

HESS CORP  
Form 10-Q  
November 02, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

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

For the quarter ended September 30, 2016

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

(State or Other Jurisdiction of Incorporation or Organization)

13-4921002

(I.R.S. Employer Identification Number)

1185 AVENUE OF THE AMERICAS, NEW YORK, N.Y.

(Address of Principal Executive Offices)

10036

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(Zip Code)

(Registrant's Telephone Number, Including Area Code is (212) 997-8500)

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 has submitted electronically and posted on its Corporate web site, 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 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.

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

At September 30, 2016, there were 316,621,058 shares of Common Stock outstanding.

## HESS CORPORATION

## Form 10-Q

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements.

## HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET (UNAUDITED)

	September 30, 2016	December 31, 2015
	(In millions, except share amounts)	
Assets		
Current Assets:		
Cash and cash equivalents	\$3,529	\$ 2,716
Accounts receivable		
Trade	771	847
Other	82	312
Inventories	403	399
Other current assets	108	130
Total current assets	4,893	4,404
Property, plant and equipment:		
Total — at cost	48,416	46,826
Less: Reserves for depreciation, depletion, amortization and lease impairment	22,879	20,474
Property, plant and equipment — net	25,537	26,352
Goodwill	375	375
Deferred income taxes	3,257	2,653
Other assets	397	373
Total Assets	\$34,459	\$ 34,157
Liabilities		
Current Liabilities:		
Accounts payable	\$458	\$ 457
Accrued liabilities	1,433	1,997
Taxes payable	60	88
Current maturities of long-term debt	666	86
Total current liabilities	2,617	2,628
Long-term debt	6,671	6,506
Deferred income taxes	1,214	1,334
Asset retirement obligations	2,098	2,158
Other liabilities and deferred credits	944	1,130
Total Liabilities	13,544	13,756
Equity		
Hess Corporation stockholders' equity:		
Preferred stock, par value \$1.00; Authorized — 20,000,000 shares		

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Series A 8% Cumulative Mandatory Convertible; \$1,000 per share liquidation preference; Issued — 575,000 shares (2015: 0)	1	—
Common stock, par value \$1.00; Authorized — 600,000,000 shares Issued — 316,621,058 shares (2015: 286,045,586)	317	286
Capital in excess of par value	5,763	4,127
Retained earnings	15,129	16,637
Accumulated other comprehensive income (loss)	(1,372 )	(1,664 )
Total Hess Corporation stockholders' equity	19,838	19,386
Noncontrolling interests	1,077	1,015
Total equity	20,915	20,401
Total Liabilities and Equity	\$34,459	\$ 34,157

See accompanying Notes to Consolidated Financial Statements.

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## PART I - FINANCIAL INFORMATION (CONT'D.)

## HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

## STATEMENT OF CONSOLIDATED INCOME (UNAUDITED)

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	2016	2015	2016	2015
(In millions, except per share amounts)				
Revenues and Non-Operating Income				
Sales and other operating revenues	\$1,177	\$1,671	\$3,374	\$5,162
Other, net	19	18	84	12
Total revenues and non-operating income	1,196	1,689	3,458	5,174
Costs and Expenses				
Cost of products sold (excluding items shown separately below)	222	356	688	990
Operating costs and expenses	421	508	1,312	1,517
Production and severance taxes	27	29	74	110
Exploration expenses, including dry holes and lease impairment	78	144	409	503
General and administrative expenses	106	119	310	417
Interest expense	84	84	254	255
Loss on debt extinguishment	80	—	80	—
Depreciation, depletion and amortization	811	988	2,476	2,972
Impairment	—	—	—	385
Total costs and expenses	1,829	2,228	5,603	7,149
Income (Loss) from Continuing Operations Before Income Taxes	(633 )	(539 )	(2,145 )	(1,975 )
Provision (benefit) for income taxes	(316 )	(300 )	(967 )	(807 )
Income (Loss) from Continuing Operations	(317 )	(239 )	(1,178 )	(1,168 )
Income (Loss) from Discontinued Operations, Net of Income Taxes	—	(13 )	—	(40 )
Net Income (Loss)	(317 )	(252 )	(1,178 )	(1,208 )
Less: Net income (loss) attributable to noncontrolling interests	22	27	62	27
Net Income (Loss) Attributable to Hess Corporation	(339 )	(279 )	(1,240 )	(1,235 )
Less: Preferred stock dividends	12	—	30	—
Net Income (Loss) Applicable to Hess Corporation Common Stockholders	\$(351 )	\$(279 )	\$(1,270 )	\$(1,235 )
Net Income (Loss) Attributable to Hess Corporation Per Common Share				
Basic:				
Continuing operations	\$(1.12 )	\$(0.94 )	\$(4.11 )	\$(4.21 )
Discontinued operations	—	(0.04 )	—	(0.14 )
Net Income (Loss) Per Common Share	\$(1.12 )	\$(0.98 )	\$(4.11 )	\$(4.35 )

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Diluted:

Continuing operations	\$ (1.12 )	\$ (0.94 )	\$ (4.11 )	\$ (4.21 )
Discontinued operations	—	(0.04 )	—	(0.14 )
Net Income (Loss) Per Common Share	\$ (1.12 )	\$ (0.98 )	\$ (4.11 )	\$ (4.35 )

Weighted Average Number of Common Shares Outstanding (Diluted)	313.2	283.5	308.7	283.8
Common Stock Dividends Per Share	\$0.25	\$0.25	\$0.75	\$0.75

See accompanying Notes to Consolidated Financial Statements.



## PART I - FINANCIAL INFORMATION (CONT'D.)

## HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

## STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended September 30, 2016 2015		Nine Months Ended September 30, 2016 2015	
	(In millions)			
Net Income (Loss)	\$ (317)	\$ (252)	\$ (1,178)	\$ (1,208)
Other Comprehensive Income (Loss):				
Derivatives designated as cash flow hedges				
Effect of hedge (gains) losses reclassified to income	—	(34 )	—	(34 )
Income taxes on effect of hedge (gains) losses reclassified to income	—	13	—	13
Net effect of hedge (gains) losses reclassified to income	—	(21 )	—	(21 )
Change in fair value of cash flow hedges	—	109	—	