HESS CORP Form 10-Q August 01, 2018
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 June 30, 2018
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

(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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Emerging growth company

Accelerated filer

Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

At June 30, 2018, there were 299,688,199 shares of Common Stock outstanding.

# HESS CORPORATION

Form 10-Q

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Unless the context indicates otherwise, references to "Hess", the "Corporation", "Registrant", "we", "us", "our" and "its" references to solidated business operations of Hess Corporation and its subsidiaries.

### PART I - FINANCIAL INFORMATION

# Item 1. Financial Statements. HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

# CONSOLIDATED BALANCE SHEET (UNAUDITED)

Assets	December June 30, 31, 2018 2017 (In millions, except share amounts)	
Current Assets:	<b>#2</b> 000	Φ 4 0 47
Cash and cash equivalents	\$2,908	\$ 4,847
Accounts receivable:	704	677
From contracts with customers	784	677
Joint venture and other	291	347
Inventories	231	232
Assets held for sale	421	<u> </u>
Other current assets	59	54
Total current assets	4,694	6,157
Property, plant and equipment:	22.040	22.504
Total — at cost	32,040	32,504
Less: Reserves for depreciation, depletion, amortization and lease impairment	16,171 15,869	16,312 16,192
Property, plant and equipment — net Goodwill	360	360
Deferred income taxes	18	21
Other assets	523	382
Total Assets	\$21,464	\$ 23,112
Liabilities	\$21,404	\$ 23,112
Current Liabilities:		
Accounts payable	\$363	\$ 435
Accounts payable Accrued liabilities	1,446	1,337
Taxes payable	49	83
Current maturities of long-term debt	87	580
Total current liabilities	1,945	2,435
Long-term debt	6,352	6,397
Deferred income taxes	424	429
Asset retirement obligations	773	753
Other liabilities and deferred credits	634	744
Total Liabilities	10,128	10,758
Equity	10,120	10,750
Hess Corporation stockholders' equity:		

Preferred stock, par value \$1.00; Authorized — 20,000,000 shares

Series A 8% Cumulative Mandatory Convertible; \$1,000 per share liquidation preference;		
Issued — 575,000 shares (2017: 575,000)	1	1
Common stock, par value \$1.00; Authorized — 600,000,000 shares		
Issued — 299,688,199 shares (2017: 315,053,615)	300	315
Capital in excess of par value	5,501	5,824
Retained earnings	4,692	5,597
Accumulated other comprehensive income (loss)	(522)	(686)
Total Hess Corporation stockholders' equity	9,972	11,051
Noncontrolling interests	1,364	1,303
Total equity	11,336	12,354
Total Liabilities and Equity	\$21,464	\$ 23,112
See accompanying Notes to Consolidated Financial Statements.		

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

### HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

# STATEMENT OF CONSOLIDATED INCOME (UNAUDITED)

Revenues and Non-Operating Income	Three M Ended June 30, 2018 (In milli amounts	2017 cons, exce	Six Mor Ended June 30, 2018 ept per sha	2017
Sales and other operating revenues	\$1,534	\$1,197	\$2,880	\$2,455
Gains on asset sales, net	11	2	18	2
Other, net	21	3	58	(1)
Total revenues and non-operating income	1,566	1,202	2,956	2,456
Costs and Expenses	4.50			
Marketing, including purchased oil and gas	450	253	808	453
Operating costs and expenses	288	374	576	732
Production and severance taxes	42	30	81	61
Exploration expenses, including dry holes and lease impairment	62	52	102	110
General and administrative expenses	129	95	239	190
Interest expense	98	82	201	166
Loss on debt extinguishment	26	_	53	_
Depreciation, depletion and amortization	444	741	861	1,478
Total costs and expenses	1,539	1,627	2,921	3,190
Income (Loss) Before Income Taxes	27	(425)	35	(734)
Provision (benefit) for income taxes	114	(8)	187	(21)
Net Income (Loss)	(87)	(417)	(152)	(713)
Less: Net income (loss) attributable to noncontrolling interests	43	32	84	60
Net Income (Loss) Attributable to Hess Corporation	(130)	(449)	(236)	(773)
Less: Preferred stock dividends	12	11	23	23
Net Income (Loss) Attributable to Hess Corporation Common Stockholders	\$(142)	\$(460)	\$(259)	\$(796)
Net Income (Loss) Attributable to Hess Corporation Per Common Share:				
Basic				\$(2.53)
Diluted				\$(2.53)
Weighted Average Number of Common Shares Outstanding (Diluted)	297.5			314.2
Common Stock Dividends Per Share	\$0.25	\$0.25	\$0.50	\$0.50
accompanying Notes to Consolidated Financial Statements.				

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

### HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

# STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME (UNAUDITED)

	Three Month Ended June 30 2018 (In miles)	0, 2017	Six Mo Ended June 30 2018	
Net Income (Loss)	\$(87)	\$(417)	\$(152)	\$(713)
Other Comprehensive Income (Loss):				
Derivatives designated as cash flow hedges Effect of hedge (gains) losses reclassified to income	49	(20)	80	(20)
	49	(20)	80	(20)
Income taxes on effect of hedge (gains) losses reclassified to income	40	(20 )		(20 )
Net effect of hedge (gains) losses reclassified to income	49	(20)	80	(20)
Change in fair value of cash flow hedges	(13)	72	(35)	76
Income taxes on change in fair value of cash flow hedges	_	2		