

Building a Competitive Advantage in Unconventional Projects



Overview



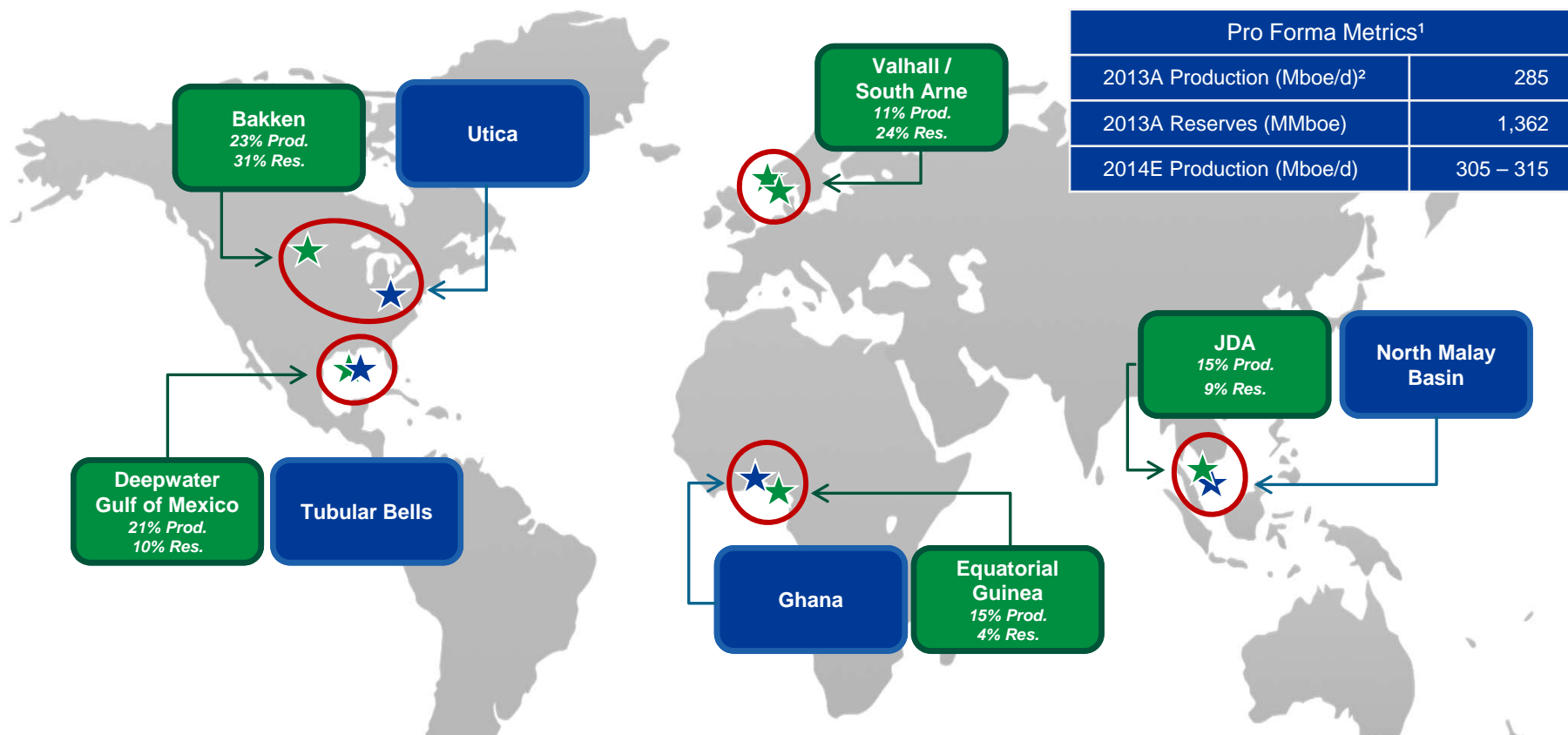
- 1 Hess Global Overview
- 2 Bakken Business Model
- 3 The Hess Unconventional Strategy
- 4 Performance Culture



Hess Portfolio Focus Areas



Areas Where Hess is Competitively Advantaged



Five Areas Represent 80% of Reserves / 87% of Production



Existing Key Assets



New Growth Assets

¹ Beryl area, Azerbaijan assets, Eagle Ford, Russia subsidiary (Samara Nafta), Indonesia and Thailand assets assumed sold as of January 1, 2013.

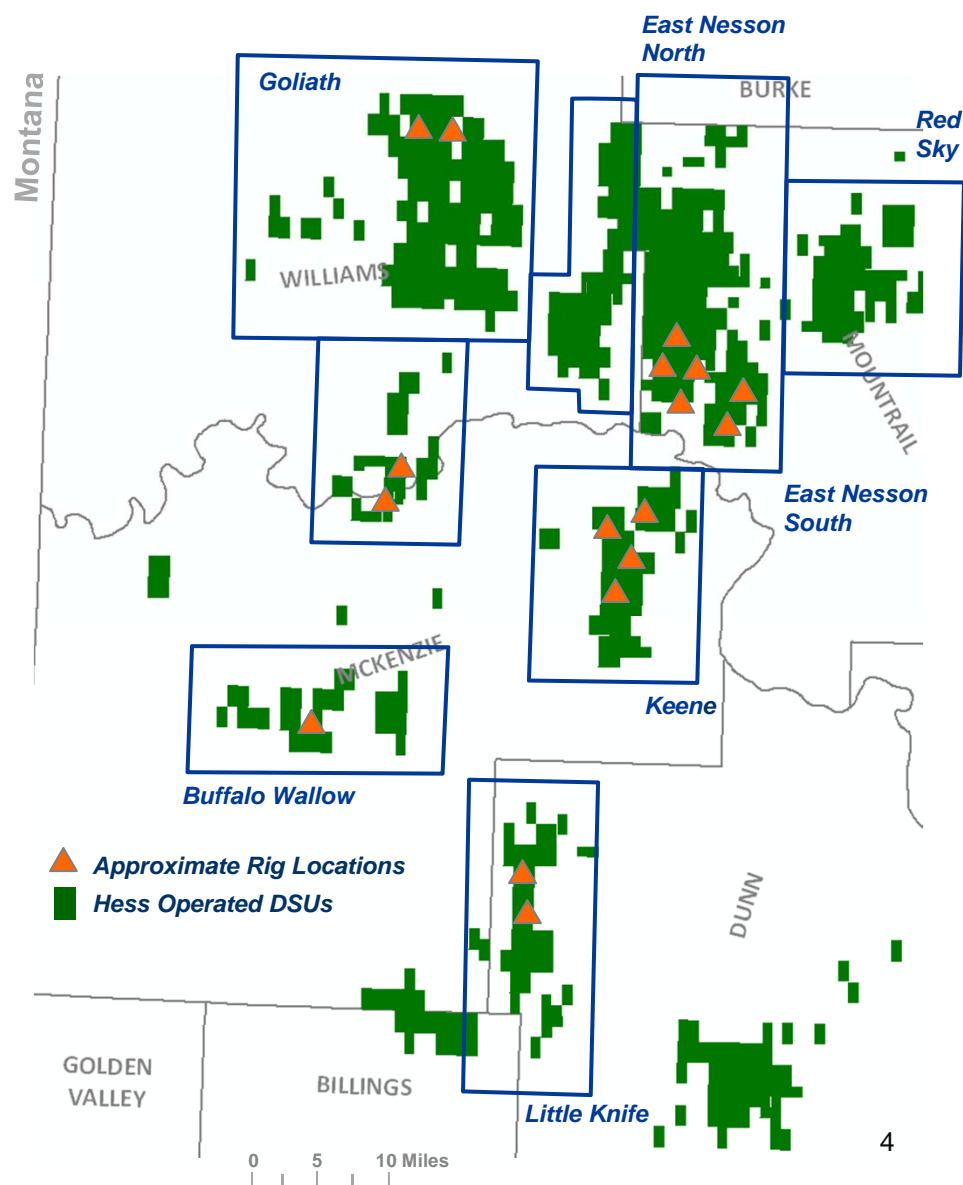
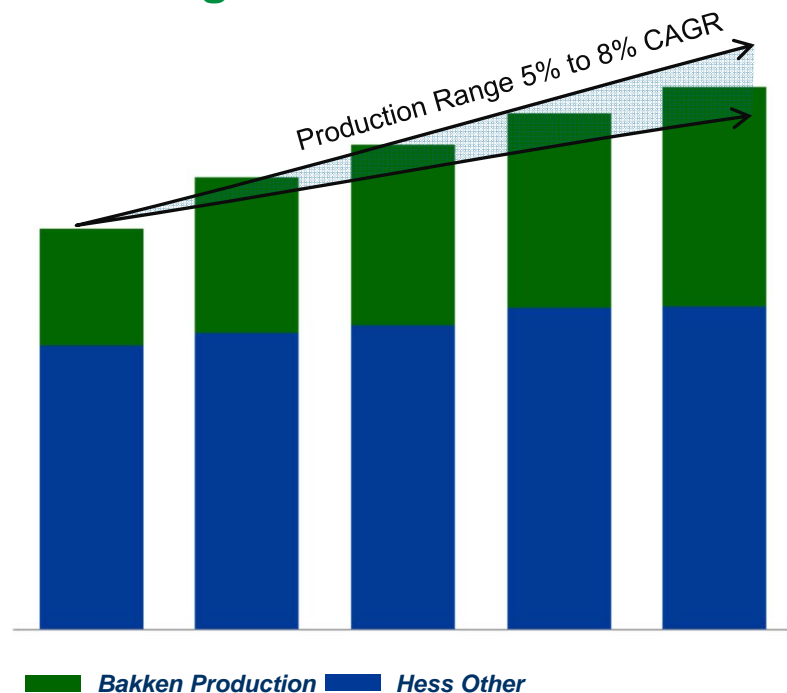
² Actual 2013 production includes Libya (15 Mboe/d); 2014 production guidance excludes Libya



Hess in the Bakken

Program Highlights

- 640,000 net acres
- 2014 net prod. 80-90 Mboe/d
- 17 Rig program, \$2.2B in 2014
- 2016 goal of 125 Mboe/d
- 2018 goal of 150 Mboe/d



Significant Value Uplift from Bakken Infrastructure



▪ Strategic / Portfolio Context

- Flexibility to access highest value markets

▪ Tioga Rail Terminal – 54 Mbb/d

- Expandable to 120 Mbb/d
- 240 Mbbls crude oil storage
- Entire fleet meets latest Petition 1577 standard
- 12 Mbl/d (NGL) loading capacity

▪ Tioga Gas Plant – 250 MMscf/d

- Opportunity to de-bottleneck plant
- Increased NGL fractionation
- Ethane sold under long term contract

▪ Field Compression and Pipelines

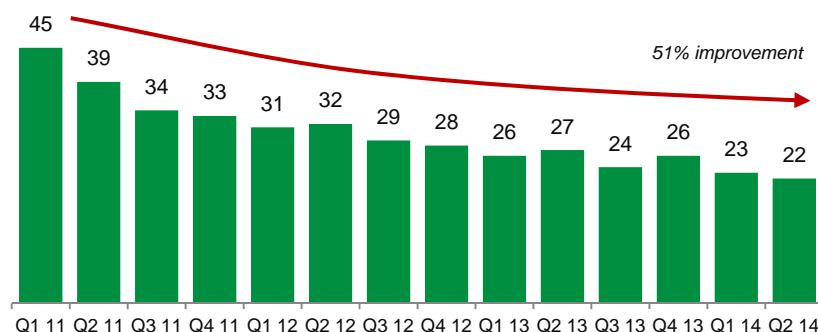
- Extensive LP/HP gas gathering network
- Connecting Hess infrastructure North and South of river via HP pipelines (Oil, Gas and NGLs)



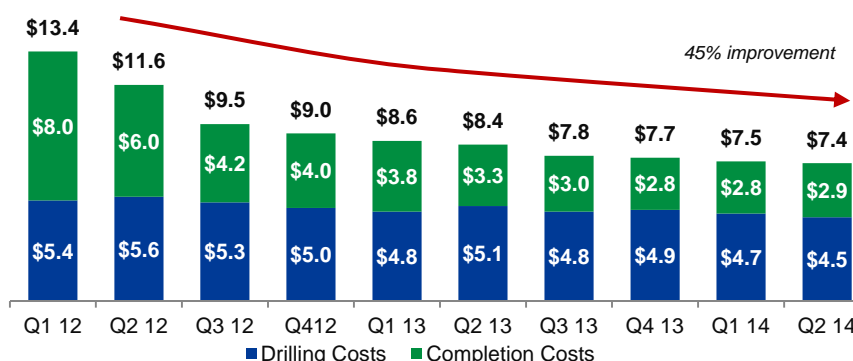
Driving Performance in the Bakken

Reducing Well Costs...

Drilling Performance: Spud-to-Spud Days

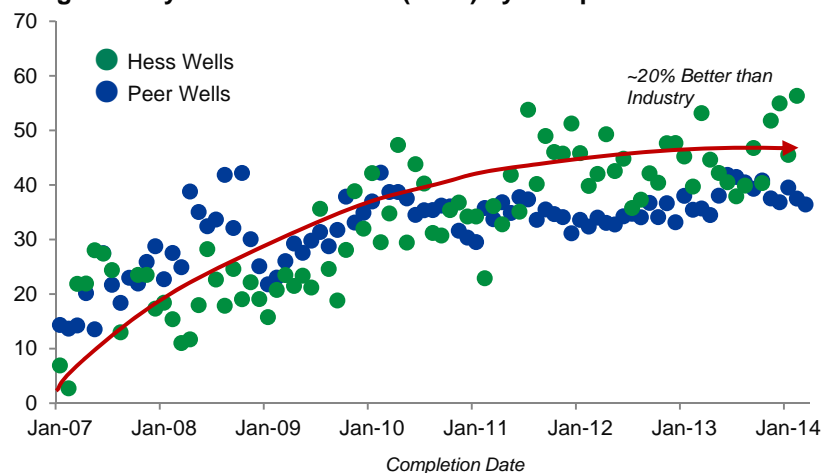


Drilling & Completion Costs (\$mm)

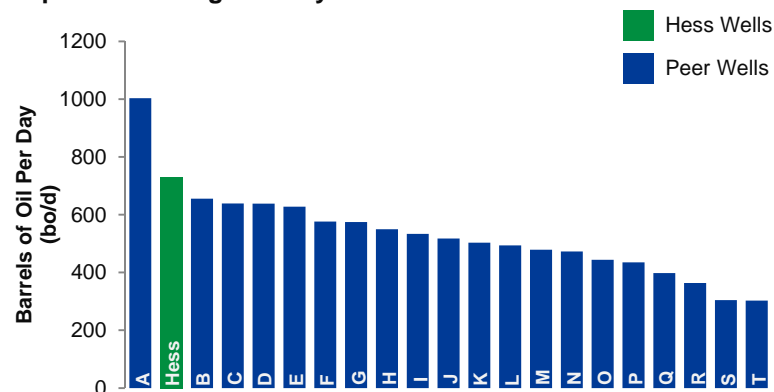


...While Optimizing Well Productivity

Average 90-Day Initial Production (MBO) by Completion Date

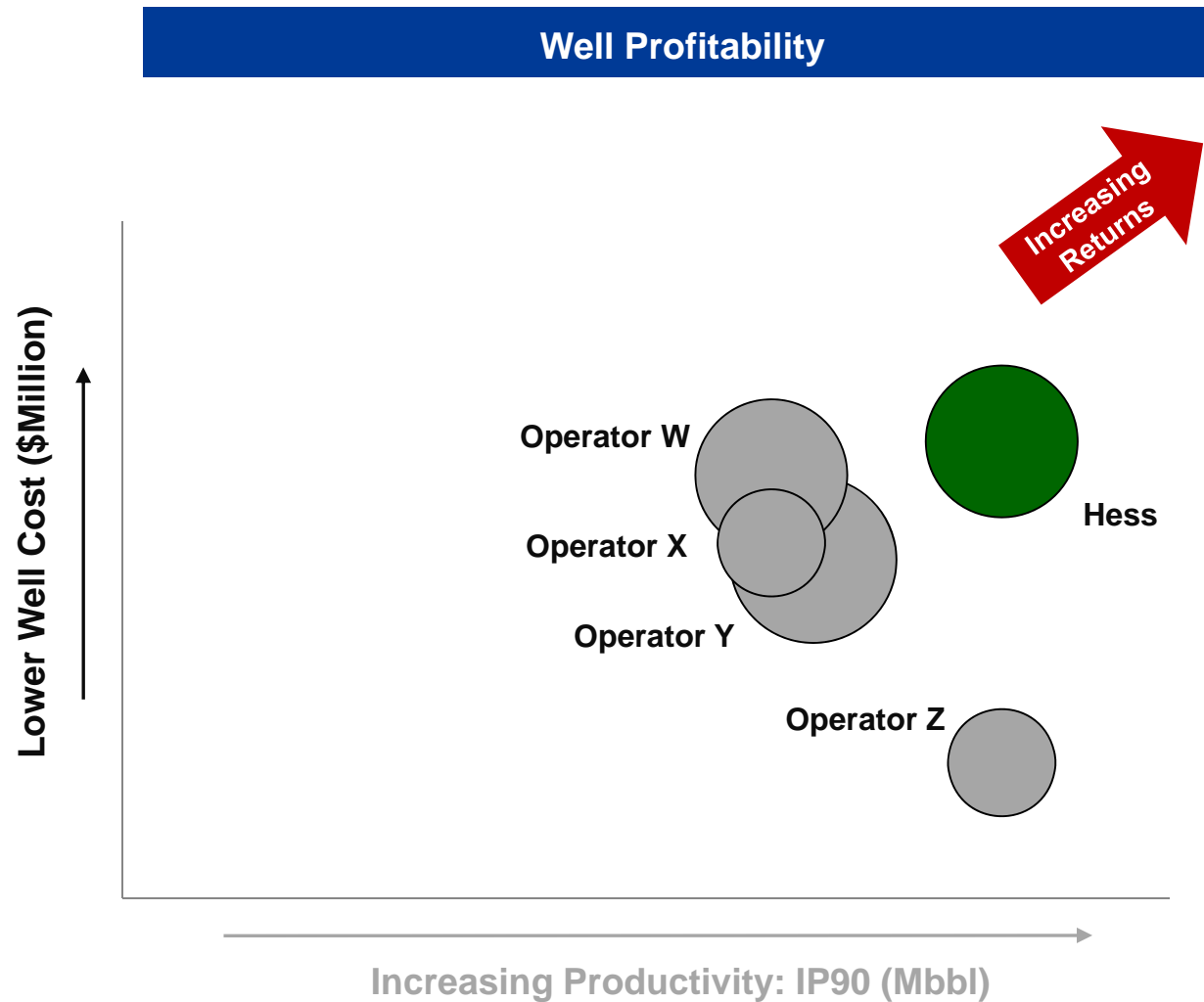


Operator Average 30-Day IP Rate



Operators with >40 Bakken/Three Forks Wells since 2012

Hess Bolsters Value Proposition in 2014



Note: Size of Bubble reflects number of wells in data set

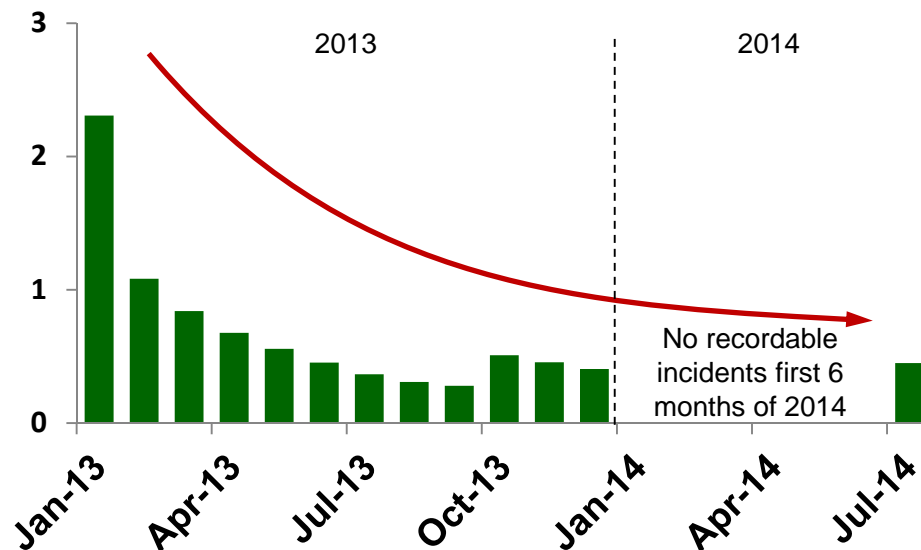
Flow-back Operations Adopt Standard Work Process



Standard Working Procedures

- Developed key guideline documents
- Focused on “At Risk Behaviors”
 - Line of Fire
 - Lifting and Hoisting
 - Housekeeping / Storage
 - Equipment selection

Total Recordable Incident Rate (TRIR)



ND Bakken Flow Back	Guideline Audit Checklist Site Preparation for Flow Back	
---------------------	---	--

Document Title:	ND Bakken Flow Back	Guideline – Flow Back Truck Management	
Date Issued:			

Document No.	ND Bakken Flow Back	Guideline Audit Checklist Well Kickoff Preparations	
Title:	Guideline Management		
Date Issued:			

Document No.	ND Bakken Flow Back	Guideline Audit Checklist Spotting Swab Rig before Flow-back	
Title:			
Date Issued:			

Document Number:	BC-FB-GCL-006 (Rev 0)	Author:	Kent Muschalek
Title:	Guideline Audit Checklist	Content Owner:	Kent Muschalek
Date Issued:	10/03/2014	Approval Authority:	N. Neiszner

Spotting Swab Rig before Flow-back				
Observer name:	Place of observation:	Date:	Time:	
No.	Procedural Step	Done safety	Not done	NA
1	Has the HR completed a pre-visit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Has LOTO been applied to the production wing valves?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Has Open-top tank been emptied or opening gauge recorded?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Has pressure testing of the flow line been checked?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Has a joint safety meeting been held?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Has a joint JSA been developed by swabbing and flow back personnel?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Does the HR confirm the well is shut-in prior to spotting the unit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Are roles and responsibilities assigned to the crew?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Does the HR inspect Flow Back pipe arrangement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	Has the derrick been raised in a safe manner?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	Have the swab tool string been assembled prior to raising the derrick?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	Does the HR clearly explain preparations during walk through?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Slide 8

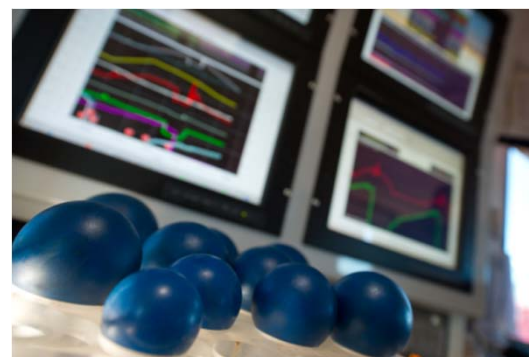
RJC4

Getting updated TRIR graphic from Ben Melancon

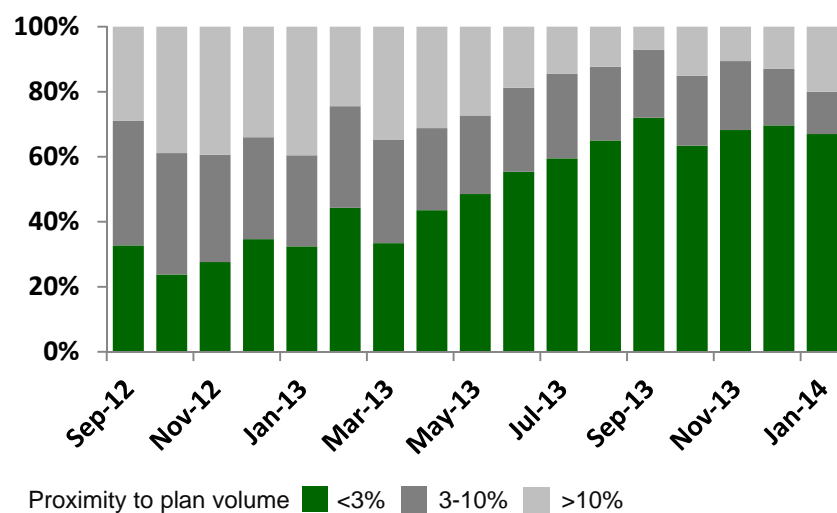
Roper, John C., 8/25/2014

Improving Quality and Lowering Cost

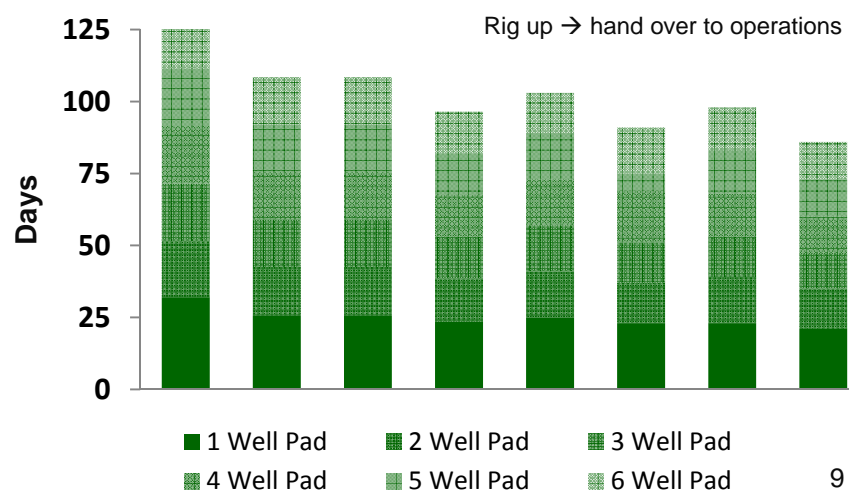
- Everyday Innovation
- Managing Through Metrics
- Making Problems Visible



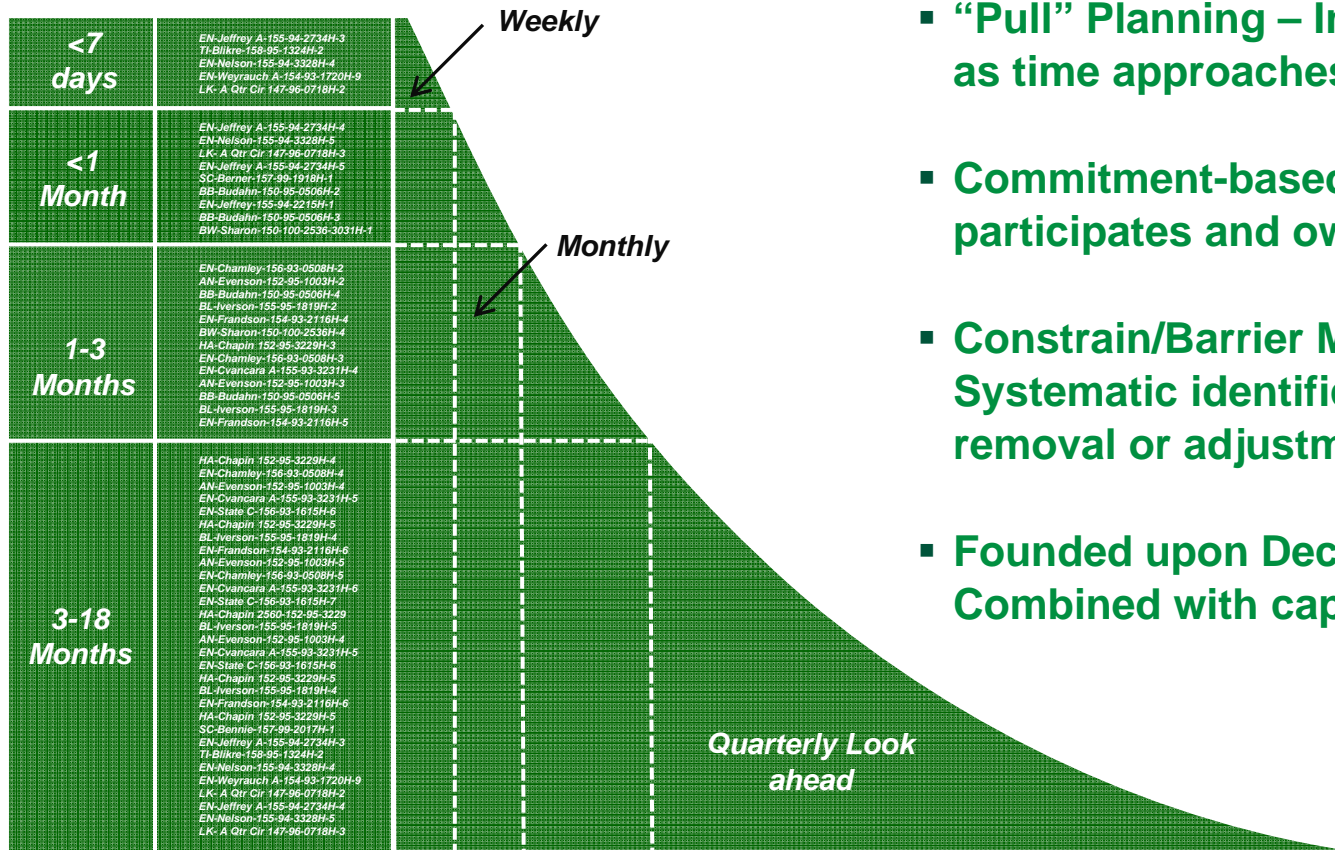
Volume Pumped vs. Plan



Cycle Time Reduction



Lean Production Control: “Just-in-Time” Planning and Scheduling

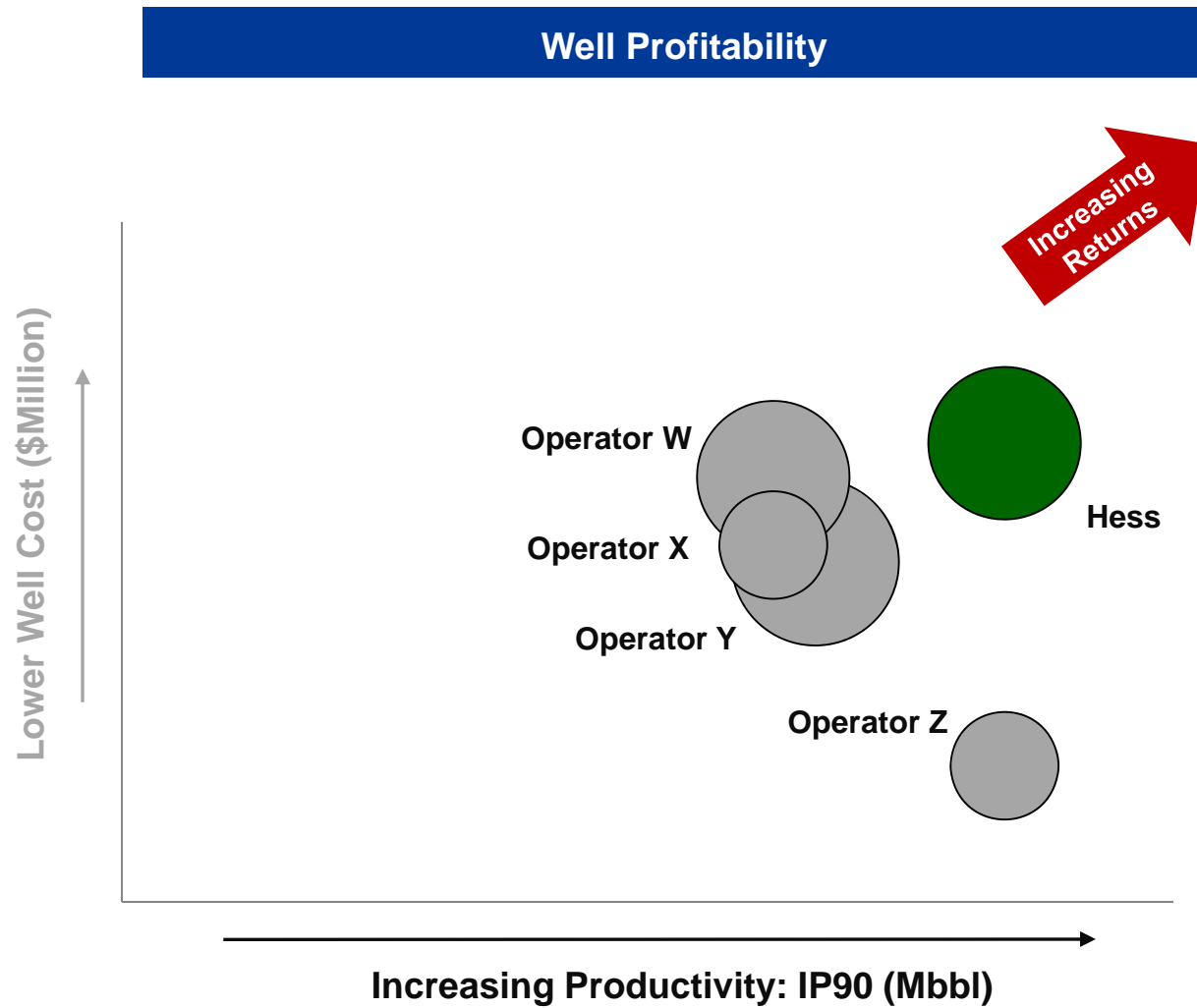


- “Pull” Planning – Increased details as time approaches
- Commitment-based planning – Team participates and owns plans
- Constrain/Barrier Management – Systematic identification and removal or adjustment
- Founded upon Decision Analysis – Combined with capacity model

Integrated Capacity Model

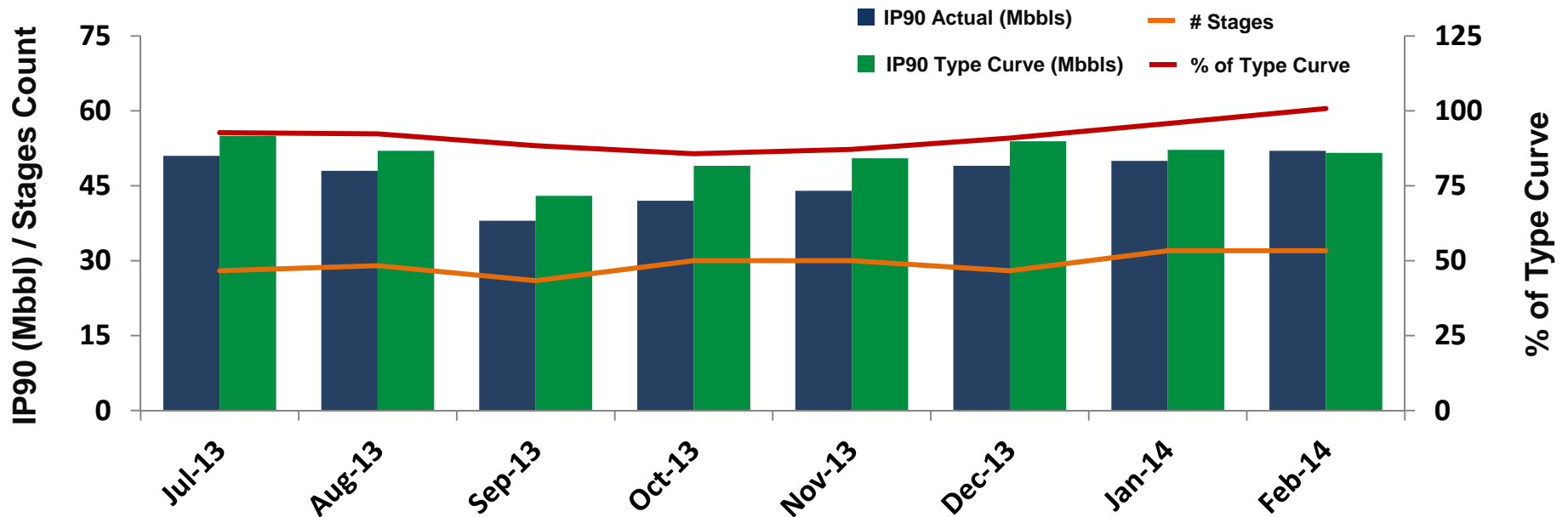
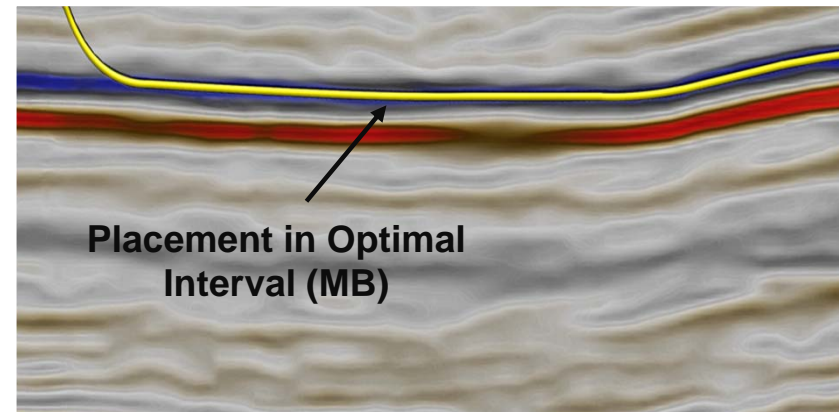
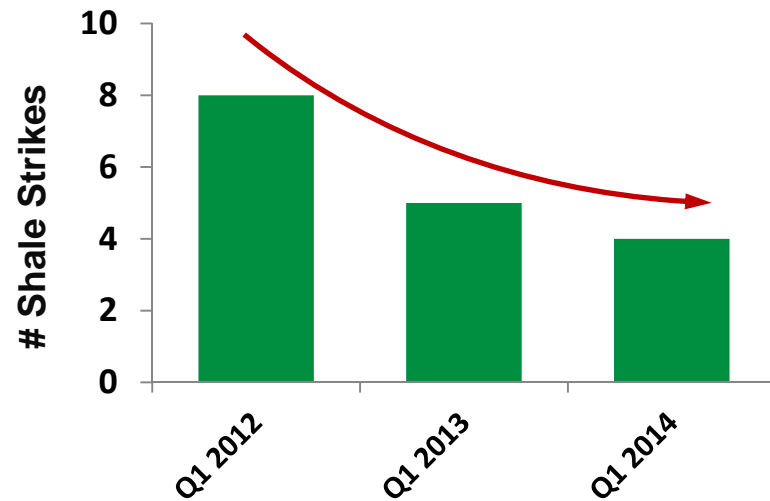
Depletion Planning: 30+ Years

Hess Bolsters Value Proposition in 2014



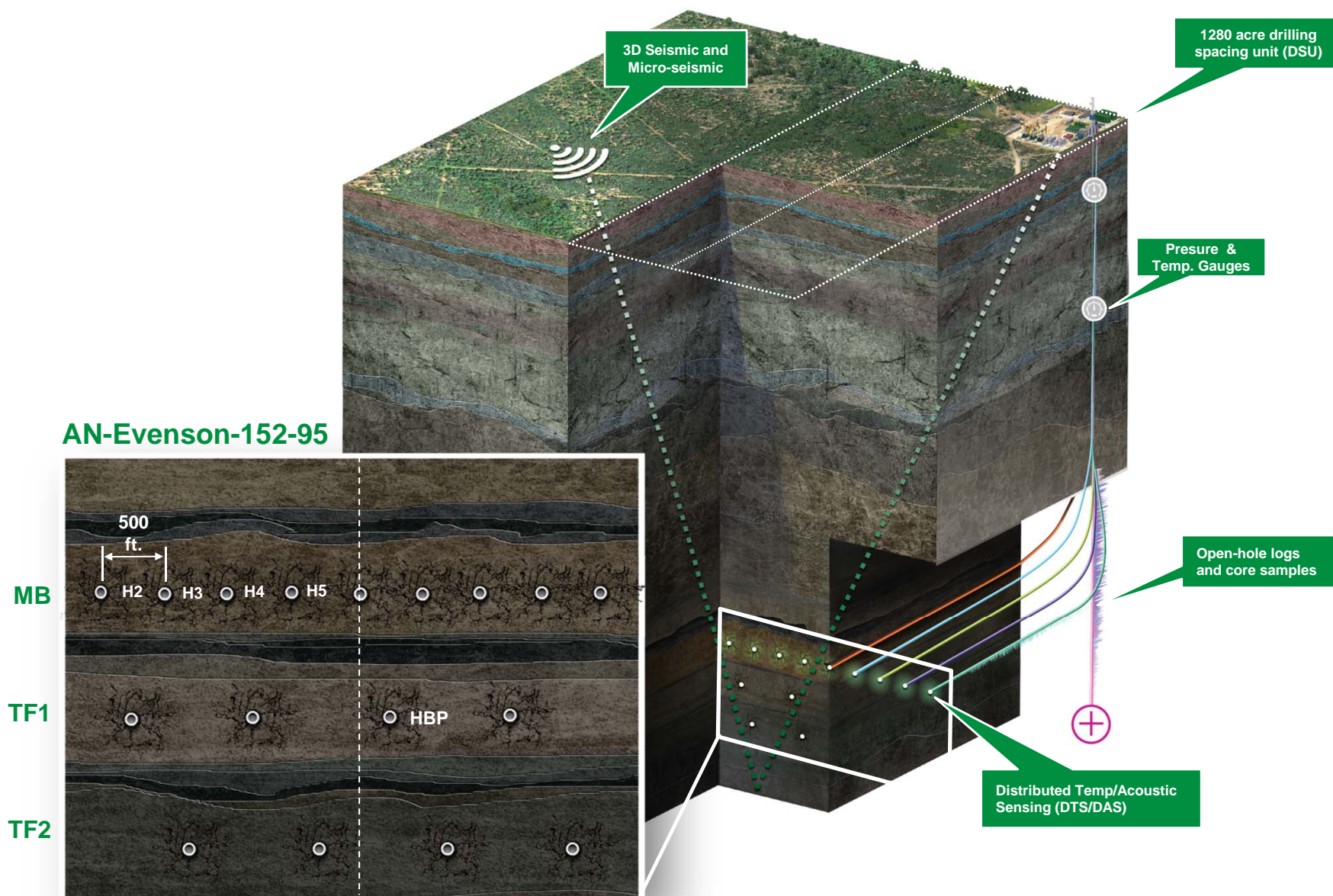
Note: Size of Bubble reflects number of wells in data set

Lateral Placement and Stage Count Impacting Productivity



Note: IP90 is average of wells online in month.

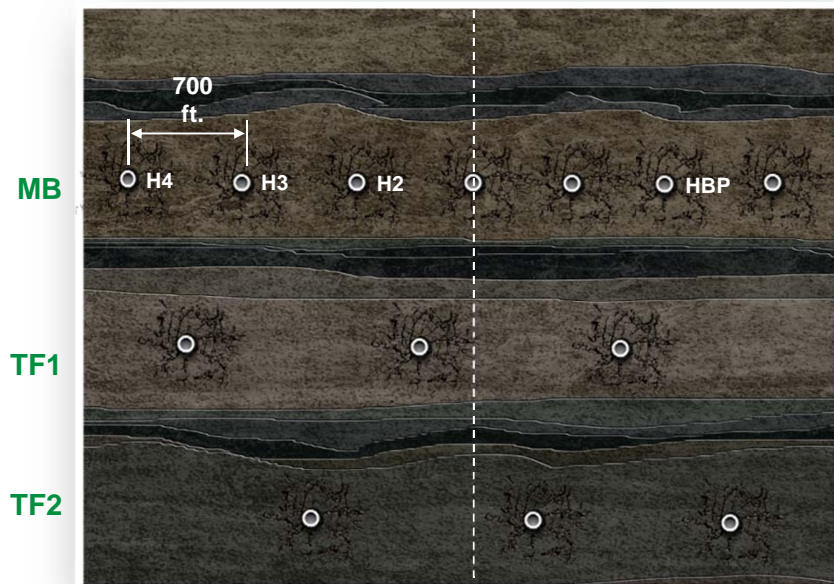
AN-Evenson-152-95 Pilot: Testing 500-ft. Spacing



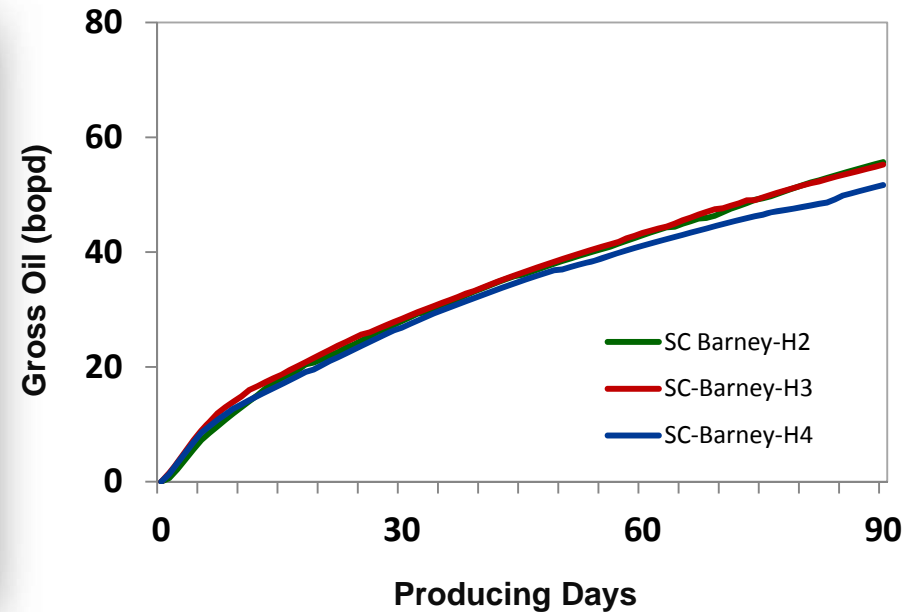
SC-Barney (700-ft.) Pilot Results are Encouraging



DSU: SC-Barney-154-98-1819



Well Performance as Expected



■ No Indication of interference after 120 days of production

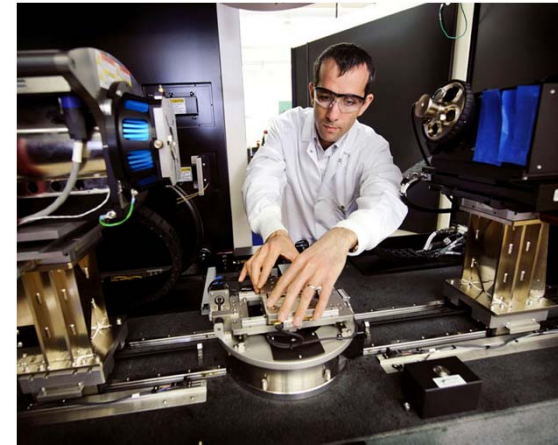
- Performance as per P-50 type curve expectation
- Stable gas oil ratio (GOR)

Dedicated Laboratory Focused on Bakken-Specific Opportunities and Challenges



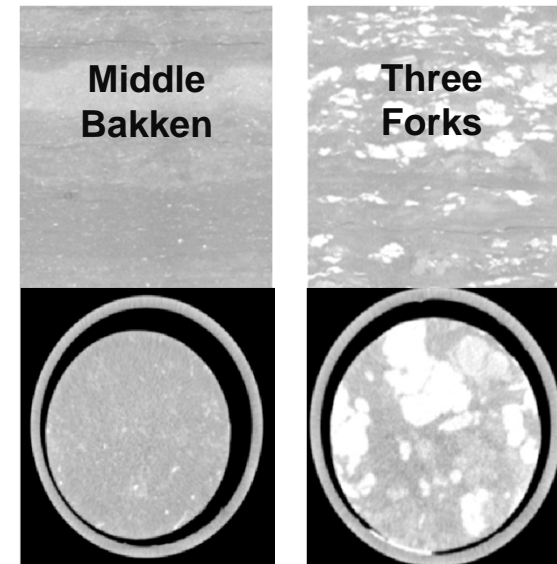
▪ Focused R&D Project Areas

- Displacement Processes
- Improving Recovery factors
- Distribution of fluids



▪ Next Phase

- Enhanced oil recovery through stimulation
- Tertiary recovery mechanism (gas, chemical, thermal)



Bakken Wrap-up



- 1 Lean Manufacturing techniques core to value creation
- 2 Everyday innovation is what drives performance and cost reduction
- 3 The subsurface is complicated – you need the right data
- 4 R&D will provide the next breakthrough

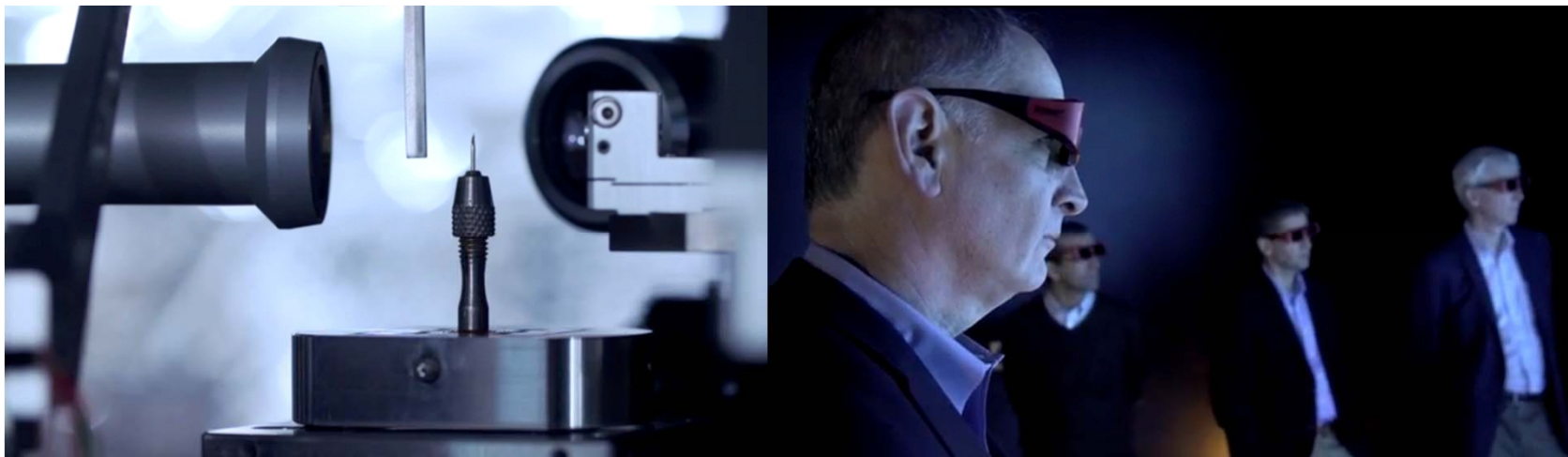


Foundation of Hess Unconventional Strategy



DEVELOP THE BAKKEN

- Expand and high-grade acreage position
- Exploit Infrastructure
- Execute Lean manufacturing strategy





Foundation of Hess Unconventional Strategy

DEVELOP THE BAKKEN

- Expand and high-grade acreage position
- Exploit Infrastructure
- Execute Lean manufacturing strategy

LEVERAGE CAPABILITY

- Leverage our Bakken capability to access other plays
- Obtain international acreage positions
- Establish relationships with potential partners



Slide 18

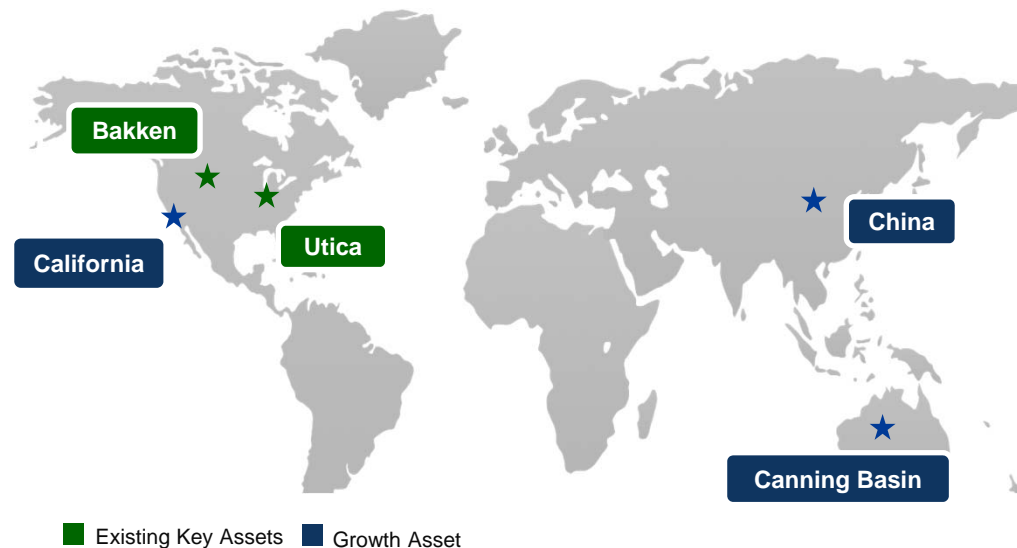
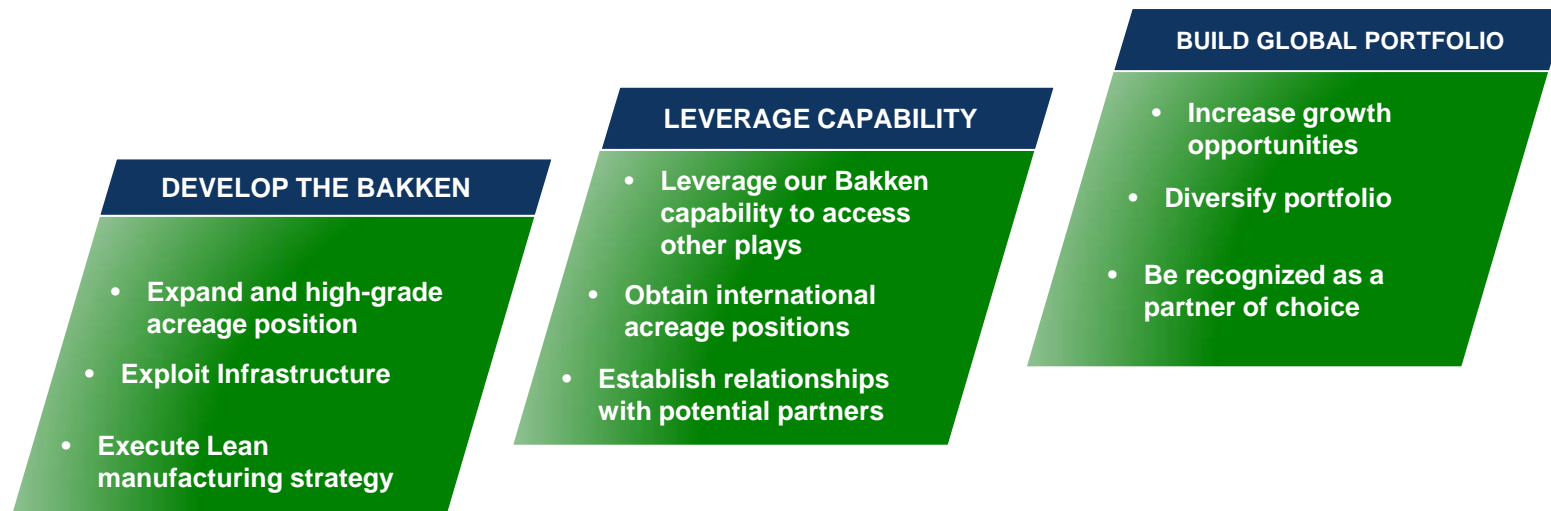
RJC2

Mention Utica here.... only verbal necessary...no need for additional graphic

Roper, John C., 8/25/2014

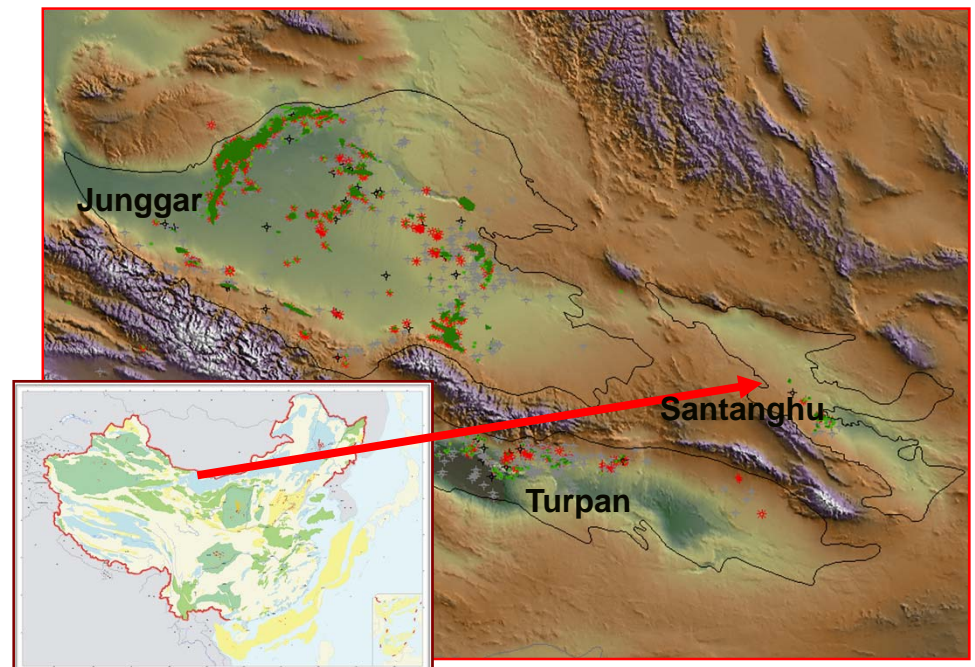


Foundation of Hess Unconventional Strategy



Santanghu Project in China

- First unconventional oil PSC in China
- First Hess PSC and operatorship in China
- First lacustrine unconventional project in China
- Very remote area of Santanghu basin in Western China
- Good surface condition with limited population in the basin
- Exploration target - Permian Lucaogou source rock interval, which comprises a well-developed lacustrine source rock with high organic richness and high brittle minerals
- Reservoir Depth: 2,000 m – 4,000 m
- Reservoir Thickness: 50 m -100 m
- Successfully completed drilling, coring, logging, fracking of tough ML1, ML2 and ML2H wells. Production test is underway to test PorPerm, Ro, GOR, pressure and productivity parameters
- Test Hess operational model and performance in China



Slide 20

RJC3

Add drilling and completion graphic from China Highlights to better illustrate success in China

Roper, John C., 8/25/2014

Santanghu Project in China



- Operational Excellence

- World-class EHS training, EHS culture change and LTI free
- Hess Lean concepts applied
- Hess global unconventional experience successfully applied
- 27% ahead of planned project schedule

- Contractor Management Capability

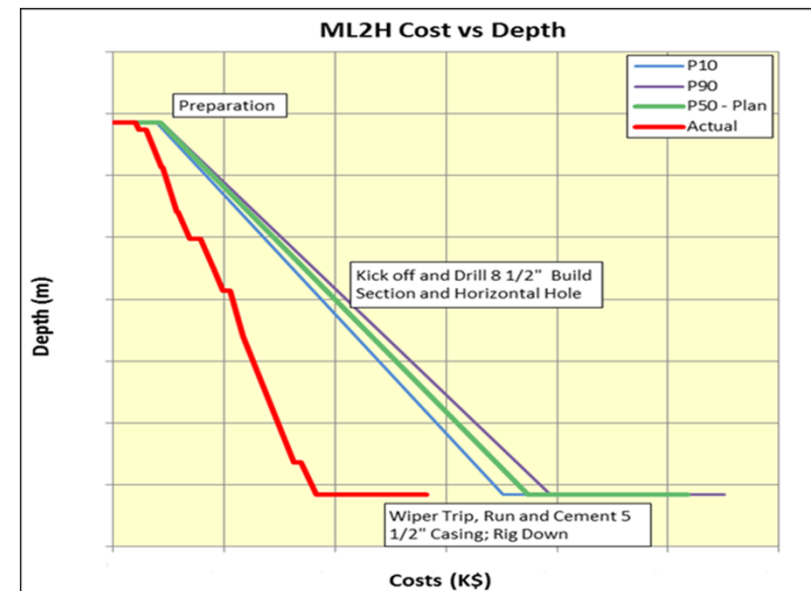
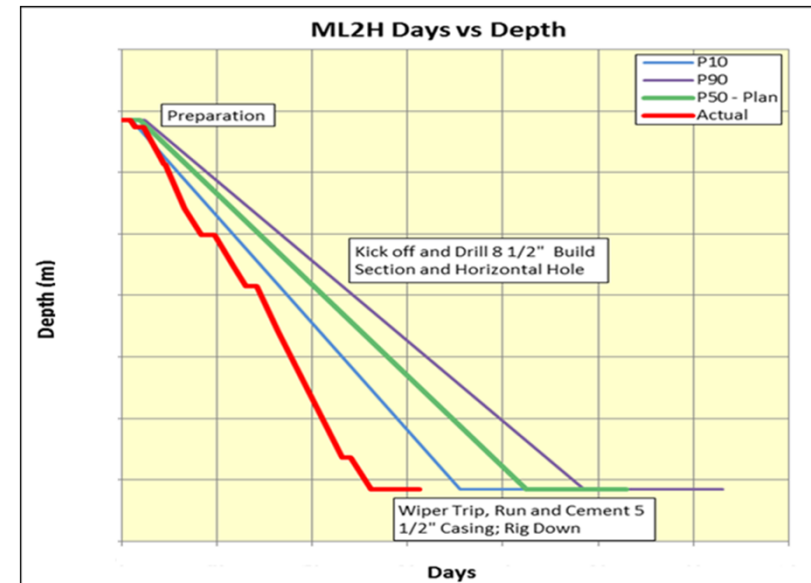
- 30+ domestic and international service companies worked collaboratively as per Hess operational plan
- Upgraded domestic service company equipment to Hess global standards

- Capital Discipline

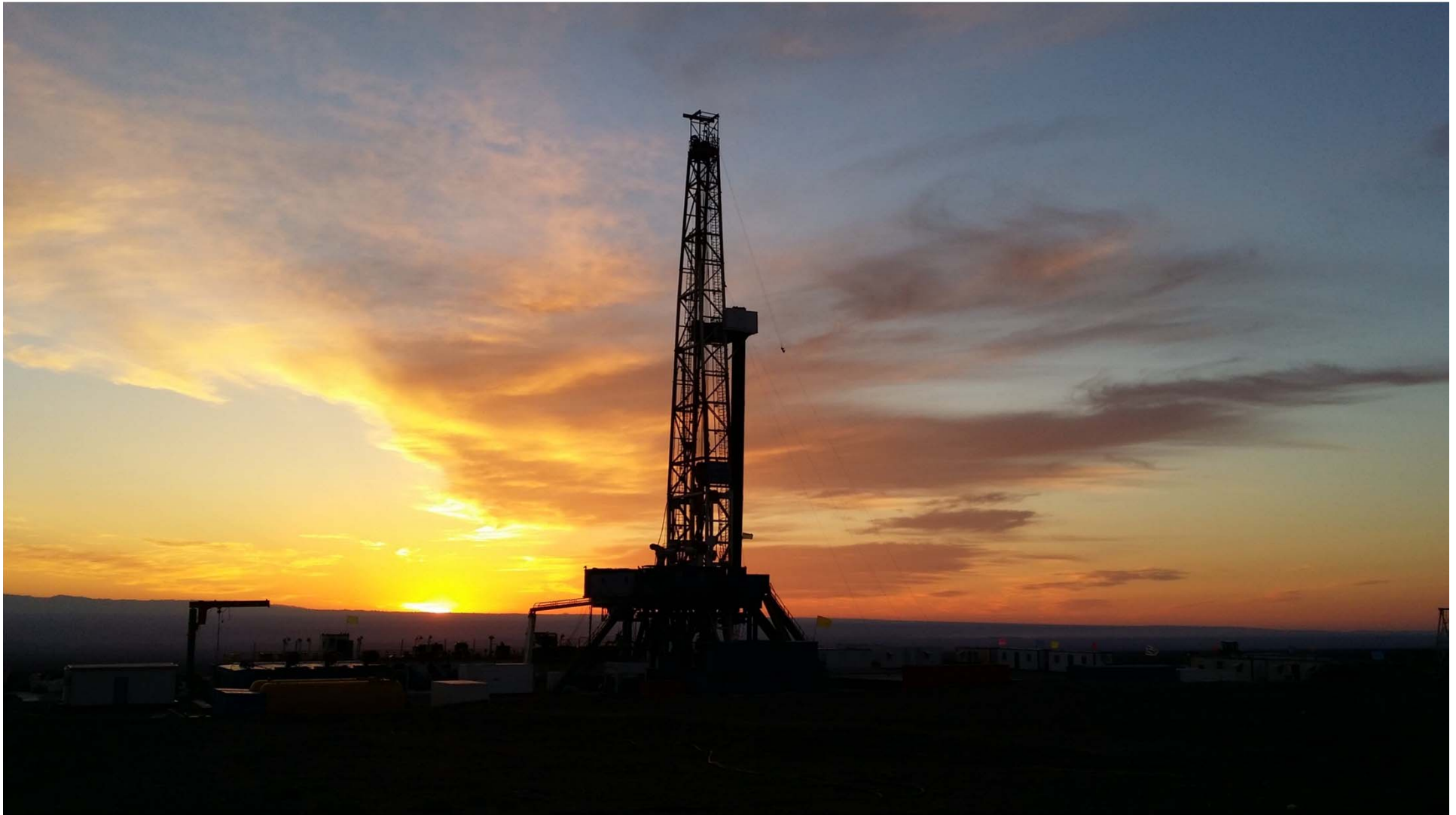
- Optimized local and expat Hess team
- High percentage of local service companies utilized
- 36% Drilling and Completion cost saving against AFE

- Trusted Partnerships

- Fostering ties with CNPC and Tuha
- Strong local government support
- Solid team work with service companies
- Successful PETRONAS farm in



Bright Future of Unconventional in China



Culture of Performance and Quality



▪ Drive for perfection

- Continuous improvement
- Army of problem solvers

▪ Focused leadership

- Coaching and teaching
- A learning organization



“People Make the Difference at Hess”

