

HESS CORP
Form 10-K
February 27, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from _____ to _____

Commission File Number 1-1204

Hess Corporation

(Exact name of Registrant as specified in its charter)

DELAWARE	13-4921002
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification Number)
1185 AVENUE OF THE AMERICAS,	10036
NEW YORK, N.Y.	(Zip Code)
(Address of principal executive offices)	

(Registrant's telephone number, including area code, is (212) 997-8500)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock (par value \$1.00)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant submitted electronically and posted on its Corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of voting stock held by non-affiliates of the Registrant amounted to \$26,590,000,000 computed using the outstanding common shares and closing market price on June 30, 2014, the last business day of the Registrant's most recently completed second fiscal quarter.

At December 31, 2014, there were 285,834,964 shares of Common Stock outstanding.

Part III is incorporated by reference from the Proxy Statement for the 2015 annual meeting of stockholders.

HESS CORPORATION

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PART I

Items 1 and 2. Business and Properties

Hess Corporation (the Registrant) is a Delaware corporation, incorporated in 1920. The Registrant with its subsidiaries (collectively referred to as the Corporation or Hess) is a global Exploration and Production (E&P) company that develops, produces, purchases, transports and sells crude oil, natural gas liquids, and natural gas with its production operations located primarily in the United States (U.S.), Denmark, Equatorial Guinea, the Joint Development Area of Malaysia/Thailand (JDA), Malaysia, and Norway.

In the first quarter of 2013, the Corporation announced several initiatives to continue its transformation into a more focused pure play E&P company. These initiatives represented the culmination of a multi-year strategic transformation designed to deliver long-term, cash generative growth and increase returns to stockholders by focusing on lower risk, higher growth unconventional assets, exploiting existing discoveries by leveraging offshore drilling and project development capabilities, and executing a smaller, more targeted exploratory program.

As part of its transformation, the Corporation sold over the reporting period of 2012 through 2014 mature or lower margin E&P assets in Azerbaijan, Indonesia, Norway, Russia, Thailand, the United Kingdom (UK) North Sea, and certain interests onshore in the U.S. In addition, the transformation plan included fully exiting the Corporation's Marketing and Refining (M&R) business, including its terminal, retail, energy marketing and energy trading operations, as well as the permanent shutdown of refining operations at its Port Reading facility. HOVENSA L.L.C. (HOVENSA), a 50/50 joint venture between the Corporation's subsidiary, Hess Oil Virgin Islands Corp. (HOVIC), and a subsidiary of Petroleos de Venezuela S.A. (PDVSA), had previously shut down its U.S. Virgin Islands refinery in January 2012 and continued operating solely as an oil storage terminal through the first quarter of 2015. See Item 3. Legal Proceedings. As of December 31, 2014, all downstream businesses were sold or shut down except for the energy trading joint venture, HETCO, which was sold in February 2015, and HOVENSA, which will be shut down in the first quarter of 2015.

See also the Overview in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Exploration and Production

The Corporation's total proved developed and undeveloped reserves at December 31 were as follows:

	Crude Oil, Condensate & Natural Gas Liquids (a)				Total Barrels of Oil Equivalent (BOE) (b)	
	2014 (Millions of barrels)	2013 (Millions of barrels)	2014 Natural Gas (Millions of mcf)	2013 Natural Gas (Millions of mcf)	2014 (Millions of barrels)	2013 (Millions of barrels)
Developed						
United States	320	278	350	279	378	325
Europe (c)	123	126	96	104	139	143
Africa	163	185	144	149	187	210
Asia	3	17	329	578	58	113
	609	606	919	1,110	762	791
Undeveloped						
United States	311	304	270	185	356	335
Europe (c)	168	165	124	134	189	188
Africa	25	25	11	11	27	26
Asia	4	8	557	535	97	97
	508	502	962	865	669	646
Total						
United States	631	582	620	464	734	660
Europe (c)	291	291	220	238	328	331
Africa	188	210	155	160	214	236
Asia	7	25	886	1,113	155	210
	1,117	1,108	1,881	1,975	1,431	1,437

- (a) Total natural gas liquids reserves were 145 million barrels (65 million barrels developed and 80 million barrels undeveloped) at December 31, 2014 and 136 million barrels (61 million barrels developed and 75 million barrels undeveloped) at December 31, 2013. Of the total natural gas liquids reserves, 82% and 83% were in the U.S. and 18% and 15% were in Norway at December 31, 2014 and 2013, respectively. Natural gas liquids do not sell at prices equivalent to crude oil. See the average selling prices in the table beginning on page 9.
- (b) Reflects natural gas reserves converted on the basis of relative energy content of six mcf equals one barrel of oil equivalent (one mcf represents one thousand cubic feet). Barrel of oil equivalence does not necessarily result in price equivalence as the equivalent price of natural gas on a barrel of oil equivalent basis has been substantially lower than the corresponding price for crude oil over the recent past. See the average selling prices in the table beginning on page 9.
- (c)

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Proved reserves in Norway, which represented 20% of the Corporation's total reserves at both December 31, 2014 and 2013, were as follows:

	Crude Oil, Condensate & Natural Gas Liquids		Natural Gas		Total Barrels of Oil Equivalent (BOE) (b)	
	2014	2013	2014	2013	2014	2013
	(Millions of barrels)		(Millions of mcf)		(Millions of barrels)	
Developed	95	107	67	87	106	121
Undeveloped	161	149	113	111	180	168
Total	256	256	180	198	286	289

On a barrel of oil equivalent basis, 47% of the Corporation's worldwide proved reserves were undeveloped at December 31, 2014 compared with 45% at December 31, 2013. Proved reserves held under production sharing contracts at 2014 totaled 5% of crude oil and natural gas liquids reserves and 49% of natural gas reserves, compared with 7% of crude oil and natural gas liquids reserves and 46% of natural gas reserves at December 31, 2013. Asset sales reduced proved reserves by 77 million boe in 2014, 140 million boe in 2013, and 83 million boe in 2012.

See the Supplementary Oil and Gas Data on pages 87 through 95 in the accompanying financial statements for additional information on the Corporation's oil and gas reserves, including a discussion of the implications that potential sustained lower crude oil prices may have on proved reserves at December 31, 2015.

Worldwide crude oil, natural gas liquids and natural gas production was as follows:

	2014	2013	2012
Crude oil (thousands of barrels per day)			
United States			
Bakken	66	55	47
Other Onshore	10	10	13
Total Onshore	76	65	60
Offshore	51	43	48
Total United States	127	108	108
Europe			
Norway	25	20	11
Denmark	11	8	9
Russia	—	16	49
United Kingdom	—	—	15
	36	44	84
Africa			
Equatorial Guinea	43	44	48
Libya	4	13	20
Algeria	7	5	7
	54	62	75
Asia			
Azerbaijan	—	2	7
Indonesia	—	5	6
Joint Development Area of Malaysia/Thailand (JDA) and Other	3	4	4
	3	11	17
Total	220	225	284

	2014	2013	2012
Natural gas liquids (thousands of barrels per day)			
United States			
Bakken	10	6	5