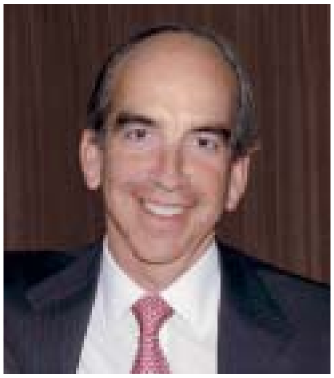
TO OUR STOCKHOLDERS:



"We have strengthened future profitability through an increase in new field developments, sales of lower value, mature properties and a focused, higher impact exploration program."

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

Our strategic plan is to build a portfolio of assets that enhance financial performance and provide long-term profitable growth. We have made significant progress in the last five years to improve our competitive position both in exploration and production and refining and marketing. Exploration and production is our engine for profitable growth where we invest the majority of our capital expenditures. We have strengthened future profitability through an increase in new field developments, sales of lower value, mature properties and a focused, higher impact exploration program. We intend to continue to increase reserves and production outside the mature regions of the United States and North Sea. With respect to refining and marketing, we plan to enhance financial returns from our existing assets and to grow retail marketing opportunistically.

In 2003, our major accomplishments were:

- **MAJOR SHIFT IN EXPENDITURES TO FIELD DEVELOPMENTS**
  Over the past several years we have significantly shifted our exploration and production capital expenditures to field developments. In 2003 we invested approximately $700 million, or 56% of our upstream capital spending in developments, and in 2004, we plan to invest approximately $900 million, or about 60% of our upstream capital expenditures in developments. These amounts compare to average annual development spending during 2000-2002 of $423 million, or 37% of upstream capital expenditures.

  We are currently investing in 12 field developments in the deepwater Gulf of Mexico, West Africa, North Sea and Southeast Asia. We estimate that these developments should add in excess of 100,000 barrels of oil equivalent per day of new production by 2006. In addition, the lower costs of this new production combined with other cost cutting initiatives should reduce unit costs by $2-3 per barrel by 2006.

- **RESHAPING OUR EXISTING ASSET PORTFOLIO**
  In 2003 we sold $545 million of assets of which $478 million were mature or high cost exploration and production properties. We sold our interests in the shallow water Gulf of Mexico, the Jabung Field in Indonesia, and in several small fields in the United Kingdom sector of the North Sea.

  We also completed three significant asset swaps in 2003. In the first, we swapped mature, high cost assets in Colombia for a 25% interest in significant, long-lived natural gas reserves in the Malaysia-Thailand Joint Development Area, bringing our interest in the area to 50%. In the second transaction, we transferred a 14% interest and the operatorship of the Scott and Telford Fields in the North Sea in exchange for an additional 22.5% interest in the Llano Field in the deepwater