

HESS CORP  
Form DEFA14A  
March 04, 2013

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

**HESS CORPORATION**

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Edgar Filing: HESS CORP - Form DEFA14A

Fee computed below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
  
  
  
  
  
  
  
  
  
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Fee paid previously with preliminary materials.

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- (1) Amount Previously Paid:
  
  
  
  
  
  
  
  
  
  
- (2) Form, Schedule or Registration Statement No.:
  
  
  
  
  
  
  
  
  
  
- (3) Filing Party:

(4) Date Filed:

DELIVERING SHAREHOLDER VALUE  
MARCH 4, 2013

Forward-Looking Statements and Other Information

This presentation contains projections and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These projections and statements reflect the company's current views with respect to future events and financial performance. No assurances can be given, however, that these events will occur or that these projections will be achieved, and actual results could differ materially from those projected as a result of certain risk factors. A discussion of these risk factors is included in the Company's periodic reports filed with the Securities and Exchange Commission.

We use certain terms in this presentation relating to reserves other than proved, such as unproved resources. Investors are urged to read carefully

the disclosure relating to unproved reserves

in the Form 10-K, File No. 1-1204, available from Hess Corporation, 1185 Avenue of the Americas, New York, New York 10036 c/o Corporate Secretary and on our website at [www.hess.com](http://www.hess.com). You can also obtain this information from the SEC on the EDGAR system.

Important Additional Information

Hess Corporation, its directors and certain of its executive officers may be deemed to be participants in the solicitation of proxies from our shareholders

in connection with the matters to be considered

at Hess Corporation, 1185 Avenue of the Americas, New York, New York 10036 c/o Corporate Secretary and on our website at [www.hess.com](http://www.hess.com). You can also obtain this information from the SEC on the EDGAR system.

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([www.hess.com](http://www.hess.com))  
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Investors

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[www.sec.gov](http://www.sec.gov).

Information

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2012 Annual Meeting and its Annual Report on Form 10-K for the year ended December 31, 2012. More detailed and updated

regarding the identity of potential participants, and their direct or indirect interests, by security holdings or otherwise, will be set

forth in the

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Hess

2013

Annual

Meeting.

Shareholders

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any  
proxy statement, any amendments or supplements to the proxy statement and other documents filed by Hess with the SEC for  
SEC's  
website  
at  
[www.sec.gov](http://www.sec.gov).  
Copies  
will  
also  
be  
available  
at  
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[www.hess.com](http://www.hess.com),  
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calling  
Hess  
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solicitor,  
MacKenzie  
Partners,  
toll-free  
at  
(800)  
322-2885.

This document contains quotes and excerpts from certain previously published material. Consent of the author and publication  
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THE HESS VALUE PROPOSITION

3

Culmination of Our Transformation:  
A Focused Pure Play E&P Company  
Pure Play E&P Company

Focused, higher growth, lower risk portfolio

Divest Indonesia and Thailand

Pursue monetization of Bakken midstream assets (2015)  
Exit Downstream

Divest Retail

Divest Energy Marketing

Divest Energy Trading (Hetco)

Return Capital to Shareholders and Retain Financial Flexibility to Fund Growth

Increase annual dividend by 150% to \$1.00 per share, effective in the third quarter of 2013

Authorize share repurchase program of up to \$4.0 billion

Additional share repurchases from the monetization of Bakken midstream assets

The Right Board to Drive Shareholder Value

Six new world class independent Directors with the right mix of corporate leadership, operational and financial expertise, and top level E&P experience

4

These actions are the culmination of our transformation into a focused, higher growth, lower risk, pure play E&P company

Culmination of Strategic Transformation

5

Phase I

Phase II

Phase III

5-YEAR TRANSFORMATION

Jan 1, 2010

July 25, 2012

March 4, 2013

Announced three-prong strategy

Reduced spending

Additional asset sales

Indonesia

Thailand

Bakken midstream monetization

Additional reduction in capital  
expenditures and exploration spend

Bakken (added 250,000 net acres)

Utica (added 185,000 net acres)

Swapped for and acquired additional

Valhall equity (Norway) for non-core Clair

(UK) & Gabon assets

Asset sales (\$1.7 billion)

Closed HOVENSA joint venture refinery

in St. Croix, U.S. Virgin Islands

Exited refining with closure of Port

Reading refinery

Selling terminal network

Complete exit of downstream

Retail

Energy Marketing

Energy Trading (Hetco)

Management's continued commitment to reshaping HES's portfolio has driven an impressive turnaround.

Capital One, January 29, 2013

Integrated Oil

Company

Pure Play E&P

Company

5-Year 5-8% CAGR

on Production

(2012 Pro Forma -

2017)

Mid-Teens Aggregate

Production Growth

(2012 Pro Forma -

2014)

Jambi Merang

UK Gas Assets

Snorre

Cook and Maclure

Snohvit

Schiehallion

Bittern

Shale

Exploitation

Focused exploration

Beryl

Azerbaijan

Eagle Ford

Russia

Upstream capex down 17% in 2013

Exploration spending down 29% in 2013

Additional asset sales (\$1.5 billion)

Sales in progress

The Market Recognizes That Our Plan is Working

6

Source: Bloomberg

Note: Share price performance from 24-Jul-2012 (business day prior to 25-Jul-2012 strategy articulation) through 25-Jan-2013 (last trading day before the announcement of the planned sale of our terminal network and Elliott's position).

Hess

share price increased 34%, outperforming all proxy peers, from our July 25, 2012 strategy update to the last trading day before the announcement of the planned sale of our terminal network

E&P Proxy Peers

E&P Proxy Peers Median: 12%

Integrated Proxy Peers Median: 9.5%



Integrated Proxy Peers

We believe the companywide transition that began in 2009 is creating a more predictable/profitable growth model. The company is making solid progress in building a focused portfolio of long life, high return assets by leveraging its global scale and capability.

Dahlman Rose, December 11, 2012

HESS:  
A PURE PLAY E&P COMPANY  
7

Hess:  
A Pure Play E&P Company Driving Shareholder Value  
Focused Portfolio

78% of reserves and 84% of production in five key areas  
Higher Growth, Lower Risk

5-year  
5-8%  
CAGR  
on  
production  
(2012  
pro

forma

2017)

Mid-teens  
aggregate  
production  
growth  
(2012  
pro  
forma

2014)

Growth  
driven  
by  
Bakken,  
Valhall,  
Tubular  
Bells,  
and  
North  
Malay  
Basin  
Levered to Oil Prices

Highest percentage (79%) of proved reserves that are liquids based among our peers

Estimated 85% of 2013 pro forma crude oil production is Brent linked  
Technical Breadth, Cost Efficient, Globally Capable

Among the leaders in drilling and completion costs in the Bakken

Global operator, selected by leading oil & gas companies and host governments on major projects  
Returning Capital to Shareholders, Retaining Financial Flexibility, and  
Allocating Capital Efficiently

Increasing annual dividend

Share repurchase program funded by asset sales

Financial flexibility to fund lower risk reserve and production growth and drive shareholder value  
The Right Board to Drive Shareholder Value

Hess  
management and Board of Directors have built the Company's world class asset portfolio and led the strategic  
transformation that has been delivering shareholder value

To

lead  
the  
transformed  
Hess  
forward  
we  
are  
adding  
six  
new  
world  
class  
independent  
Directors  
with  
the  
right  
mix  
of  
corporate leadership, operational and financial expertise, and top level E&P experience  
8  
1  
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6

E&P Portfolio Focused on Five Key Areas

9

1

Snohvit field, Schiehallion, Azerbaijan assets, Russia subsidiary (Samara Nafta), Eagle Ford, Bittern, Beryl area, Indonesia and

1

78% of Reserves / 84% of Production

Equatorial

Guinea

17% Prod.

5% Res.

Valhall /

South Arne

8% Prod.

28% Res.

JDA

17% Prod.

11% Res.

Deepwater

Gulf of Mexico

23% Prod.

11% Res.

Bakken

19% Prod.

23% Res.

Pro Forma Metrics<sup>1</sup>

2012A Production (MBoe/d)

289

2012A Reserves (MMBoe)

1,310

2013E Production (MBoe/d)

290

305

Utica

Ghana

North Malay

Basin

Near Term Growth Areas

Longer Term Growth Areas

Tubular Bells

A Higher Growth, Lower Risk  
Portfolio to Deliver Results

10

2

**BAKKEN SHALE**

A leading acreage position in the premier United States shale oil play

Estimated

production

of



64

70  
MBoe/d  
in  
2013  
(up  
15

25%  
from  
2012)  
Goal of net production ~120 MBoe/d by mid-decade

**VALHALL FIELD  
(NORWAY)**

Hess  
64%  
W.I.  
with  
net  
production  
24

28  
MBoe/d  
in  
2013

Goal of net production ~75 MBoe/d

Redevelopment  
complete

in  
Q1  
2013  
and  
multi-year  
drilling  
program  
to  
commence  
in  
2013

**TUBULAR BELLS  
(GULF OF MEXICO)**

Hess 57% W.I. and operator with first production targeted in 2014

Anticipated peak annual net production rate of ~25 MBoe/d

**NORTH MALAY BASIN**

Hess 50% W.I. and operator with first production of ~40 MMcf/d targeted in Q4 2013

Goal of net production ~125 MMcf/d

Gas production linked to fuel oil price in Singapore with PSC through 2033

**UTICA SHALE**

Attractive position in emerging unconventional play  
Focus in 2013 on delineation of our acreage with ~30 wells planned

GHANA

Seven  
discoveries

to  
date,  
including

Pecan  
and  
Pecan  
North  
announced

in  
Q4  
2012  
and Q1 2013

Hess 90% W.I. and operator  
Company

to  
submit

an  
appraisal  
plan

to  
the  
Ghanaian  
government

for  
approval  
on

or  
before

June  
2013.

In  
parallel,

Hess  
has

begun  
pre-development  
studies

on  
the  
block

5-Year  
5-8%

CAGR  
on

Production

(2012  
Pro  
Forma

2017)  
Pro Forma for Announced Asset Sales Cash Margin Expected to Increase by \$5 per Boe

The Leading Oil-Linked Asset Base

11

Source: SEC filings, company annual reports, and company press releases

Note:

Percentage

of

reserves

that

are

liquids

based

for  
peers  
calculated  
as  
per  
2012  
year-end  
SEC  
filings.  
TLM  
is  
calculated  
as  
per  
its  
2011  
annual  
report,  
pro  
forma  
for  
the  
sale  
in  
2012  
of  
a  
49%  
stake  
in  
its  
UK  
North  
Sea  
business.  
3

Hess: Driving Performance in the Bakken

12

Reducing Bakken Well Costs

Source: NDIC Database at 1/24/13

While Increasing Bakken Production

Hess Completed 10 of the Top 25 Wells in the Bakken in 2012

4

45

36

34

33

31  
32  
29  
28  
2011  
Q1  
2011  
Q2  
2011  
Q3  
2011  
Q4  
2012  
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Jan  
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Oct  
Nov  
Dec  
2012 Drilling & Completion Costs (\$mm)  
Drilling Costs  
Completion Costs  
13  
0  
200  
400  
600  
800  
1000  
1200  
1400  
1600  
Hess Wells  
Peer Wells  
5  
6  
7  
9  
9  
10  
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25  
25  
32  
38  
42



55

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64

Net Daily Production (Mboe/d)

Drilling Performance: Spud-to-Spud Days

30-Day Initial Production Rate

Hess Has Reduced Well Costs by 30% in 2012

13

Source:

Bakken

drilling

and

completion

cost

data

for

Hess

represents

actual

Q4  
2012  
drilling  
and  
completion  
costs  
per  
well.  
Peer  
costs  
represent  
peer  
estimated  
Q4  
2012  
pre-drill  
costs  
provided  
to  
Hess  
for  
wells  
where  
Hess  
has  
an  
ownership  
interest  
but  
is  
not  
an  
operator.  
Peer  
groups  
based  
on  
a  
weighted  
average  
of  
well  
costs  
based  
on  
total  
number  
of  
wells  
balloted.

Proxy  
Peers  
include  
XOM/XTO,  
STL/BEXP,  
COP,  
OXY,  
and  
EOG.  
Bakken  
Pure  
Play  
Peers  
include  
CLR,  
OAS,  
and  
KOG.

4

2012 Q4 Bakken Drilling & Completion Costs (\$mm / well)

Hess is increasingly demonstrating it can deliver results that are competitive with other leading Bakken companies.

Goldman Sachs, January 30, 2013

\$ 10.0

\$ 9.4

\$ 9.0

Proxy Peers

Bakken

Pure Play Peers

Hess

2012 Q4

Technical Breadth, Cost Efficient,  
and Globally Capable

Chosen by leading international oil companies, national  
oil companies, and host governments to operate major  
new oil & gas developments

Chevron endorsed Hess as operator of the \$2.3 billion  
Tubular Bells offshore deep water Gulf of Mexico development

PETRONAS selected Hess as operator of the \$2.9 billion  
North Malay Basin offshore development

Realizing synergies from the transfer of technical skills  
and operating capabilities globally

Bakken  
hydraulic  
fracturing

expertise  
utilized  
in  
Malaysia/Thailand  
Joint Development Area

Managed pressure drilling and geo-steering experience in  
South Arne (Denmark) utilized in Utica shale play

Gulf  
of  
Mexico  
deep  
water  
expertise  
has  
driven  
Hess  
recent  
drilling success in Ghana and Equatorial Guinea

High pressure and high temperature experience in Gulf of Mexico  
is being deployed in the North Malay Basin and other international  
assets

14

4

Returning Capital to Shareholders, Retaining  
Financial Flexibility, and Allocating Capital Efficiently  
Returning capital to shareholders

Increased common stock dividend 150% to \$1.00 per share annually, effective third quarter of  
2013

Authorized share repurchase program of up to \$4.0 billion  
Actual amount and timing of share repurchases dependent upon proceeds from divestiture program

We expect to return additional capital to shareholders as a result of monetizing the Bakken  
midstream assets, expected 2015  
Retaining financial flexibility to fund future growth

Initial portion of the divestiture proceeds will be used to pay down short term debt, provide a cash cushion of an additional \$1.0 billion against future commodity price volatility, and fund the development of our focused growth projects

Allocating capital efficiently

Capital investments focused on higher growth, lower risk assets

Substantial reductions in capital and exploration expenditures

Upstream capital expenditures down 17% in 2013

Exploration spending down 29% in 2013

Further decrease in capital expenditures planned in 2014

Additional cost reduction program underway

15

5



Former Senior Vice President of E&P for the Americas, ConocoPhillips  
The Right Board to Drive Shareholder Value

16

We  
have  
identified  
a  
team  
of  
outstanding  
and  
experienced  
leaders

with  
substantial  
E&P

and business experience to help execute the next phase of our value plan  
Former Vice Chairman of GE; President and Chief Executive Officer of GE Energy  
Former Chief Executive Officer, Deloitte

Mr. Quigley led Deloitte, one of the world's largest accounting and consulting firms. During his 38 years at Deloitte, he was a strategic leadership and operating matters to senior management teams of multinational companies across industries. As CEO, for the consulting, tax, audit, and financial advisory practices of Deloitte, and as an advisor and consultant, helped guide major many companies. In 2012, Mr. Quigley was named Trustee of the International Financial Reporting Standards (IFRS) Foundation of the International Accounting Standards Board (IASB). **He will bring to the Hess Board significant global leadership experience and knowledge of financial, tax and regulatory matters that are relevant to Hess operations.**

JOHN  
KRENICKI  
JR.

-  
50  
DR.  
KEVIN  
MEYERS

-  
59  
JAMES  
H.  
QUIGLEY

-  
61  
Dr. Meyers ran Exploration and Production in the Americas for ConocoPhillips, where he oversaw 6,000 employees and a \$6 billion program, and was responsible for reorganizing and driving business value in the Americas E&P portfolio. Dr. Meyers drove the company's upstream portfolio in North America, divesting \$6 billion of low growth, low margin assets and focusing capital in plays. He spearheaded the company's development of the Eagle Ford and increased investment in both the Permian Basin, and Dr. Meyers has over 30 years of experience in exploration and production, both domestic and international. **Based on this experience, he will bring to the Hess Board decades of managing cost-efficient E&P operations in geographies directly relevant to Hess's focused operations.**  
Mr. Krenicki recently joined private equity firm Clayton, Dubilier & Rice in 2013 after 29 years in senior leadership roles at GE. As Chairman. While leader of GE Energy, the unit doubled in size and profitability and became GE's largest business with revenue of \$50 billion in 2005 to over \$50 billion in 2012. His responsibilities included oversight of GE's Oil & Gas, Power & Water, and Energy Services businesses, which employ more than 100,000 people in over 165 countries. Mr. Krenicki is one of America's top corporate executives with a track record of success, experience, and leadership in operations, oil and gas, and energy. **His experience leading large scale operations across a global energy portfolio will add important perspective to the Hess Board as the Company completes its transition to a pure play E&P company.**

6

The Right Board to Drive Shareholder Value

17

6

We

have

identified

a

team

of

outstanding

and

experienced

leaders  
with  
substantial  
E&P

and business experience to help execute the next phase of our value plan

WILLIAM SCHRADER - 55

Former Chief Operating Officer, TNK-BP Russia

Mr. Schrader was a senior leader of many of BP's most important E&P businesses, including serving as President of BP Azerbaijan, one of the company's most valued assets and most recently served as COO of TNK-BP, which comprised 27% of BP's reserves and 29% of BP's production. As President of BP Azerbaijan, production increased from 240,000 bpd to over 950,000 bpd while operating costs were reduced. Mr. Schrader also was responsible for all of BP's E&P business in Indonesia including the Tangguh LNG business. **Mr. Schrader is an outstanding leader** responsible for transforming BP's best and most valued E&P assets, and will bring to the Board his experience as a disciplined

DR. MARK WILLIAMS - 61

Former Executive Committee Member, Royal Dutch Shell

Dr. Williams worked for over 35 years at Shell, including more than 17 years in Shell's E&P and upstream business, serving on the Executive Committee of Royal Dutch Shell, where he was one of the top three operating executives collectively responsible for operational and operational matters. Most recently, as Downstream Director, Dr. Williams oversaw \$400 billion in revenues and approximately \$5.3 billion in profit annually, and redirected a \$6 billion annual investment into the higher growth markets of China, strengthening Shell's position in key hubs in the U.S. Gulf Coast and Singapore. **His experience as part of an executive group** with expertise in production sharing structures, government relations, and delivering returns.

His strategic responsibilities for the overall direction of one of the world's largest oil & gas companies will add invaluable insight

Former Executive Vice President and Chief Financial Officer, CBS Corporation

Mr. Reynolds was Executive Vice President and Chief Financial Officer of CBS Corporation and its predecessors from January 2009. While at CBS, Mr. Reynolds managed the company's transformation, beginning with the acquisition by Westinghouse of Viacom-CBS merger of 2000 and the subsequent spin-out of MTV Networks, since renamed Viacom. During his tenure as CFO, he experienced substantial share appreciation and return of capital. Mr. Reynolds is also the lead independent director at AOL Inc. Hess Board his substantial experience as a CFO with a successful track record of financial oversight, leading a successful transition of capital, and delivering long term returns.

FREDRIC REYNOLDS - 62

Hess Transformed:  
A Pure Play E&P Company Driving Shareholder Value  
Focused Portfolio  
Higher Growth, Lower Risk  
Levered to Oil Prices  
Technical Breadth, Cost Efficient, and Globally Capable  
Returning Capital to Shareholders, Retaining Financial Flexibility,  
and Allocating Capital Efficiently  
The Right Board to Drive Shareholder Value

18

1

2

3  
4  
5  
6

Management is doing all the right things the outlook has never been better.

Bank of America Merrill Lynch, January 31, 2013

HESS  
ASSESSMENT OF  
ELLIOTT S RECOMMENDATIONS  
19

Elliott Management's Recommendations  
Are Flawed and Irrelevant

20

We think Elliott's entry into HES is a bit late as HES is already well underway in executing a successful transformation strategy.

Capital One, January 30, 2013

Elliott's Central Thesis

Facts

Immediately break the  
Company in two



Deeply  
flawed  
idea  
that  
undermines  
the  
prospect  
of  
future  
value  
by  
breaking  
the  
Company  
into  
two  
pieces  
with  
inadequate capital structures to support future growth  
Ignores tax considerations and includes flawed valuation assumptions  
Hess

and  
a  
number  
of  
sell-side  
analysts

believe  
that  
Elliott's  
central  
thesis  
will  
destroy  
real  
shareholder  
value  
Elliott's Other  
Recommendations  
Facts  
Focus portfolio  
Irrelevant  
in  
light  
of  
Hess  
strategic  
transformation,

including  
recent  
announcements,  
to  
focus  
its  
portfolio  
on  
higher growth, lower risk assets

Multi-billion dollar non-core E&P asset divestiture program well underway and realizing value, with additional assets to be sold

Hess completely exiting downstream businesses  
Instill capital and  
operational discipline  
Irrelevant  
and ignores facts related to cost leadership in Bakken and reductions to capital and exploration spending

Total capital spending has already been reduced  
by 17% in 2013 and is continuing to be reduced

Exploration  
spending  
has  
already  
been  
reduced  
by  
29%  
in  
2013

Drilling  
and  
completion  
costs  
in  
the  
Bakken  
have  
been  
reduced  
in  
excess  
of  
30%  
and  
are  
continuing

to  
be  
reduced

We are one of the most efficient operators in the Bakken

Hess  
Bakken  
wells  
had  
an  
average  
85%  
participation  
rate  
in  
2012

Elect 5 dissident nominees  
to the Hess Board

Hess  
management  
and  
Board  
of  
Directors  
were  
responsible  
for  
building  
the  
Company's  
world  
class  
asset  
portfolio  
that

is now delivering value to shareholders

Hess has proposed six new independent Directors with the right mix of corporate leadership, operational and financial expertise, and top level E&P experience  
a best-in-class slate of Directors

None of our Directors are tethered to Singer's unusual compensation scheme and flawed agenda

Elliott's Central Thesis Ignores Key Issues and is  
Based on Flawed Assumptions

21

IGNORES

FINANCING

IMPLICATIONS

Paul

Singer

plans

to

immediately

break  
Hess  
into  
two  
pieces,  
the  
U.S.  
unconventional  
resource  
spin  
entity,  
ResourceCo,  
and  
the  
remaining  
Hess  
assets,  
InternationalCo,  
both  
of  
which  
we  
believe would have higher financing costs and limited financial flexibility  
Due to the 3-4 year cash flow deficit that Singer's ResourceCo would incur, the spun out entity  
would  
not  
be  
able  
to  
assume  
any  
of  
Hess  
existing  
debt.  
Even  
without  
any  
initial  
debt,  
Singer's  
ResourceCo  
would  
likely  
be  
a  
sub-investment  
grade  
credit  
with

limited  
stand-alone  
debt  
capacity.

As a result, ResourceCo's ability to fund growth in the Bakken and hence realize future value for Hess shareholders would be harmed

If Singer's ResourceCo were to be spun debt free, Singer's InternationalCo would be forced to assume all of Hess existing debt and therefore restrict InternationalCo's financial flexibility, future growth rate, and ability to return cash to shareholders

IGNORES TAX  
CONSEQUENCES

Paul  
Singer  
ignores  
the  
tax  
consequences  
of  
separating  
Hess  
into  
Singer's  
ResourceCo  
and  
InternationalCo

Bakken  
capital  
spending  
generates  
substantial  
excess  
tax  
deductions  
that  
are  
used  
to  
offset  
taxable income generated by other U.S. assets

Singer's ResourceCo would be generating unused tax deductions and InternationalCo would be paying taxes on otherwise shielded income

Singer's InternationalCo would remain a U.S. domiciled entity with a majority of cash flow generated from foreign assets, reducing the tax efficiency of funding growth and returning cash to shareholders

Energy companies often have unproved resources and assets that haven't yet realized their value, and trying to split up a company like Hess would be a mistake in the long run. It makes no sense. It's cutting your nose

to spite your face. You don't gain anything by doing that.

Fadel  
Gheit,  
Oppenheimer  
Activist  
Investor  
Elliott  
Management  
Seeking  
to  
Remake  
Hess ,  
Dow  
Jones,  
January  
29,  
2013

Elliott's Central Thesis Ignores Key Issues and is  
Based on Flawed Assumptions

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International Remainco  
may trade on a low multiple.

Credit Suisse, January 29, 2013

FLAWED VALUATION

ASSUMPTIONS

We

believe

the



Net  
Asset  
Valuation  
assumptions  
used  
by  
Singer  
to  
justify  
a  
break-up  
are  
not

analytically sound. Singer's target price objective of \$126 / share is premised on achieving and sustaining significant multiple expansion for both Singer's ResourceCo and for Singer's InternationalCo

Singer ignores the recent trend in valuation multiples for pure play Bakken companies, which calls into question the ability of Singer's ResourceCo to achieve meaningful multiple expansion

Elliott  
assumes  
Singer's  
InternationalCo  
achieves  
a  
premium  
multiple  
despite  
being  
a  
more highly  
levered, less tax efficient company with slower growth

We believe that the financing implications of separating Hess into Singer's ResourceCo and InternationalCo could harm the ability for both entities to fund the growth required to maintain current,

more normalized peer group valuations

We'd note that HES  
Bakken assets are partly dependent on other parts of its portfolio to fund its growth  
program, while also providing steady, predictable growth to counterbalance the lumpy less predictable growth  
associated with its offshore assets.

UBS, January 30, 2013

Elliott's Central Thesis Ignores Key Issues and is  
Based on Flawed Assumptions

23

Source: Wall Street Research

Note:

Inclusive  
of  
post-tax  
NAV  
estimates,  
which

include  
resource  
value,  
released  
or  
confirmed  
post  
Hess  
fourth  
quarter  
2012  
earnings  
release  
on  
January  
30,  
2013.

Elliott's NAV / Share of \$126 is **60% HIGHER** than  
the median Wall Street Research NAV of \$79  
Median NAV: \$79

All in, we think the claim that breakup value is \$97-126/share carries more than its fair share of jaw-dropping  
PR

even under much more bullish commodity assumptions than our own.

Raymond James, January 30, 2013

Elliott Overstates its Valuation Case by Focusing on  
Historical Versus Forward-Looking Multiples

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Source: Bloomberg, IBES. Market data as of 01-Mar-2013.

Note: Elliott's Bakken Peers include: CLR, OAS, and KOG. EV / EBITDA multiples of greater than 25.0x excluded from 20

Elliott's Bakken Peers

Historical 1 yr Forward EV / EBITDA Multiples

Elliott's Bakken Peers

Current Forward EV / EBITDA Multiples

Valuation multiples are typically  
inflated at the start of growth cycles

but valuation multiples normalize  
as growth cycles mature

Elliott's  
Bakken  
Valuation  
EV / EBITDA  
Multiple

In our opinion, the biggest valuation disconnect is the credit Hess receives for the Bakken relative to its peers in the play. We see this valuation gap narrowing as HES executes in the Bakken.

Morgan Stanley, January 30, 2013

Third Parties Agree that Elliott's  
Central Thesis Does Not Work

25

As the industry shifted to develop the Bakken in earnest, Hess moved quickly to cement its position.

Using

the

strength

of

cash

flows

from

the

international

business

that

is

the  
anchor  
of  
an  
investment

grade credit rating, Hess had the firepower to secure twin acquisition of American Oil and Gas, Tracker resources and Marquette exploration (Utica) that now constitute the core assets in its unconventional portfolio. Without the international business potential for any further acquisitions would have been muted in our view, as it would not have had the firepower to secure the footprint that has anchored our investment case. Put simply the International business enabled what Hess is essentially the core of its investment case today.

Bank of America Merrill Lynch, January 31, 2013

It is also important to point out that there are serious practical consequences for divesting (even in part) the company's fastest-growing asset. The stub (i.e., the remainder of Hess's upstream portfolio) would become a much less appealing business, with a short reserve life, slim visibility on growth (it would be almost entirely exploration-centric), and a very high tax burden due to the overseas overweight.

Raymond James, January 30, 2013



Hess Has Been Aggressively  
Focusing its Portfolio Since 2010

26

PHASE I

(2010

JUL 24, 2012)

Asset sales (\$1.7 billion)

Jambi Merang (Indonesia)

Central & Southern North Sea gas  
assets, Cook & Maclure, Bittern /  
Triton & Schiehallion fields (UK)

Snorre & Snohvit fields (Norway)

PHASE II

(JUL 25, 2012

MAR 3, 2013)

Sales agreements reached /  
completed (\$1.5 billion)

Beryl (UK)

ACG/BTC (Azerbaijan)

Eagle Ford (U.S.)

Samara Nafta (Russia)

PHASE III

(MAR 4, 2013

2015)

Further asset sales

Monetize Bakken midstream

Closed HOVENSA joint venture  
refinery in St. Croix, U.S. Virgin

Islands

Closed Port Reading refinery in  
New Jersey

Sale in progress

Terminal network

Exit Downstream

Retail (1,361 gas stations and  
convenience stores)

Energy marketing (incl. power  
plants)

Energy trading (Hetco)

UPSTREAM

DOWNSTREAM

Sales in progress

Sinphuhorm field (Thailand)

Pailin field (Thailand)

Natuna field (Indonesia)

Pangkah field (Indonesia)

Hess Has Been Aggressively Cutting Capital  
Spending With More to Come in 2014

We are transitioning from a period of intense investment in our high return assets to one of increasing production yield and positive cash generation

We are substantially reducing our capital and exploration spending

2013 upstream capital expenditures reduced by 17%

2013 exploration spending reduced by 29%

Bakken expenditures are expected to be \$2.2 billion in 2013 versus \$3.1 billion in 2012, a 29% decrease  
Additional reductions in capital and exploratory expenditures are planned for 2014

Additional cost reduction program underway

27

Peak

Bakken

Capex

<sup>1</sup> Pro forma for all announced asset sales, 2013B upstream capital expenditures expected to be \$6.2 billion.

2

Excludes exploration capital for unconventional assets.

Hess is an Efficient Operator and  
Partner of Choice in the Bakken

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Source: Bakken drilling and completion cost data for Hess represents actual Q4 2012 drilling and completion costs per well. Peer costs provided to Hess for wells where Hess has an ownership interest but is not an operator. Peer groups based on a weighted ballot. Proxy Peers include XOM/XTO, STL/BEXP, COP, OXY, and EOG. Bakken Pure Play Peers include CLR, OAS, and Efficient Bakken operator

Our Bakken well drilling and completion costs  
are below or in line with our peers

We expect further cost efficiencies to result from  
our shift to pad drilling

High peer participation rates in Hess wells

Bakken wells had 85% average participation rate in 2012

Exceptional Bakken well performance

Hess completed 10 of the top 25 highest 30-day initial production rate wells in 2012, including 3 of the top 5 wells

Bakken well costs continue to trend lower and we have greater confidence Hess can hit capex guidance.

Morgan Stanley, January 30, 2013

\$ 10.0

\$ 9.4

\$ 9.0

Proxy Peers

Bakken

Hess

Q4 2012 Bakken

Well Costs (\$mm / Well)

0 %

20 %

40 %

60 %

80 %

100 %

Jan

Feb

Mar

Apr

May

Jun

Jul

Aug

Sep

Oct

Nov

Dec

2012 Well Participation Rates

Average: 85%

Pure Play Peers

The Right Directors and the Right Governance to  
Lead the Transformed Hess

Hess

management and Board of Directors have built the Company's world class  
asset portfolio and led the strategic transformation that has been delivering  
shareholder value

In August of 2012, we met with an independent search firm to help us identify  
new candidates in anticipation of upcoming vacancies on our Board

We

have

identified

six

outstanding

new

independent

Directors

who

believe

in

the

value creation opportunities of the transformed Hess

These individuals have held senior leadership positions at some of the world's largest companies including Royal Dutch Shell, BP, ConocoPhillips, GE, CBS / Viacom, and Deloitte

As  
a  
result  
of  
the  
proposed  
changes,  
13  
of  
the  
14  
Directors  
will  
be  
independent

None of the Hess Directors are tethered to Elliott's unusual compensation scheme and flawed agenda

We also have taken the following actions to enhance our corporate governance

Formally adopting a lead independent director position with enhanced duties

Appointing John H. Mullin III as the new lead independent Director

Adopting a mandatory director retirement policy

Naming new chairpersons for each Board committee

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DELIVERING SHAREHOLDER VALUE  
MARCH 4, 2013