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 x 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

x 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):

x No fee required.

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

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(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 Securiti
Section 21E of the Securities Exchange Act of 1934. These projections and statements reflect the company s current views w
future events and financial performance. No assurances can be given, however, that these events will occur or that these projec
achieved, and actual results could differ materially from those projected as a result of certain risk factors. A discussion of these
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 urge
closely the disclosure relating to proved reserves in Hess 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. You can also obtain th
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 proxi
shareholders in connection with the matters to be considered at Hess 2013

Annual Meeting. Hess intends to file a proxy statement and WHITE proxy card with the U.S. Securities and Exchange Commission (the SEC) in connection with any such solicitation of proxies from Hess shareholders. HESS SHAREHOLDERS ARE STRONGLY ENCOURAGED TO READ ANY SUCH PROXY STATEMENT AND ACCOMPANYING WHITE PROXY CARD WHEN

THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT INFORMATION. Information regarding the ownership of Hess Directors and executive officers in Hess stock, restricted stock and options is included in their SEC filings on Forms 3, 4, and 5, which can be found through the Company s website (www.hess.com) in the section

Investors or through the SEC s website at www.sec.gov. Information can also be found in Hess other SEC filings, including Hess definitive proxy statement for the 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 s statement and other materials to be filed with the SEC in connection with Hess 2013 Annual Meeting. Shareholders will be able to obtain

any
proxy statement, any amendments or supplements to the proxy statement and other documents filed by Hess with the SEC for r
SEC s
website
at
www.sec.gov.
Copies
will
also
be
available
at
no
charge
at
Hess
website
at
www.hess.com,
by
writing
to
Hess
Corporation
at
1185
Avenue
of
the
Americas,
New
York,
NY
10036,
or
by
calling
Hess
proxy
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
obtained to use the material as proxy soliciting material.
2

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
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
2
3
4
5
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[1]
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
Q1
2012
Q2
2012
Q3
2012
Q4
$ 5
$ 5
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Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
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
11
12
12
14
16
18
25
25
32
38
42

55
62
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) Founda
of the International Accounting Standards Board (IASB). **He will bring to the Hess Board significant global leadership exp**
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 b
program, and was responsible for reorganizing and driving business value in the Americas E&P portfolio. Dr. Meyers drove th
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
Meyers has over 30 years of experience in exploration and production, both domestic and international. **Based on this experie**
bring to the Hess Board decades of managing cost-efficient E&P operations in geographies directly relevant to Hess   focused
Mr. Krenicki recently joined private equity firm Clayton, Dubilier & Rice in 2013 after 29 years in senior leadership roles at G
Chairman. While leader of GE Energy, the unit doubled in size and profitability and became GE's largest business   with reve
billion in 2005 to over $50 billion in 2012. His responsibilities included oversight of GE s Oil & Gas, Power & Water, and E
businesses, which employ more than 100,000 people in over 165 countries. Mr. Krenicki is one of America's top corporate exe
track record of success, experience, and leadership in operations, oil and gas, and energy. **His experience leading large scale i**
operations across a global energy portfolio will add important perspective to the Hess Board as the Company completes its tra
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 Azerb
valued assets and most recently served as COO of TNK-BP, which comprised 27% of BP s reserves and 29% of BP s prod
President of BP Azerbaijan, production increased from 240,000 bpd to over 950,000 bpd while operating costs were reduced fr
also was responsible for all of BP s E&P business in Indonesia including the Tangguh LNG business. **Mr. Schrader is an ou**
responsible for transforming BP s best and most valued E&P assets, and will bring to the Board his experience as a discipline
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 r
of the Executive Committee of Royal Dutch Shell, where he was of the top three operating executives collectively responsible
and operational matters. Most recently, as Downstream Director, Dr. Williams oversaw $400 billion in revenues and approxim
generating $5.3 billion in profit annually, and redirected a $6 billion annual investment into the higher growth markets of Chin
strengthening Shell s position in key hubs in the U.S. Gulf Coast and Singapore. **His experience as part of an executive gro**
with expertise in production sharing structures, government relations, and delivering returns.
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 o
Viacom-CBS merger of 2000 and the subsequent spin-out of MTV Networks, since renamed Viacom. During his tenure as CF
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 trans
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
22
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
24
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
[1] 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
28
Source: Bakken drilling and completion cost data for Hess represents actual Q4 2012 drilling and completion costs per well. P
costs provided to Hess for wells where Hess has an ownership interest but is not an operator. Peer groups based on a weighted
balloted. Proxy Peers include XOM/XTO, STL/BEXP, COP, OXY, and EOG. Bakken Pure Play Peers include CLR, OAS, an
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
29

DELIVERING SHAREHOLDER VALUE
MARCH 4, 2013