program and focusing most of our drilling on the acreage we acquired last year from American Oil and Gas and TRZ Energy.

In South Texas, we have drilled seven wells in the Eagle Ford. We have completed two of these wells and expect to commence production in the second quarter. In total, we plan to drill about 25 Eagle Ford wells in 2011 and we continue to add acreage in the play.

In France, a political debate regarding hydraulic fracturing has delayed our drilling program in the Paris Basin. We are actively engaged with local and national stakeholders. While we believe it will take time to work through the issues, we are confident that the drilling and completion operations can be done safely and responsibly.

In Australia, appraisal activities are continuing on our 100 percent owned WA-390-P Permit and commercial discussions with potential partners are ongoing.

In the deepwater Gulf of Mexico, we continue to advance our Tubular Bells development, where we are operator and have a 40 percent working interest. Last week, we signed a letter of

award to process production from the field at a third party owned SPAR facility. Project sanction is anticipated to occur later this year. We also continue to progress the engineering and design work for the Pony/Knotty Head Field and expect to sanction the project in 2012. In addition, we have joined the Marine Well Containment Company and also the Helix Well Containment Group to enable us to have access to both oil spill response capabilities to conduct drilling operations in the deepwater Gulf of Mexico.

With regard to exploration, we thought it appropriate to provide an update on the Paradise prospect in Ghana. As we have previously commented, we are drilling this prospect in 6,038 feet of water on the Deepwater Tano Cape Three Points Block. Hess is carrying 100 percent of the well cost and has a 90 percent working interest. The Ghana National Petroleum Corporation has the remaining 10 percent interest. While results are preliminary, intermediate wire line logs indicate that we have thus far encountered 370 feet of net hydrocarbon

pay in two separate intervals. Our current plan is to drill an additional 1,100 feet to test a third stratigraphic interval, reaching a total depth of approximately 16,400 feet.

In Egypt, drilling of the Cherry prospect in the North Red Sea was recently completed resulting in a dry hole. Hess is operator and has an 80 percent working interest in the block.

We will evaluate the results of the Cherry well to determine future plans for the block. We are currently negotiating an agreement with another operator to farm out the Stena Forth drillship through October of this year.

In Indonesia, we plan to spud the Andalan well on the Semai V block in the second quarter. Hess has a 100 percent working interest in the block. In Brunei, the operator of Block CA-1, in which Hess has a 13.5 percent interest, intends to commence exploration drilling in the third quarter.

Turning to Marketing and Refining, we reported net income of \$39 million for the first quarter of 2011. Financial results at

our Hovensa joint venture refinery came in slightly better than the year ago quarter. During the first quarter Hovensa completed a reconfiguration of the refinery which reduced distillation capacity to 350,000 barrels per day from 500,000 barrels per day. This action will allow the refinery to produce a greater percentage of higher margin products, and reduce operating costs and capital expenditures.

Marketing earnings were lower than the first quarter last year. Retail marketing faced rising wholesale prices during the first quarter which put pressure on fuel margins. Gasoline volumes on a per site basis were down approximately 2 percent, while total convenience store sales were up nearly 1 percent. Our Energy Marketing business delivered strong operating results, but earnings were lower than last year's first quarter.

Solid operating performance, higher commodity prices and a new 5 year, \$4 billion revolving credit facility have strengthened our financial position. We remain committed to

**maintaining a strong balance sheet to fund our future
investment opportunities and profitably grow our reserves and
production.**

I will now turn the call over to John Rielly.

HESS CORPORATION
FIRST QUARTER 2011 ANALYSTS' CONFERENCE CALL

Introduction

Hello everyone. In my remarks today, I will compare first quarter 2011 results to the fourth quarter of 2010.

Consolidated Results of Operations

The Corporation generated consolidated net income of \$929 million in the first quarter of 2011, compared with \$58 million in the fourth quarter of 2010. Excluding items affecting the comparability of earnings between periods, the Corporation had earnings of \$619 million in the first quarter of 2011 compared with \$398 million in the fourth quarter of 2010.

Exploration and Production

Exploration and Production operations had income of \$979 million in the first quarter of 2011 compared with \$420 million in the fourth quarter of 2010. The first quarter 2011 results include an after-tax gain of \$310 million related to the sale of the Corporation's interests in certain natural gas producing assets in the United Kingdom North Sea. Fourth quarter 2010 results included an after-tax charge of \$51 million from items affecting the comparability of earnings between periods. Excluding the effect of these items, the changes in the after-tax components of the results are as follows:

	<u>Increase (decrease) in earnings</u>
Higher selling prices increased earnings by	\$ 231
Lower operating costs, principally DD&A, increased income by	25
Higher exploration expense decreased earnings by	(48)
All other items net to a decrease in earnings of	<u>(10)</u>
For an overall increase in first quarter adjusted earnings of	<u><u>\$ 198</u></u>

Our E&P operations were overlifted compared with production, resulting in increased after-tax income in the quarter of approximately \$25 million. The E&P effective income tax rate for the first quarter of 2011 was 42%, excluding items affecting the comparability of earnings between periods.

In March 2011, the government of the United Kingdom proposed increasing the supplementary tax on petroleum operations by an additional 12%. This supplementary tax is expected to be enacted in the third quarter and will be effective from March 24, 2011. As a result, we expect to record a charge in the third quarter that will include a provision representing the incremental tax on earnings from the effective date to the date of enactment and a charge to adjust the deferred tax liability in the UK.

HESS CORPORATION
FIRST QUARTER 2011 ANALYSTS' CONFERENCE CALL

Marketing and Refining

Marketing and Refining operations generated income of \$39 million in the first quarter of 2011 compared with a loss of \$261 million in the fourth quarter of 2010.

Fourth quarter 2010 results included an after-tax impairment charge of \$289 million to reduce the carrying value of our equity investment in HOVENSA. Refining losses were \$48 million in the first quarter of 2011 compared with \$19 million in the fourth quarter of 2010, excluding the impact of the impairment. The Corporation's losses from its equity investment in HOVENSA were \$48 million in the first quarter of 2011 compared with \$30 million in the fourth quarter of last year, excluding the impairment.

Port Reading reported earnings of \$2 million in the first quarter of 2011, down from \$11 million in the fourth quarter of 2010.

Marketing earnings were \$68 million in the first quarter of 2011 compared with \$37 million in the fourth quarter of 2010. Trading activities generated income of \$19 million in the first quarter of 2011 compared with \$10 million in the fourth quarter of 2010.

Corporate and Interest

Net Corporate expenses were \$28 million in the first quarter of 2011 compared with \$43 million in the fourth quarter of 2010. After-tax interest expense was \$61 million in the first quarter of 2011 compared with \$58 million in the fourth quarter of 2010.

Consolidated Cash Flows

Turning to cash flow –

Net cash provided by operating activities in the first quarter, including a decrease of \$325 million from changes in working capital, was	\$ 1,135
Capital expenditures were	(1,082)
Proceeds from the sale of United Kingdom gas producing assets	359
All other items amounted to a decrease in cash of	<u>(52)</u>
Resulting in a net increase in cash and cash equivalents in the first quarter of	<u>\$ 360</u>

We had \$1,968 million of cash and cash equivalents at March 31, 2011 and \$1,608 million at December 31, 2010. Our available revolving credit capacity was \$3 billion at March 31, 2011. In April we established a new five-year revolving credit agreement, which increased our credit facility to \$4 billion. Total debt was \$5,552 million at March 31, 2011 and \$5,583 million at December 31, 2010. The Corporation's debt to capitalization ratio at March 31, 2011 was 23.5% compared with 24.9% at the end of 2010.

HESS CORPORATION
FIRST QUARTER 2011 ANALYSTS' CONFERENCE CALL

Updated 2011 Guidance

I would like to update our 2011 guidance for certain metrics in light of recent events, including the suspension of Libyan production. The anticipated loss of Libyan production for the remainder of 2011 will raise our unit costs and lower our effective tax rate but it is not expected to have a significant adverse impact to net income and cash flow.

Our new guidance for unit costs for the full year is \$33.50 to \$35.50 per barrel, up from our previous guidance of \$29.50 to \$31.50 per barrel. E&P cash operating costs are now expected to be in the range of \$18 to \$19 per barrel and depreciation, depletion and amortization expenses are expected to be in the range of \$15.50 to \$16.50 per barrel. The higher unit costs are due to the expected loss of low cost Libyan barrels but also include the effect of increases in commodity price-driven production taxes in other geographical areas.

Our new guidance for our 2011 E&P effective tax rate is 38% to 42%, down from our previous guidance of 45% to 49%. The lower tax rate guidance reflects the absence of Libyan production taxed at an effective rate of 93.5% and the effect of the proposed higher UK supplementary tax on oil and gas operations.

This concludes my remarks. We will be happy to answer any questions. I will now turn the call over to the operator.

HESS CORPORATION
FIRST QUARTER 2011 ANALYSTS' CONFERENCE CALL

Cautionary Note

The forgoing prepared remarks include certain forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements.

Reconciliation of Segment Earnings to Earnings
Excluding Items Affecting Comparability

	First Quarter 2011	Fourth Quarter 2010
Exploration & Production Segment Results	\$ 979	\$ 420
Items Affecting Comparability		
Gain on asset sales	(310)	-
Dry hole costs for 2009 suspended well	-	51
Exploration & Production Income Excluding Items Affecting Comparability	<u>\$ 669</u>	<u>\$ 471</u>
Marketing & Refining Segment Results	\$ 39	\$ (261)
Items Affecting Comparability		
Impairment of equity investment	-	289
Marketing & Refining Income Excluding Items Affecting Comparability	<u>\$ 39</u>	<u>\$ 28</u>