HESS CORP
Form 10-K
February 28, 2014
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

þ	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2013**
	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 incorporation or organization)	*(I.R.S. Employer Identification Number)*
1185 AVENUE OF THE AMERICAS, NEW YORK, N.Y.	**10036**
(Address of principal executive offices)	*(Zip Code)*

(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 þ 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 þ

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 þ 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 þ 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. þ

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 þ	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 þ

The aggregate market value of voting stock held by non-affiliates of the Registrant amounted to $20,200,000,000 computed using the outstanding common shares and closing market price on June 28, 2013, the last business day of the Registrant s most recently completed second fiscal quarter.

At December 31, 2013, there were 325,314,177 shares of Common Stock outstanding.

Part III is incorporated by reference from the Proxy Statement for the 2014 annual meeting of stockholders.

Table of Contents

HESS CORPORATION

Form 10-K

TABLE OF CONTENTS

Table of Contents

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 and natural gas. Prior to 2013, the Corporation also operated a Marketing and Refining (M&R) segment, which it began to divest during the year. The M&R businesses manufacture refined petroleum products and purchase, market, store and trade refined products, natural gas and electricity, as well as operate retail gasoline stations, most of which have convenience stores.

In the first quarter of 2013, the Corporation announced several initiatives to continue its transformation into a more focused pure play E&P company that is expected to deliver compound average annual production growth of 5% to 8% through 2017, from its 2012 pro forma production of 289,000 barrels of oil equivalent per day (boepd). The transformation plan included fully exiting the Corporation s M&R businesses, including its terminal, retail, energy marketing and energy trading operations, as well as the permanent shutdown of refining operations at its Port Reading facility, thus completing its exit from all refining operations. 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 United States (U.S.) Virgin Islands refinery in January 2012 and continued operating solely as an oil storage terminal. HOVIC and its partner have also commenced a sales process for HOVENSA. The transformation plan also committed to the sale of mature E&P assets in Indonesia and Thailand, and the pursuit of monetizing Bakken midstream assets by 2015.

As part of its transformation during 2012 and 2013, the Corporation sold mature or lower margin assets in Azerbaijan, Indonesia, Norway, Russia, the United Kingdom (UK) North Sea, and certain interests onshore in the U.S. In the fourth quarter of 2013, the Corporation sold its energy marketing business and its terminal network. In 2014, the Corporation plans to divest its remaining downstream businesses, including its retail marketing business and energy trading joint venture, plus its E&P assets in Thailand. The Corporation has also reached an agreement to sell dry gas acreage in the Utica shale play in the U.S.

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)		Natural Gas		Total Barrels of Oil Equivalent (BOE) (b)	
	2013	2012	2013	2012	2013	2012
	(Millions of barrels)		(Millions of mcf)		(Millions of barrels)	
Developed						
United States	**278**	280	**279**	232	**325**	318
Europe (c)	**126**	181	**104**	190	**143**	213
Africa	**185**	188	**149**	122	**210**	208
Asia	**17**	27	**578**	676	**113**	140
	606	676	**1,110**	1,220	**791**	879
Undeveloped						
United States	**304**	193	**185**	168	**335**	222
Europe (c)	**165**	235	**134**	167	**188**	263
Africa	**25**	46	**11**	20	**26**	49
Asia	**8**	21	**535**	720	**97**	140

	502	495	**865**	1,075	**646**	674
Total						
United States	**582**	473	**464**	400	**660**	540
Europe (c)	**291**	416	**238**	357	**331**	476
Africa	**210**	234	**160**	142	**236**	257
Asia	**25**	48	**1,113**	1,396	**210**	280
	1,108	1,171	**1,975**	2,295	**1,437**	1,553

Table of Contents

(a) *Total natural gas liquids reserves were 136 million barrels (61 million barrels developed and 75 million barrels undeveloped) at December 31, 2013 and 136 million barrels (76 million barrels developed and 60 million barrels undeveloped) at December 31, 2012. Of the total natural gas liquids reserves, 83% and 78% were in the U.S. and 15% and 17% were in Norway at December 31, 2013 and 2012, respectively. In addition, natural gas liquids do not sell at prices equivalent to crude oil. See the average selling prices in the table beginning on page 8.*

(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 8.*

(c) *Proved reserves in Norway, which represented 20% and 21% of the Corporation s total reserves at December 31, 2013 and 2012, respectively, were as follows:*

	Crude Oil, Condensate & Natural Gas Liquids		Natural Gas		Total Barrels of Oil Equivalent (BOE) (b)	
	2013	2012	2013	2012	2013	2012
	(Millions of barrels)		(Millions of mcf)		(Millions of barrels)	
Developed	***107***	*102*	***87***	*73*	***121***	*114*
Undeveloped	***149***	*182*	***111***	*146*	***168***	*207*
Total	***256***	*284*	***198***	*219*	***289***	*321*

On a barrel of oil equivalent basis, 45% of the Corporation s worldwide proved reserves were undeveloped at December 31, 2013 compared with 43% at December 31, 2012. Proved reserves held under production sharing contracts at December 31, 2013 totaled 7% of crude oil and natural gas liquids reserves and 46% of natural gas reserves, compared with 10% of crude oil and natural gas liquids reserves and 52% of natural gas reserves at December 31, 2012. Pro forma year-end reserves, which exclude assets in Indonesia and Thailand classified as held for sale at December 31, 2013, were 1,362 million boe. See the Supplementary Oil and Gas Data on pages 87 through 94 in the accompanying financial statements for additional information on the Corporation s oil and gas reserves.

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

	2013	2012	2011
Crude oil (thousands of barrels per day)			
United States			
Bakken	**55**	47	26
Other Onshore	**10**	13	11
Total Onshore	**65**	60	37
Offshore	**43**	48	44
Total United States	**108**	108	81
Europe			
Russia	**16**	49	45
United Kingdom		15	14
Norway (a)	**20**	11	20
Denmark	**8**	9	10
	44	84	89
Africa			
Equatorial Guinea	**44**	48	54

Libya	**13**	20	4
Algeria	**5**	7	8
	62	75	66
Asia			
Azerbaijan	**2**	7	6
Indonesia	**5**	6	3
Other	**4**	4	4
	11	17	13
Total	**225**	284	249

Table of Contents

	2013	2012	2011
Natural gas liquids (thousands of barrels per day)			
United States			
Bakken	**6**	5	2
Other Onshore	**4**	5	5
Total Onshore	**10**	10	7
Offshore	**5**	6	6
Total United States	**15**	16	13
Europe (a)	**1**	2	3
Asia	**1**	1	1
Total	**17**	19	17
Natural gas (thousands of mcf per day)			
United States			
Bakken	**38**	27	13
Other Onshore	**25**	27	26
Total Onshore	**63**	54	39
Offshore	**61**	65	61
Total United States	**124**	119	100
Europe			
United Kingdom	**1**	25	41
Norway (a)	**15**	10	29
Denmark	**7**	8	11
	23	43	81
Asia and Other			
Joint Development Area of Malaysia/Thailand (JDA)	**235**	252	267
Thailand	**87**	90	84
Indonesia	**52**	66	56
Malaysia	**33**	39	35
Other	**11**	7	
	418	454	442
Total	**565**	616	623
Barrels of oil equivalent (per day) (b)	**336**	406	370

(a) *Norway production for 2013 included 20 thousand barrels per day of crude oil, 1 thousand barrels per day of natural gas liquids and 15 thousand mcf per day of natural gas from the Valhall Field. Norway production for 2012 included 11 thousand barrels per day of crude oil, 0.5 thousand barrels per day of* *natural gas liquids and 8 thousand mcf per day of natural gas from the Valhall Field. Norway production for 2011 included 18 thousand barrels per day of crude oil, 1 thousand barrels per day of natural gas liquids and 15 thousand mcf per day of natural gas from the Valhall Field.*

(b) *Reflects natural gas production converted on the basis of relative energy content (six mcf equals one barrel). 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. In addition, natural gas liquids do not sell at prices equivalent to crude oil. See the average selling prices in the table beginning on page 8.*

A description of our significant E&P operations is as follows:

United States

At December 31, 2013, 46% of the Corporation s total proved reserves were located in the U.S. During 2013, 51% of the Corporation s crude oil and natural gas liquids production and 22% of its natural gas production were from U.S. operations. The Corporation s production in the U.S. was from offshore properties in the Gulf of Mexico and onshore properties principally in the Bakken oil shale play in the Williston Basin of North Dakota as well as in the Permian Basin of Texas and the Utica Basin of Ohio.

***Onshore*:** In North Dakota, the Corporation holds approximately 645,000 net acres in the Bakken at December 31, 2013. During 2013, the Corporation operated 14 rigs, drilled 195 wells, completed 181 wells, and brought on production 168 wells, bringing the total operated production wells to 722. During 2014, the Corporation plans to operate 17 rigs, to bring on

Table of Contents

production a further 225 wells with full year 2014 production from Bakken expected to average between 80,000 boepd and 90,000 boepd.

The Corporation owns the Tioga Gas Plant in North Dakota which had a processing capacity of approximately 110,000 mcf per day of natural gas during 2013. The Corporation is completing an expansion of the plant which will increase total processing capacity to approximately 250,000 mcf per day, with capability for ethane recovery, full fractionation and sales of natural gas liquids. Residual gas sales and ethane extraction are expected to commence in the first quarter of 2014. Other North Dakota infrastructure includes the Tioga rail terminal, nine unit trains each with 104 cars, the Ramberg truck terminal, gas compression stations and related gathering lines.

In the Utica shale play, the Corporation owns a 100% interest in approximately 92,000 acres in the dry gas area. In January 2014, the Corporation reached an agreement to sell approximately 74,000 acres of this dry gas position for $924 million. The Corporation also owns a 50% undivided interest in CONSOL Energy Inc. s (CONSOL) acreage in the Utica Basin. During the second quarter of 2013, the Corporation reached an agreement with CONSOL relating to title verification. This agreement reduced the gross joint venture acreage by approximately 64,000 acres to approximately 146,000 acres and also reduced the Corporation s total carry obligation from $534 million to $335 million. At December 31, 2013, the Corporation s remaining carry obligation was approximately $200 million. During 2013, a total of 29 wells were drilled, 24 wells were completed and 17 wells were tested across both the Corporation s 100% owned and joint venture acreage with CONSOL. In 2014, the Corporation plans to drill three wells on its 100% owned acreage and 32 wells with CONSOL on its joint venture acreage.

In the Permian Basin, the Corporation operates and holds a 34% interest in the Seminole-San Andres Unit. In 2013, the Corporation sold its interests in the Eagle Ford shale play in Texas.

***Offshore*:** The Corporation s production offshore in the Gulf of Mexico was principally from the Shenzi (Hess 28%), Llano (Hess 50%), Conger (Hess 38%), Baldpate (Hess 50%), Hack Wilson (Hess 25%) and Penn State (Hess 50%) fields.

At the outside operated Shenzi Field, development drilling continued during 2013 with the completion of two production wells and two water injection wells. Further field development drilling at Shenzi is planned for 2014. At the outside operated Llano Field, the Llano #4 production well was completed and first oil commenced in the fourth quarter of 2013. Llano production during 2013 was impacted by multiple shut-ins for planned and unplanned maintenance activities at outside operated processing and export facilities. At the operated Conger Field, seismic data was acquired during 2013 for future field development planning.

At the Hess operated Tubular Bells Field (Hess 57%), the Corporation completed drilling of the second and third production wells, and commenced a batch completion program in the fourth quarter of 2013. Facilities construction is ongoing with offshore installation expected to commence in the first quarter and first oil anticipated in the third quarter of 2014. A fourth production well is planned to be drilled during 2014.

The Corporation is operator and holds a 20% interest in the Stampede offshore development project, which consists of the Corporation s Pony discovery and the third-party Knotty Head discovery. An application to unitize Blocks 468, 512, the western half of 469 and the eastern half of 511 is expected to be filed with the Bureau of Safety and Environmental Enforcement in the first quarter of 2014. Field development is progressing and the project is targeted for sanction in 2014.

At December 31, 2013, the Corporation had interests in 207 blocks in the Gulf of Mexico, of which 178 were exploration blocks comprising approximately 700,000 net undeveloped acres, with an additional 66,000 net acres held for production and development operations. During 2013, the Corporation s interests in 47 leases, comprising approximately 165,000 net undeveloped acres, either expired or were relinquished. In the next three years, an additional 114 exploration leases, comprising approximately 430,000 net undeveloped acres, are due to expire.

Europe

At December 31, 2013, 23% of the Corporation s total proved reserves were located in Europe (Norway 20% and Denmark 3%). During 2013, 18% of the Corporation s crude oil and natural gas liquids production and 4% of its natural gas production were from European operations. In 2013, the Corporation completed the sale of its Russian subsidiary, Samara-Nafta, and sold its interests in the Beryl fields, completing its exit from producing operations in the UK North Sea.

Norway: The Corporation s Norwegian production was from its outside operated interests in the Valhall (Hess 64%) and Hod fields (Hess 63%).

Table of Contents

The Valhall Field was shut down from July 2012 through January 2013 to install a new production, utilities and accommodation platform, that extends the field life by approximately 40 years. Production resumed at reduced rates until the Valhall Field was shut down during June 2013 for planned maintenance at a third party processing facility. Net production from the Valhall Field for 2013 averaged 23,000 boepd with full year 2014 production expected to be in the range of 30,000 boepd to 35,000 boepd. In addition, the Corporation has a well abandonment program and is decommissioning the old infrastructure that is no longer being used.

United Kingdom: In January 2013, the Corporation completed the sale of its interests in the Beryl fields (Hess 22%) and the Scottish Area Gas Evacuation (SAGE) pipeline in the UK North Sea. The Corporation has commenced decommissioning activities in its non-producing fields comprising Atlantic (Hess 25%), Cromarty (Hess 90%), Fife, Flora and Angus (Hess 85%), Fergus (Hess 65%), Ivanhoe and Rob Roy (Hess 77%).

Denmark: Production comes from the Corporation s operated interest in the South Arne Field (Hess 62%), offshore Denmark. During 2013, the Corporation completed its phase three development program in which two new wellhead platforms were successfully installed in the Field. Development drilling commenced in the first half of 2013 and first oil from the development was achieved in the fourth quarter of 2013. Net production from the South Arne Field for 2013 averaged 9,000 boepd with full year 2014 production expected to be in the range of 10,000 boepd to 15,000 boepd.

Russia: The Corporation s activities in Russia were conducted through its interest in Samara-Nafta, a subsidiary operating in the Volga-Urals region. In April 2013, the Corporation completed the sale of its subsidiary.

France: The Corporation has interests in more than 300,000 net acres in the Paris Basin. In 2013, the Corporation drilled three vertical wells, which were logged and cored. Technical evaluation of the well results is expected to be completed in 2014. A law prohibiting the use of hydraulic fracturing was implemented by the French government in July 2011 and remains in place.

Africa

At December 31, 2013, 16% of the Corporation s total proved reserves were located in Africa (Equatorial Guinea 3.5%, Libya 12% and Algeria 0.5%). During 2013, 26% of the Corporation s crude oil and natural gas liquids production were from its African operations.

Equatorial Guinea: The Corporation is operator and owns an interest in Block G (Hess 85% paying interest) which contains the Ceiba Field and the Okume Complex. The national oil company of Equatorial Guinea holds a 5% carried interest in Block G. During 2013, the Corporation completed three additional production wells at the Ceiba Field, which concluded the Ceiba Phase II drilling campaign. At the Okume Complex, an infill drilling campaign commenced in the fourth quarter of 2013 based on 4D seismic and will continue throughout 2014. Net production from Equatorial Guinea averaged 44,000 boepd in 2013 and is expected to be in the range of 40,000 boepd to 45,000 boepd in 2014.

Libya: The Corporation, in conjunction with its Oasis Group partners, has production operations in the Waha concessions in Libya (Hess 8%) which contain the Defa, Faregh, Gialo, North Gialo, Belhedan and other fields. Due to the continuing civil unrest in Libya, production has been shut-in from the beginning of the third quarter of 2013. Net production at the Waha fields averaged 15,000 boepd during 2013 and 21,000 boepd in 2012. The Corporation also owns a 100% interest in offshore exploration Area 54 in the Mediterranean Sea. As a result of the ongoing civil and political unrest, the Corporation expensed the two previously capitalized exploration wells on the block in the fourth quarter of 2013.

Algeria: The Corporation has a 49% interest in a venture with the Algerian national oil company that redeveloped three oil fields. In 2013, the Corporation sold its interest in the development project, Bir El Msana (Hess 45%).

Ghana: The Corporation holds a 100% paying interest and is operator of the Deepwater Tano Cape Three Points license. The Ghana National Petroleum Corporation holds a 10% carried interest in the block. The Corporation has drilled seven successful exploration wells on the block. In June 2013, the Corporation submitted appraisal plans for each of the seven discoveries to the Ghanaian government for approval. Four of these appraisal plans, including the appraisal plan for the largest discovery, Pecan, were approved by year-end. The Corporation plans to commence a three well appraisal drilling campaign in the second half of 2014. Discussions continue with the Ghanaian government on the outstanding three appraisal plans.

Table of Contents

Asia and Other

At December 31, 2013, 15% of the Corporation s total proved reserves were located in the Asia region (JDA 9%, Indonesia 2%, Thailand 3% and Malaysia 1%). During 2013, 5% of the Corporation s crude oil and natural gas liquids production and 74% of its natural gas production were from its Asian and Other operations. In December 2013, the Corporation completed the sale of its Natuna A Field, located off the coast of Indonesia and in January 2014, its Pangkah asset, also located off the coast of Indonesia. In the first quarter of 2013, the Corporation sold its interests in Azerbaijan in the Caspian Sea and announced its intent to divest its interests in Thailand.

Joint Development Area of Malaysia/Thailand (JDA): The Corporation owns an interest in Block A-18 of the JDA (Hess 50%) in the Gulf of Thailand. In 2013, the operator continued development drilling, successfully installed two new wellhead platforms, sanctioned a further wellhead platform and continued with a major booster compression project. In 2014, the operator intends to progress the compression project, continue development drilling and commence production at the platforms installed in 2013. Net production for 2013 averaged 41,000 boepd with full year 2014 production expected to be approximately 250,000 mcf per day.

Malaysia: The Corporation s production in Malaysia comes from its interest in Block PM301 (Hess 50%), which is adjacent to and is unitized with Block A-18 of the JDA where the natural gas is processed. The Corporation also owns a 50% interest and is the operator of Blocks PM302, PM325 and PM326B located in the North Malay Basin (NMB), offshore Peninsular Malaysia, where a multi-phase natural gas development project is underway. The project achieved first production on the Early Production System in October 2013 where net production averaged approximately 30 million cubic feet per day in the fourth quarter. The Corporation expects net production to average approximately 40 million cubic feet per day through 2016 until full field development is completed in late 2016. Net production is expected to increase to approximately 165 million cubic feet per day in 2017.

Indonesia: The Corporation s production in Indonesia came from its interests offshore in the operated Ujung Pangkah asset (Hess 75%) and the outside operated Natuna A Field. In December 2013, the Corporation completed the sale of its Natuna A Field and, in January 2014, the Pangkah asset was sold.

Thailand: The Corporation s production in Thailand comes from the outside operated offshore Pailin Field (Hess 15%) and the operated onshore Sinphuhorm Block (Hess 35%). The Corporation has a sales process underway for its assets in Thailand.

Azerbaijan: The Corporation completed the sale of its interests in the Azeri-Chirag-Guneshli (ACG) fields, in the Caspian Sea, and in the Baku-Tbilisi-Ceyhan (BTC) oil transportation pipeline company, in March 2013.

Australia: The Corporation holds an interest in an exploration license covering approximately 780,000 acres in the Carnarvon Basin offshore Western Australia (WA-390-P Block, also known as Equus) (Hess 100%). The Corporation has drilled 13 natural gas discoveries. Development planning and commercial activities, including negotiations with potential liquefaction partners continued in 2013. Successful negotiation with a third party liquefaction partner is necessary before the Corporation can negotiate a gas sales agreement and sanction development of the project. In addition, the Corporation has approximately 1.7 million net acres in the Canning Basin, onshore Western Australia, where seismic re-processing and aero-magnetic surveys and interpretation were ongoing during 2013.

Brunei: The Corporation has an interest in Block CA-1 (Hess 14%). In 2012, the operator drilled two wells, Jagus East and Julong East, which both encountered hydrocarbons. These wells are being evaluated and seismic processing is ongoing.

Kurdistan Region of Iraq: The Corporation is operator and has an 80% paying interest (64% working interest) in the Dinarta and Shakrok exploration blocks, which have a combined area of more than 670 square miles. The Corporation spud its first exploration well on the Shakrok block during 2013. A second exploration well in Kurdistan, which will be on the Dinarta block, is planned for the first half of 2014.

China: In July 2013, the Corporation signed a Production Sharing Agreement with China National Petroleum Corporation (CNPC) to evaluate unconventional oil and gas resource opportunities covering approximately 200,000 gross acres in the Santanghu Basin. Under the agreement, Hess owns a 49% working interest share. The exploration phase commenced in August 2013 and one vertical well has been drilled to date. Further drilling is planned for 2014.

Table of Contents

Sales Commitments

In the E&P segment, the Corporation has contracts to sell fixed quantities of its natural gas and natural gas liquids (NGL) production. The natural gas contracts principally relate to producing fields in Asia. The most significant of these commitments relates to the JDA where the minimum contract quantity of natural gas is estimated at 99 billion cubic feet per year based on current entitlements under a sales contract expiring in 2027. The estimated total volume of production subject to sales commitments under all of these contracts is approximately 1.7 trillion cubic feet of natural gas.

The Corporation has NGL contracts relating to its Bakken production with delivery commitments which begin in January 2014. The minimum contract quantity under these contracts, which expire in 2023, is approximately 8 million barrels per year, or approximately 98 million barrels over the life of the contracts.

The Corporation has not experienced any significant constraints in satisfying the committed quantities required by its sales commitments and it anticipates being able to meet future requirements from available proved and probable reserves.

Average selling prices and average production costs

	2013	2012	2011
Average selling prices (a)			
Crude oil per barrel (including hedging)			
United States			
Onshore	**$ 90.00**	$ 84.78	$ 91.11
Offshore	**103.83**	101.80	104.83
Total United States	**95.50**	92.32	98.56
Europe (b)	**88.03**	74.14	80.18
Africa	**108.70**	89.02	88.46
Asia	**107.40**	107.45	111.71
Worldwide	**98.48**	86.94	89.99
Crude oil per barrel (excluding hedging)			
United States			
Onshore	**$ 89.81**	$ 85.66	$ 91.11
Offshore	**103.15**	104.39	104.83
Total United States	**95.11**	93.96	98.56
Europe (b)	**87.45**	75.06	80.18
Africa	**108.07**	110.92	110.28
Asia	**107.40**	109.35	111.71
Worldwide	**98.01**	93.70	95.60
Natural gas liquids per barrel			
United States			
Onshore	**$ 43.14**	$ 44.22	$ 79.75
Offshore	**29.18**	35.24	50.88
Total United States	**38.07**	40.75	58.59
Europe (b)	**58.31**	78.43	75.49
Asia	**74.94**	77.92	72.29
Worldwide	**40.68**	47.81	62.72

Table of Contents

Average selling prices and average production costs

	2013	2012	2011
Natural gas per mcf			
United States			
Onshore	**$ 3.08**	$ 2.02	$ 3.16
Offshore	**2.83**	2.15	3.54
Total United States	**2.96**	2.09	3.39
Europe (b)	**11.06**	9.50	8.79
Asia and other	**7.50**	6.90	6.02
Worldwide	**6.64**	6.16	5.96
Average production (lifting) costs per barrel of oil equivalent produced (c)			
United States			
Onshore	**$ 29.42**	$ 28.97	$ 29.14
Offshore	**4.98**	5.21	5.08
Total United States	**19.45**	18.25	16.30
Europe (b)	**36.02**	29.56	25.13
Africa	**19.26**	14.45	15.95
Asia and other	**12.89**	11.13	10.62
Worldwide	**20.26**	18.52	17.40

(a) Includes inter-company transfers valued at approximate market prices.

(b) The average selling prices in Norway for 2013 were $110.25 per barrel for crude oil (including hedging), $109.41 per barrel for crude oil (excluding hedging), $57.87 per barrel for natural gas liquids and $13.50 per mcf for natural gas. The average selling prices in Norway for 2012 were $109.23 per barrel for crude oil (including hedging), $113.08 per barrel for crude oil (excluding hedging), $58.48 per barrel for natural gas liquids and $12.21 per mcf for natural gas. The average selling prices in Norway for 2011 were $112.38 per barrel for crude oil, $62.07 per barrel for natural gas liquids and $9.77 per mcf for natural gas. The average production (lifting) costs in Norway were $44.69 per barrel of oil equivalent produced in 2013, $62.38 per barrel of oil equivalent produced in 2012, reflecting a shutdown of production from July 2012 through the end of 2012, and $31.09 per barrel of oil equivalent produced in 2011.

(c) Production (lifting) costs consist of amounts incurred to operate and maintain the Corporation s producing oil and gas wells, related equipment and facilities, transportation costs and production and severance taxes. The average production costs per barrel of oil equivalent reflect the crude oil equivalent of natural gas production converted on the basis of relative energy content (six mcf equals one barrel).

The table above does not include costs of finding and developing proved oil and gas reserves, or the costs of related general and administrative expenses, interest expense and income taxes.

Gross and net undeveloped acreage at December 31, 2013

	Undeveloped Acreage (a)	
	Gross	Net

	(In thousands)	
United States	1,692	1,197
Europe (b)	807	639
Africa	6,453	3,380
Asia and other	11,845	7,874
Total (c)	20,797	13,090

(a) *Includes acreage held under production sharing contracts.*

(b) *Gross and net undeveloped acreage in Norway was 61 thousand and 9 thousand, respectively.*

(c) *Licenses covering approximately 69% of the Corporation s net undeveloped acreage held at December 31, 2013 are scheduled to expire during the next three years pending the results of exploration activities. These scheduled expirations are largely in Africa, Asia and the U.S.*

Table of Contents

Gross and net developed acreage and productive wells at December 31, 2013

	Developed Acreage Applicable to Productive Wells		Productive Wells (a)			
			Oil		Gas	
	Gross	Net	Gross	Net	Gross	Net
	(In thousands)					
United States	1,212	813	2,029	885	59	47
Europe (b)	102	59	64	41		
Africa	9,832	933	826	121		
Asia and other	914	355	17	13	499	113
Total	12,060	2,160	2,936	1,060	558	160

(a) *Includes multiple completion wells (wells producing from different formations in the same bore hole) totaling 48 gross wells and 35 net wells.*

(b) *Gross and net developed acreage in Norway was approximately 57 thousand and 36 thousand, respectively. Gross and net productive oil wells in Norway were 50 and 32, respectively.*

Number of net exploratory and development wells drilled during the years ended December 31

	Net Exploratory Wells			Net Development Wells		
	2013	2012	2011	2013	2012	2011
Productive wells						
United States	**10**	3	20	**146**	184	98
Europe		3	6	**1**	23	25
Africa	**2**	3	1	**2**	1	1
Asia and other	**4**	3	4	**18**	20	18
	16	12	31	**167**	228	142
Dry holes						
United States		1				
Europe	**3**	3	2			
Africa			1			
Asia and other	**1**	2	1			
	4	6	4			
Total	**20**	18	35	**167**	228	142

Number of wells in process of drilling at December 31, 2013

	Gross Wells	Net Wells
United States	184	81
Europe*	5	3
Africa	16	2
Asia and other	23	6
Total	228	92

** Gross and net wells in process of drilling in Norway were 4 and 3, respectively.*

Marketing and Refining

The Corporation is in the process of exiting all downstream businesses to become a pure play E&P company.

At December 31, 2013, the Corporation had 1,350 HESS® retail gasoline stations, including stations owned by its WilcoHess joint venture (Hess 44%). Approximately 93% of the gasoline stations are operated by the Corporation or WilcoHess. Of the operated stations, 96% have convenience stores on the sites. Most of the Corporation s gasoline stations are in New York, New Jersey, Pennsylvania, Florida, Massachusetts, North Carolina and South Carolina. In January 2014, the Corporation acquired the remaining interest in WilcoHess. The Corporation is pursuing a dual track to divest its retail marketing business either through a third-party sale or a tax free spin-off into a new public company.

Table of Contents

The table below summarizes marketing sales volumes:

	2013	2012	2011
Retail Marketing			
Number of retail stations*	**1,350**	1,361	1,360
Convenience store revenue (in millions)	**$ 1,069**	$ 1,123	$ 1,189
Average gasoline volume per station (thousands of gallons per month)	**187**	192	195

** Includes operated, WilcoHess, dealer and branded retailer stations.*

In addition, the Corporation plans to divest its interests in an energy trading partnership, a joint venture (Hess 50%) to build a 655-megawatt natural gas fueled electric generating facility in Newark, New Jersey, and the Bayonne Energy Center, LLC (Hess 50%), a joint venture that operates a 512-megawatt natural gas fueled electric generating station in Bayonne, New Jersey, which provides power to New York City.

In the fourth quarter of 2013, the Corporation sold its energy marketing and terminal network businesses which marketed refined petroleum products, natural gas and electricity on the East Coast of the U.S. to wholesale distributors, industrial and commercial users, other petroleum companies, governmental agencies and public utilities.

In the first quarter of 2013, the Corporation permanently shut down refining operations at its Port Reading, New Jersey facility, thus completing its exit from all refining operations. HOVENSA, a 50/50 joint venture between the Corporation s subsidiary, HOVIC, and a subsidiary of PDVSA, had previously shut down its refinery in St. Croix, U.S. Virgin Islands in January 2012 and continued operating solely as an oil storage terminal. During 2012 and continuing into 2013, HOVENSA and the Government of the Virgin Islands negotiated a plan to pursue the sale of HOVENSA and the sales process commenced in the fourth quarter. If an agreement to sell the refinery cannot be reached, HOVENSA will likely not be able to continue operating as an oil storage terminal. For further discussion of the refinery shutdown, see Note 10, HOVENSA L.L.C. Joint Venture, in the notes to the Consolidated Financial Statements.

Competition and Market Conditions

See Item 1A. Risk Factors Related to Our Business and Operations, for a discussion of competition and market conditions.

Other Items

Emergency Preparedness and Response Plans and Procedures

The Corporation has in place a series of business and asset-specific emergency preparedness, response and business continuity plans that detail procedures for rapid and effective emergency response and environmental mitigation activities. These plans are risk appropriate and are maintained, reviewed and updated as necessary to ensure their accuracy and suitability. Where appropriate, they are also reviewed and approved by the relevant host government authorities.

Responder training and drills are routinely held worldwide to assess and continually improve the effectiveness of the Corporation s plans. The Corporation s contractors, service providers, representatives from government agencies and, where applicable, joint venture partners participate in the drills to ensure that emergency procedures are comprehensive and can be effectively implemented.

To complement internal capabilities and to ensure coverage for its global operations, the Corporation maintains membership contracts with a network of local, regional and global oil spill response and emergency response organizations. At the regional and global level, these organizations include Clean Gulf Associates (CGA), Marine Well Containment Company (MWCC), Wild Well Control (WWC), Subsea Well Intervention Service (SWIS), National Response Corporation (NRC) and Oil Spill Response (OSR). CGA is a regional spill response organization and MWCC provides the equipment and personnel to contain underwater well control incidents in the Gulf of Mexico. WWC provides firefighting, well control and engineering services globally. NRC and OSR are global response organizations and are available to assist the Corporation when needed anywhere in the world. In addition to owning response assets in their own right, these organizations maintain business relationships that provide immediate access to additional critical response support services if required. These owned response assets included nearly 300 recovery and storage vessels and barges, more than 250 skimmers, over 300,000 feet of boom, and significant quantities of dispersants and other ancillary equipment, including aircraft. In addition to external well control and oil spill response support, Hess has contracts with wildlife, environmental, meteorology, incident management, medical and security resources. If the Corporation were to engage these organizations to obtain additional critical response support services, it would fund such services and seek reimbursement under its insurance coverage described below. In certain circumstances, the Corporation pursues and enters into mutual aid agreements with other companies and government cooperatives to receive and provide oil spill response equipment and personnel support. The Corporation maintains close associations with emergency response organizations through its representation on the Executive Committee of CGA and the Board of Directors of OSR.

The Corporation continues to participate in a number of industry-wide task forces that are studying better ways to assess the risk of and prevent onshore and offshore incidents, access and control blowouts in subsea environments, and improve containment and recovery methods. The task forces are working closely with the oil and gas industry and international government agencies to implement improvements and increase the effectiveness of oil spill prevention, preparedness, response and recovery processes.

Insurance Coverage and Indemnification

The Corporation maintains insurance coverage that includes coverage for physical damage to its property, third party liability, workers compensation and employers liability, general liability, sudden and accidental pollution and other coverage. This insurance coverage is subject to deductibles, exclusions and limitations and there is no assurance that such coverage will adequately protect the Corporation against liability from all potential consequences and damages.

The amount of insurance covering physical damage to the Corporation s property and liability related to negative environmental effects resulting from a sudden and accidental pollution event, excluding Atlantic Named Windstorm coverage for which it is self-insured, varies by asset, based on the asset s estimated replacement value or the estimated maximum loss. In the case of a catastrophic event, first party coverage consists of two tiers of insurance. The first $300 million of coverage is provided through an industry mutual insurance group. Above this $300 million threshold, insurance is carried which ranges in value up to $2.38 billion in total, depending on the asset coverage level, as described above. Additionally, the Corporation carries insurance which provides third party coverage for general liability, and sudden and accidental pollution, up to $1.05 billion.

The Corporation s insurance policies renew at various dates each year. Future insurance coverage could increase in cost and may include higher deductibles or retentions, or additional exclusions or limitations. In addition, some forms of insurance may become unavailable in the future or unavailable on terms that are deemed economically acceptable.

Generally, the Corporation s drilling contracts (and most of its other offshore services contracts) provide for a mutual hold harmless indemnity structure whereby each party to the contract (the Corporation and Contractor) indemnifies the other party for injuries or damages to their personnel and property (and, often, those of its contractors/subcontractors) regardless of fault. Variations may include indemnity exclusions to the extent a claim is attributable to the gross negligence and/or willful misconduct of a party. Third-party claims, on the other hand, are generally allocated on a fault basis.

The Corporation is customarily responsible for, and indemnifies the Contractor against all claims, including those from third-parties, to the extent attributable to pollution or contamination by substances originating from its reservoirs or other property (regardless of fault, including gross negligence and willful misconduct) and the Contractor is responsible for and indemnifies the Corporation for all claims attributable to pollution emanating from the Contractor s property. Additionally, the Corporation is generally liable for all of its own losses and most third-party claims associated with catastrophic losses such as blowouts, cratering and loss of hole, regardless of cause, although exceptions for losses attributable to gross negligence and/or willful misconduct do exist. Lastly, many offshore services contracts include overall limitations of the Contractor s liability equal to the value of the contract or a fixed amount.

Under a standard joint operating agreement (JOA), each party is liable for all claims arising under the JOA, not covered by or in excess of insurance carried by the JOA, to the extent of its participating interest (operator or non-operator). Variations include indemnity exclusions when the claim is based upon the gross negligence and/or willful misconduct of a party, in which case such party is solely liable. However, under some production sharing contracts between a governmental entity and commercial parties, liability of the commercial parties to the governmental entity is joint and several.

Environmental

Compliance with various existing environmental and pollution control regulations imposed by federal, state, local and foreign governments is not expected to have a material adverse effect on the Corporation s financial condition or results of operations. The Corporation spent approximately $16 million in 2013 for environmental remediation, principally relating to the downstream businesses. The Corporation anticipates capital expenditures for E&P facilities, primarily to comply with

12

Table of Contents

federal, state and local environmental standards of approximately $65 million in 2014 and approximately $50 million in 2015. The Corporation anticipates capital expenditures for the downstream businesses of approximately $8 million in 2014. For further discussion of environmental matters see the Environment, Health and Safety section of Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Number of Employees

The number of persons employed by the Corporation at year-end was approximately 12,225 in 2013 and 14,775 in 2012. The reduction in the number of employees between 2013 and 2012 was largely a result of the Corporation s asset sales program. Of the employees remaining at year-end, approximately 8,800 in 2013 (approximately 9,500 in 2012) were employed in the Corporation s downstream businesses that are due to be divested.

Other

The Corporation s internet address is www.hess.com. On its website, the Corporation makes available free of charge its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after the Corporation electronically files with or furnishes such material to the Securities and Exchange Commission. The contents of the Corporation s website are not incorporated by reference in this report. Copies of the Corporation s Code of Business Conduct and Ethics, its Corporate Governance Guidelines and the charters of the Audit Committee, the Compensation and Management Development Committee and the Corporate Governance and Nominating Committee of the Board of Directors are available on the Corporation s website and are also available free of charge upon request to the Secretary of the Corporation at its principal executive offices. The Corporation has also filed with the New York Stock Exchange (NYSE) its annual certification that the Corporation s Chief Executive Officer is unaware of any violation of the NYSE s corporate governance standards.

Item 1A. Risk Factors Related to Our Business and Operations

Our business activities and the value of our securities are subject to significant risk factors, including those described below. The risk factors described below could negatively affect our operations, financial condition, liquidity and results of operations, and as a result, holders and purchasers of our securities could lose part or all of their investments. It is possible that additional risks relating to our securities may be described in a prospectus supplement if we issue securities in the future.

Our business and operating results are highly dependent on the market prices of crude oil, natural gas liquids and natural gas, which can be very volatile. Our estimated proved reserves, revenue, operating cash flows, operating margins, and future earnings are highly dependent on the prices of crude oil, natural gas liquids and natural gas, which are volatile and influenced by numerous factors beyond our control. The major foreign oil producing countries, including members of the Organization of Petroleum Exporting Countries (OPEC), exert considerable influence over the supply and price of crude oil and refined petroleum products. Their ability or inability to agree on a common policy on rates of production and other matters has a significant impact on the oil markets. The commodities trading markets as well as other supply and demand factors may also influence the selling prices of crude oil, natural gas liquids and natural gas. To the extent that we engage in hedging activities to mitigate commodity price volatility, we may not realize the benefit of price increases above the hedged price. Changes in commodity prices can also have a material impact on collateral and margin requirements under our derivative contracts. In order to manage the potential volatility of cash flows and credit requirements, the Corporation utilizes significant bank credit facilities. An inability to renew or replace such credit facilities or access other sources of funding as they mature would negatively impact our liquidity. In addition, we are exposed to risks related to changes in interest rates and foreign currency values, and may engage in hedging activities to mitigate related volatility.

If we fail to successfully increase our reserves, our future crude oil and natural gas production will be adversely impacted. We own or have access to a finite amount of oil and gas reserves which will be depleted over time. Replacement of oil and gas production and reserves, including proved undeveloped reserves, is subject to successful exploration drilling, development activities, and enhanced recovery programs. Therefore, future oil and gas production is dependent on technical success in finding and developing additional hydrocarbon reserves. Exploration activity involves the interpretation of seismic and other geological and geophysical data, which does not always successfully predict the presence of commercial quantities of hydrocarbons. Drilling risks include unexpected adverse conditions, irregularities in pressure or formations, equipment failure, blowouts and weather interruptions. Future developments may be affected by unforeseen reservoir conditions which negatively affect recovery factors or flow rates. The costs of drilling and development activities have increased in recent years which could negatively affect expected economic returns. Reserve replacement can also be

achieved through acquisition. Similar risks, however, may be encountered in the production of oil and gas on properties acquired from others.

There are inherent uncertainties in estimating quantities of proved reserves and discounted future net cash flows, and actual quantities may be lower than estimated. Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues from those reserves. Actual future production, oil and gas prices, revenues, taxes, capital expenditures, operating expenses, and quantities of recoverable oil and gas reserves may vary substantially from those assumed in the estimates and could materially affect the estimated quantities of our proved reserves and the related future net revenues. In addition, reserve estimates may be subject to downward or upward changes based on production performance, purchases or sales of properties, results of future development, prevailing oil and gas prices, production sharing contracts, which may decrease reserves as crude oil and natural gas prices increase, and other factors.

We do not always control decisions made under joint operating agreements and the partners under such agreements may fail to meet their obligations. We conduct many of our exploration and production operations through joint operating agreements with other parties under which we may not control decisions, either because we do not have a controlling interest or are not operator under the agreement. There is risk that these parties may at any time have economic, business, or legal interests or goals that are inconsistent with ours, and therefore decisions may be made which are not what we believe is in our best interest. Moreover, parties to these agreements may be unable to meet their economic or other obligations and we may be required to fulfill those obligations alone. In either case, the value of our investment may be adversely affected.

We are subject to changing laws and regulations and other governmental actions that can significantly and adversely affect our business. Federal, state, local, territorial and foreign laws and regulations relating to tax increases and retroactive tax claims, disallowance of tax credits and deductions, expropriation or nationalization of property, mandatory government participation, cancellation or amendment of contract rights, imposition of capital controls or blocking of funds, changes in import and export regulations, limitations on access to exploration and development opportunities, as well as other political developments may affect our operations. As a result of the accident in April 2010 at the BP p.l.c. (BP) operated Macondo prospect in the Gulf of Mexico (in which the Corporation was not a participant) and the ensuing significant oil spill, a temporary drilling moratorium was imposed in the Gulf of Mexico. While this moratorium has since been lifted, significant new regulations have been imposed and further legislation and regulations may be proposed. The new regulatory environment has resulted in a longer permitting process and higher costs. We also transport some of our crude oil production, particularly from the Bakken shale oil play, by rail. Recent rail accidents have raised public awareness of rail safety and may result in heightened regulatory scrutiny that may lead to an increase in the costs of transporting crude oil and other hydrocarbons by rail and otherwise adversely impact our operations.

Political instability in areas where we operate can adversely affect our business. Some of the international areas in which we operate, and the partners with whom we operate, are politically less stable than other areas and partners. Political and civil unrest in North Africa and the Middle East has affected and may affect our operations in these areas as well as oil and gas markets generally. For example, production at the Waha fields in Libya, which has a net production capacity of approximately 25,000 boepd, has been shut-in since August 2013 and was also shut-in for eight months in 2011 due to civil unrest. The threat of terrorism around the world also poses additional risks to the operations of the oil and gas industry.

Our oil and gas operations are subject to environmental risks and environmental laws and regulations that can result in significant costs and liabilities. Our oil and gas operations, like those of the industry, are subject to environmental risks such as oil spills, produced water spills, gas leaks and ruptures and discharges of substances or gases that could expose us to substantial liability for pollution or other environmental damage. Our operations are also subject to numerous U.S. federal, state, local and foreign environmental laws and regulations. Non-compliance with these laws and regulations may subject us to administrative, civil or criminal penalties, remedial clean-ups and natural resource damages or other liabilities. In addition, increasingly stringent environmental regulations have resulted and will likely continue to result in higher capital expenditures and operating expenses for us and the oil and gas industry in general.

Concerns have been raised in certain jurisdictions where we have operations concerning the safety and environmental impact of the drilling and development of shale oil and gas resources, particularly hydraulic fracturing, water usage, flaring of associated natural gas and air emissions. While we believe that these operations can be conducted safely and with minimal impact on the environment, regulatory bodies are responding to these concerns and may impose moratoriums and new regulations on such drilling operations that would likely have the effect of prohibiting or delaying such operations and increasing their cost. For example, a moratorium prohibiting hydraulic fracturing is currently impacting the Corporation s exploration activities in France.

Table of Contents

Concerns about climate change may result in significant operational changes and expenditures, reduced demand for our products and adversely affect our business. We recognize that climate change is a global environmental concern. Continuing political and social attention to the issue of climate change has resulted in both existing and pending international agreements and national, regional or local legislation and regulatory measures to limit greenhouse gas emissions. These agreements and measures may require significant equipment modifications, operational changes, taxes, or purchase of emission credits to reduce emission of greenhouse gases from our operations, which may result in substantial capital expenditures and compliance, operating, maintenance and remediation costs. In addition, our production is used to produce petroleum fuels, which through normal customer use may result in the emission of greenhouse gases. Regulatory initiatives to reduce the use of these fuels may reduce our sales of crude oil and other hydrocarbons. The imposition and enforcement of stringent greenhouse gas emissions reduction targets could severely and adversely impact the oil and gas industry and significantly reduce the value of our business. Finally, to the extent that climate change may result in more extreme weather related events, we could experience increased costs related to prevention, maintenance and remediation of affected operations in addition to higher costs and lost revenues related to delays and shutdowns.

Our industry is highly competitive and many of our competitors are larger and have greater resources than we have. The petroleum industry is highly competitive and very capital intensive. We encounter competition from numerous companies in each of our activities, including acquiring rights to explore for crude oil and natural gas. Many competitors, including national oil companies, are larger and have substantially greater resources. We are also in competition with producers of other forms of energy. Increased competition for worldwide oil and gas assets has significantly increased the cost of acquiring oil and gas assets. In addition, competition for drilling services, technical expertise and equipment may affect the availability of technical personnel and drilling rigs, resulting in increased capital and operating costs.

Catastrophic events, whether naturally occurring or man-made, may materially affect our operations and financial conditions. Our oil and gas operations are subject to unforeseen occurrences which have affected us from time to time and which may damage or destroy assets, interrupt operations and have other significant adverse effects. Examples of catastrophic risks include hurricanes, fires, explosions, blowouts, such as the third party accident at the Macondo prospect, pipeline interruptions and ruptures, severe weather, geological events, labor disputes or cyber-attacks. Although we maintain insurance coverage against property and casualty losses, there can be no assurance that such insurance will adequately protect the Corporation against liability from all potential consequences and damages. Moreover, some forms of insurance may be unavailable in the future or be available only on terms that are deemed economically unacceptable.

Cyber-attacks targeting our computer and telecommunications systems and infrastructure used by the oil and gas industry may materially impact our business and operations. Computers and telecommunication systems are used to conduct our exploration, development and production activities and have become an integral part of our business. We use these systems to analyze and store financial and operating data and to communicate within our company and with outside business partners. Cyber-attacks could compromise our computer and telecommunications systems and result in disruptions to our business operations, the loss or corruption of our data and proprietary information and communications interruptions. In addition, computers control oil and gas distribution systems globally and are necessary to deliver our production to market. A cyber-attack impacting these distribution systems, or the networks and infrastructure on which they rely, could damage critical production, distribution and/or storage assets, delay or prevent delivery to markets and make it difficult or impossible to accurately account for production and settle transactions. Our systems and procedures for protecting against such attacks and mitigating such risks may prove to be insufficient and such attacks could have an adverse impact on our business and operations.

Item 3. Legal Proceedings

The Corporation, along with many other companies engaged in refining and marketing of gasoline, has been a party to lawsuits and claims related to the use of methyl tertiary butyl ether (MTBE) in gasoline. A series of similar lawsuits, many involving water utilities or governmental entities, were filed in jurisdictions across the U.S. against producers of MTBE and petroleum refiners who produced gasoline containing MTBE, including the Corporation. The principal allegation in all cases was that gasoline containing MTBE is a defective product and that these parties are strictly liable in proportion to their share of the gasoline market for damage to groundwater resources and are required to take remedial action to ameliorate the alleged effects on the environment of releases of MTBE. In 2008, the majority of the cases against the Corporation were settled. In 2010 and 2011, additional cases were settled including an action brought in state court by the State of New Hampshire. Cases brought by the State of New Jersey and the Commonwealth of Puerto Rico remain unresolved. The Corporation has reserves recorded which it believes are adequate to cover its expected liability in these cases.

Table of Contents

The Corporation received a directive from the New Jersey Department of Environmental Protection (NJDEP) to remediate contamination in the sediments of the lower Passaic River and the NJDEP is also seeking natural resource damages. The directive, insofar as it affects the Corporation, relates to alleged releases from a petroleum bulk storage terminal in Newark, New Jersey previously owned by the Corporation. The Corporation and over 70 companies entered into an Administrative Order on Consent with the Environmental Protection Agency (EPA) to study the same contamination. The Corporation and other parties recently settled a cost recovery claim by the State of New Jersey and also agreed to fund remediation of a portion of the site. The EPA is continuing to study contamination and remedial designs for other portions of the River. In addition, the federal trustees for natural resources have begun a separate assessment of damages to natural resources in the Passaic River. Given the ongoing studies, remedial costs cannot be reliably estimated at this time. Based on currently known facts and circumstances, the Corporation does not believe that this matter will result in a material liability because its terminal could not have contributed contamination along most of the river s length and did not store or use contaminants which are of the greatest concern in the river sediments, and because there are numerous other parties who will likely share in the cost of remediation and damages.

On July 25, 2011, the Virgin Islands Department of Planning and Natural Resources commenced an enforcement action against HOVENSA by issuance of documents titled Notice Of Violation, Order For Corrective Action, Notice Of Assessment of Civil Penalty, Notice Of Opportunity For Hearing (the NOVs). The NOVs assert violations of Virgin Islands Air Pollution Control laws and regulations arising out of odor incidents on St. Croix in May 2011 and proposed total penalties of $210,000. HOVENSA believes that it has good defenses against the asserted violations.

In July 2004, HOVIC and HOVENSA, each received a letter from the Commissioner of the Virgin Islands Department of Planning and Natural Resources and Natural Resources Trustees, advising of the Trustee s intention to bring suit against HOVIC and HOVENSA under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). The letter alleges that HOVIC and HOVENSA are potentially responsible for damages to natural resources arising from releases of hazardous substances from the HOVENSA refinery, which had been operated by HOVIC until October 1998. An action was filed on May 5, 2005 in the District Court of the Virgin Islands against HOVENSA, HOVIC and other companies that operated industrial facilities on the south shore of St. Croix asserting that the defendants are liable under CERCLA and territorial statutory and common law for damages to natural resources. The CERCLA claims have been dismissed and a trial is scheduled in June 2014 on the remaining claims. HOVIC and HOVENSA are continuing to vigorously defend this matter and do not believe that this matter will result in a material liability as they believe that they have strong defenses against this complaint.

The Corporation periodically receives notices from the EPA that it is a potential responsible party under the Superfund legislation with respect to various waste disposal sites. Under this legislation, all potentially responsible parties are jointly and severally liable. For certain sites, the EPA s claims or assertions of liability against the Corporation relating to these sites have not been fully developed. With respect to the remaining sites, the EPA s claims have been settled, or a proposed settlement is under consideration, in all cases for amounts that are not material. The ultimate impact of these proceedings, and of any related proceedings by private parties, on the business or accounts of the Corporation cannot be predicted at this time due to the large number of other potentially responsible parties and the speculative nature of clean-up cost estimates, but is not expected to be material.

The Corporation is from time to time involved in other judicial and administrative proceedings, including proceedings relating to other environmental matters. The Corporation cannot predict with certainty if, how or when such proceedings will be resolved or what the eventual relief, if any, may be, particularly for proceedings that are in their early stages of development or where plaintiffs seek indeterminate damages. Numerous issues may need to be resolved, including through potentially lengthy discovery and determination of important factual matters before a loss or range of loss can be reasonably estimated for any proceeding. Subject to the foregoing, in management s opinion, based upon currently known facts and circumstances, the outcome of such proceedings is not expected to have a material adverse effect on the financial condition, results of operations or cash flows of the Corporation.

Item 4. Mine Safety Disclosures

None.

Table of Contents

PART II

Item 5. Market for the Registrant s Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities

Stock Market Information

The common stock of Hess Corporation is traded principally on the New York Stock Exchange (ticker symbol: HES). High and low sales prices were as follows:

	2013		2012	
Quarter Ended	**High**	**Low**	**High**	**Low**
March 31	**$ 72.63**	**$ 53.06**	$ 67.86	$ 54.10
June 30	**74.48**	**61.32**	60.20	39.67
September 30	**80.41**	**66.23**	57.34	41.94
December 31	**85.15**	**76.83**	55.96	48.20

Performance Graph

Set forth below is a line graph comparing the five year shareholder return on a $100 investment in the Corporation s common stock assuming reinvestment of dividends, against the cumulative total returns for the following:

Standard & Poor s (S&P) 500 Stock Index, which includes the Corporation,

Proxy Peer Group comprising 16 oil and gas peer companies, including the Corporation (as disclosed in the Corporation s 2013 Proxy Statement).

Comparison of Five-Year Shareholder Returns

Years Ended December 31,

Table of Contents

Holders

At December 31, 2013, there were 3,961 stockholders (based on the number of holders of record) who owned a total of 325,314,177 shares of common stock.

Dividends

In 2013, cash dividends on common stock totaled $0.70 per share ($0.10 per share for the first two quarters and $0.25 per share commencing in the third quarter of 2013). Cash dividends were $0.40 per share ($0.10 per quarter) for both 2012 and 2011.

Share Repurchase Activities

Hess s share repurchase activities for the year ended December 31, 2013, were as follows:

2013	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (b) (In millions)
July		$		$ 4,000
August	3,033,073	75.05	3,033,073	3,772
September	3,495,977	77.95	3,495,977	3,500
October	5,159,765	81.31	5,159,765	3,080
November	3,910,569	81.43	3,910,569	2,762
December	3,710,300	80.85	3,710,300	2,462
Total for 2013	19,309,684	$ 79.65	19,309,684	

(a) Repurchased in open-market transactions. The average price paid per share was inclusive of transaction fees.

(b) In March 2013, the Corporation announced a board authorized plan to repurchase up to $4 billion of outstanding common shares.

Table of Contents

Equity Compensation Plans

Following is information on the Registrant s equity compensation plans at December 31, 2013:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights *	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column*)
Equity compensation plans approved by security holders	10,141,000	$ 63.08	10,244,000(a)
Equity compensation plans not approved by security holders (b)			

(a) *These securities may be awarded as stock options, restricted stock, performance share units or other awards permitted under the Registrant s equity compensation plan.*

(b) *The Corporation has a Stock Award Program pursuant to which each non-employee director annually receives approximately $175,000 in value of the Corporation s common stock. These awards are made from shares purchased by the Corporation in the open market.*

See Note 13, Share-based Compensation in the notes to the Consolidated Financial Statements for further discussion of the Corporation s equity compensation plans.

Table of Contents

Item 6. Selected Financial Data

The following is a five-year summary of selected financial data that should be read in conjunction with the Corporation s consolidated financial statements and the accompanying notes and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Annual Report:

	2013	2012	2011	2010	2009
		(In millions, except per share amounts)			
Sales and other operating revenues					
Crude oil and natural gas liquids	**$ 9,824**	$ 10,332	$ 8,921	$ 7,235	$ 5,665
Natural gas (including sales of purchased gas)	**1,394**	1,394	1,362	1,373	1,215
Refined petroleum products	**9,684**	10,190	9,712	5,409	4,382
Convenience store sales and other operating revenues	**1,382**	1,465	1,456	1,636	1,716
Total	**$ 22,284**	$ 23,381	$ 21,451	$ 15,653	$ 12,978
Income from continuing operations	**$ 3,968**	$ 1,867	$ 1,531	$ 1,955	$ 571
Income from discontinued operations	**1,254**	196	145	183	236
Net income	**$ 5,222**	$ 2,063	$ 1,676	$ 2,138	$ 807
Less: Net income (loss) attributable to noncontrolling interests	**170**	38	(27)	13	67
Net income attributable to Hess Corporation	**$ 5,052(a)**	$ 2,025(b)	$ 1,703(c)	$ 2,125(d)	$ 740(e)
Net income attributable to Hess Corporation per share:					
Basic:					
Continuing operations	**$ 11.28**	$ 5.40	$ 4.62	$ 5.96	$ 1.56
Discontinued operations	**3.73**	0.58	0.43	0.56	0.72
Net income per share	**$ 15.01**	$ 5.98	$ 5.05	$ 6.52	$ 2.28
Diluted:					
Continuing operations	**$ 11.14**	$ 5.37	$ 4.58	$ 5.92	$ 1.55
Discontinued operations	**3.68**	0.58	0.43	0.55	0.72
Net income per share	**$ 14.82**	$ 5.95	$ 5.01	$ 6.47	$ 2.27
Total assets	**$ 42,754**	$ 43,441	$ 39,136	$ 35,396	$ 29,465
Total debt	**$ 5,798**	$ 8,111	$ 6,057	$ 5,583	$ 4,467
Total equity	**$ 24,784**	$ 21,203	$ 18,592	$ 16,809	$ 13,528
Dividends per share of common stock	**$ 0.70**	$ 0.40	$ 0.40	$ 0.40	$ 0.40

(a) Includes after-tax income of $4,060 million relating to net gains on asset sales, Denmark s enacted changes to the hydrocarbon income tax law and income from the partial liquidation of last-in, first-out (LIFO) inventories, partially offset by after-tax charges totaling $900 million for asset impairments, dry hole expenses, severance and other exit costs, income tax charges, refinery shutdown costs, and other charges.

(b) *Includes after-tax income of $661 million relating to gains on asset sales and income from the partial liquidation of LIFO inventories, partially offset by after-tax charges totaling $634 million for asset impairments, dry hole expenses, income taxes and other charges.*

(c) *Includes after-tax charges totaling $694 million relating to the shutdown of the HOVENSA L.L.C. (HOVENSA) refinery, asset impairments and an increase in the United Kingdom supplementary tax rate, partially offset by after-tax income of $413 million relating to gains on asset sales.*

(d) *Includes after-tax income of $1,130 million relating to gains on asset sales, partially offset by after-tax charges totaling $694 million for an asset impairment, an impairment of the Corporation s equity investment in HOVENSA, dry hole expenses and premiums on repurchases of fixed-rate public notes.*

(e) *Includes after-tax expenses totaling $104 million relating to repurchases of fixed-rate public notes, retirement benefits, employee severance costs and asset impairments, partially offset by after-tax income totaling $101 million principally relating to the resolution of a U.S. royalty dispute.*

Table of Contents

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

Overview

Hess Corporation (the Corporation or Hess) is a global Exploration and Production (E&P) company that develops, produces, purchases, transports and sells crude oil and natural gas. Prior to 2013, the Corporation also operated a Marketing and Refining (M&R) segment, which it began to divest during the year. The M&R businesses manufacture refined petroleum products and purchase, market, store and trade refined products, natural gas and electricity, as well as operate retail gas stations, most of which have convenience stores.

In the first quarter of 2013, the Corporation announced several initiatives to continue its transformation into a more focused pure play E&P company that is expected to deliver compound average production growth of 5% to 8% through 2017, from its 2012 pro forma production of 289,000 barrels of oil equivalent per day (boepd). The transformation plan included fully exiting the Corporation s M&R businesses, including its terminal, retail, energy marketing and energy trading operations, as well as the permanent shutdown of refining operations at its Port Reading facility, thus completing its exit from all refining operations. 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 United States (U.S.) Virgin Islands refinery in January 2012 and continued operating solely as an oil storage terminal. HOVIC and its partner have also commenced a sales process for HOVENSA. The transformation plan also committed to the sale of mature E&P assets in Indonesia and Thailand and the pursuit of monetizing Bakken midstream assets by 2015.

As part of its transformation during 2012 and 2013, the Corporation sold mature or lower margin assets in Azerbaijan, Indonesia, Norway, Russia, the United Kingdom (UK) North Sea, and certain interests onshore in the U.S. In the fourth quarter of 2013, the Corporation sold its energy marketing business and its terminal network. In 2014, the Corporation plans to divest its remaining downstream businesses, including its retail marketing business and energy trading joint venture, plus its E&P assets in Thailand. The Corporation has also reached an agreement to sell dry gas acreage in the Utica shale play in the U.S.

Other actions announced by the Corporation in March 2013 included repaying debt, establishing a cash cushion and returning capital to shareholders. By year-end 2013, approximately $2.4 billion of short-term debt had been repaid. In addition, commencing in the third quarter of 2013, the Corporation increased its quarterly dividend 150% to $0.25 per common share and commenced share repurchases under its authorized $4 billion share repurchase program. Through December 31, 2013, Hess had purchased approximately 19.3 million common shares at a cost of approximately $1.54 billion.

Net income was $5,052 million in 2013 compared with $2,025 million in 2012 and $1,703 million in 2011. Diluted earnings per share were $14.82 in 2013 compared with $5.95 in 2012 and $5.01 in 2011. Excluding items affecting comparability, net income was $1,892 million in 2013, $1,998 million in 2012, and $1,984 million in 2011. See the table of items affecting comparability of earnings between periods on page 24.

Exploration and Production

The Corporation s total proved reserves were 1,437 million barrels of oil equivalent (boe) at December 31, 2013 compared with 1,553 million boe at December 31, 2012 and 1,573 million boe at December 31, 2011. Proved reserves related to assets sold in 2013 totaled 139 million boe. Pro forma year-end reserves, which exclude assets in Indonesia and Thailand classified as held for sale at December 31, 2013, were 1,362 million boe.

E&P earnings were $4,303 million in 2013, $2,212 million in 2012 and $2,675 million in 2011. Excluding items affecting comparability of earnings between periods on page 28, E&P net income was $2,192 million, $2,256 million and $2,431 million for 2013, 2012 and 2011, respectively. Average realized crude oil selling prices including the impact of hedging were $98.48 per barrel in 2013, $86.94 in 2012 and $89.99 in 2011. Average realized natural gas selling prices were $6.64 per mcf in 2013, $6.16 in 2012 and $5.96 in 2011. Production averaged 336,000 boepd in 2013, 406,000 boepd in 2012 and 370,000 boepd in 2011.

Excluding production from assets sold and classified as held for sale, pro forma production was 285,000 boepd in 2013 and 289,000 boepd in 2012. The Corporation expects compound average annual production growth of 5% to 8% through 2017, from 2012 pro forma production. The Corporation currently expects total worldwide production to average between 305,000 boepd and 315,000 boepd in 2014, excluding asset sales and any contribution from Libya, which has a net

Table of Contents

production capacity of approximately 25,000 boepd and is shut-in due to civil unrest in the country. Pro forma production excluding Libya was 270,000 boepd in 2013 and 268,000 boepd in 2012.

The following is an update of significant E&P activities during 2013:

In North Dakota, net production from the Bakken oil shale play averaged 67,000 boepd during 2013, an increase of 20% from 56,000 boepd in 2012 despite the transition to pad drilling in the first half of the year and the required shut-ins late in the fourth quarter of 2013 for the expansion of the Tioga Gas Plant which is expected to be operational in the first quarter of 2014. Production is expected to average between 80,000 boepd and 90,000 boepd in 2014, an increase of 19% to 34% from 2013. The Corporation also increased its peak net production guidance for the Bakken to 150,000 boepd in 2018 from prior guidance of 120,000 boepd in 2016, based upon performance to date and current development spacing based on five Middle Bakken wells and four Three Forks wells per 1,280 acre Drilling Spacing Unit (DSU). During 2014, the Corporation plans to pilot test tighter well spacing to determine whether there is additional upside in the estimates for future production and resources. During the year, 168 wells were brought on production bringing the total operated production wells to 722 . In 2014, the Corporation plans to increase the rig count in the Bakken to 17 from 14 but expects to maintain capital spending at approximately $2.2 billion, which is consistent with 2013 levels.

At the Valhall Field in Norway (Hess 64%), net production averaged 23,000 boepd during 2013, compared with 13,000 boepd during 2012. The Field was shut-in during the second half of 2012 and January 2013 to complete a multiyear redevelopment project. Full year 2014 net production for Valhall is expected to be in the range of 30,000 boepd to 35,000 boepd.

In the North Malay Basin, the project achieved first production from the Early Production System in October 2013 and net production averaged approximately 30 million cubic feet per day in the fourth quarter. The Corporation expects net production to average approximately 40 million cubic feet per day through 2016 until full field development is completed in late 2016. Net production is expected to increase to approximately 165 million cubic feet per day in 2017.

In December 2013, the Corporation commenced production from its phase three development program at the South Arne Field (Hess 62%) offshore Denmark, following the installation of two new wellhead platforms and modifications to existing production facilities. Development drilling will continue in 2014.

At Block A-18 of the Joint Development Area of Malaysia/Thailand (JDA), the Corporation successfully installed two new wellhead platforms and progressed a major booster compression project that is expected to be completed in 2015.

In the Utica shale, 29 wells were drilled, 24 wells were completed and 17 wells were tested across both the Corporation s 100% owned and joint venture acreage. Production test rates in the wet gas area averaged over 2,200 boepd with 47% liquids.

In Libya, production from the Waha fields was shut-in late August of 2013 and remains shut-in due to civil unrest in the country. For the full year 2013, Libya production averaged 15,000 boepd. In addition, the Corporation wrote-off in the fourth quarter two previously capitalized exploration wells in offshore Area 54 which resulted in a pre-tax charge of $260 million ($163 million after income taxes).

During the year, the Corporation completed drilling its second and third production wells at the Tubular Bells Field, offshore U.S., and commenced a batch completion program during the fourth quarter of 2013 for the three wells drilled to date. Facilities construction is ongoing with offshore installation expected to commence in the first quarter and first oil in the third quarter of 2014 at a net rate of 25,000 boepd.

The Corporation completed its exploration drilling phase on the Deepwater Tano Cape Three Points Block, offshore Ghana that resulted in a total of seven successful exploration wells. The Corporation submitted appraisal plans to the Ghanaian government and four appraisal areas have been approved to date. A three well appraisal drilling program has been scheduled in the second half of 2014.

In the third quarter, the Corporation spud its first exploration well on the Shakrok block in the Kurdistan Region of Iraq (Hess 80%) and plans to begin drilling an exploration well on the Dinarta block in the first half of 2014.

During 2013, the E&P segment sold its assets in Azerbaijan and Russia as well as its interests in the Natuna A Field, offshore Indonesia, the Beryl fields in the UK North Sea and certain interests onshore in the U.S., for total proceeds of approximately $4.5 billion. Asset sales reduced production by approximately 60,000 boepd in 2013 compared to 2012. In January 2014, the Corporation announced it had reached agreement to sell approximately 74,000 acres of its 100% interest in the Utica Shale for $924 million. Approximately two-thirds of these proceeds are expected at the end of the first quarter of 2014, with the balance to be received in the third quarter of 2014.

Table of Contents

Downstream Businesses

The downstream businesses reported income of $1,189 million in 2013 and $231 million in 2012 and a loss of $584 million in 2011. Excluding items affecting comparability of earnings between periods on page 31, the downstream businesses generated income of $116 million in 2013 and $160 million in 2012 and a loss of $59 million in 2011. The downstream businesses comprise the Corporation s retail, energy marketing, terminal, energy trading and refining operations, together with its interests in two power plant joint ventures. By year-end all of these businesses were either divested by the Corporation or the divestiture processes remained on-going.

Liquidity and Capital and Exploratory Expenditures

Net cash provided by operating activities was $4,870 million in 2013, $5,660 million in 2012 and $4,984 million in 2011. At December 31, 2013, cash and cash equivalents totaled $1,814 million, up from $642 million at December 31, 2012. Total debt was $5,798 million at December 31, 2013 and $8,111 million at December 31, 2012. The Corporation s debt to capitalization ratio at December 31, 2013 was 19.0% compared with 27.7% at the end of 2012.

Capital and exploratory expenditures were as follows:

	2013	2012 (In millions)	2011
Exploration and Production			
United States			
Bakken	**$ 2,231**	$ 3,164	$ 2,361
Other Onshore	**708**	729	1,532
Total Onshore	**2,939**	3,893	3,893
Offshore	**865**	870	412
Total United States	**3,804**	4,763	4,305
Europe	**724**	1,381	1,274
Africa	**630**	771	414
Asia and other	**993**	1,231	1,351
Total Exploration and Production	**6,151**	8,146	7,344
Other*	**164**	119	118
Total Capital and Exploratory Expenditures	**$ 6,315**	$ 8,265	$ 7,462
Exploration expenses charged to income included above:			
United States	**$ 192**	$ 142	$ 197
International	**250**	328	259
Total exploration expenses charged to income included above	**$ 442**	$ 470	$ 456

** Includes capital expenditures related to discontinued operations of $33 million, $52 million and $65 million in 2013, 2012 and 2011, respectively.*

The Corporation anticipates investing approximately $5.8 billion in E&P capital and exploratory expenditures in 2014 and approximately $350 million for retail marketing, primarily for the acquisition of its partner s share of the WilcoHess joint venture which closed in January 2014.

Consolidated Results of Operations

The after-tax income (loss) by major operating activity is summarized below:

	2013	2012	2011
		(In millions, except per share amounts)	
Exploration and Production	**$ 4,303**	$ 2,212	$ 2,675
Corporate and Interest	**(440)**	(418)	(388)
Downstream businesses	**1,189**	231	(584)
Net income attributable to Hess Corporation	**$ 5,052**	$ 2,025	$ 1,703
Net income per share (diluted)	**$ 14.82**	$ 5.95	$ 5.01

Table of Contents

The following table summarizes, on an after-tax basis, items of income (expense) that are included in net income and affect comparability between periods. The items in the table below are explained on pages 28 through 31.

	2013	2012 (In millions)	2011
Exploration and Production	**$ 2,111**	$ (44)	$ 244
Corporate and Interest	**(24)**		
Downstream businesses	**1,073**	71	(525)
Total items affecting comparability of earnings between periods	**$ 3,160**	$ 27	$ (281)

In the following discussion and elsewhere in this report, the financial effects of certain transactions are disclosed on an after-tax basis. Management reviews segment earnings on an after-tax basis and uses after-tax amounts in its review of variances in segment earnings. Management believes that after-tax amounts are a preferable method of explaining variances in earnings, since they show the entire effect of a transaction rather than only the pre-tax amount. After-tax amounts are determined by applying the income tax rate in each tax jurisdiction to pre-tax amounts.

Comparison of Results

Exploration and Production

Following is a summarized income statement of the Corporation s E&P operations:

	2013	2012 (In millions)	2011
Sales and other operating revenues	**$ 11,905**	$ 12,245	$ 10,646
Gains on asset sales, net	**2,171**	584	446
Other, net	**(57)**	99	18
Total revenues and non-operating income	**14,019**	12,928	11,110
Costs and expenses			
Cost of products sold (excluding items shown separately below)	**1,853**	1,334	580
Operating costs and expenses	**2,116**	2,202	1,876
Production and severance taxes	**372**	550	476
Exploration expenses, including dry holes and lease impairment	**1,031**	1,070	1,195
General and administrative expenses	**377**	314	313
Depreciation, depletion and amortization	**2,671**	2,853	2,305
Asset impairments	**289**	582	358
Total costs and expenses	**8,709**	8,905	7,103
Results of operations before income taxes	**5,310**	4,023	4,007
Provision for income taxes	**831**	1,793	1,313
Net income	**4,479**	2,230	2,694

Less: Net income attributable to noncontrolling interests	**176**	18	19
Net income attributable to Hess Corporation	**$ 4,303**	$ 2,212	$ 2,675

Excluding the E&P items affecting comparability of earnings between periods in the table on page 28, the changes in E&P earnings are primarily attributable to changes in selling prices, production and sales volumes, cost of products sold, cash operating costs, depreciation, depletion and amortization, exploration expenses and income taxes, as discussed below.

Selling Prices: Average crude oil realized selling prices were 13% higher in 2013 compared to 2012 due to a combination of hedging losses realized in 2012, the second quarter 2013 sale of the Corporation s subsidiary in Russia which had significantly lower crude oil prices, and slightly higher average West Texas Intermediary (WTI) benchmark prices in 2013. Average crude oil realized selling prices were 3% lower in 2012 compared with 2011, primarily due to lower average WTI benchmark prices.

Table of Contents

The Corporation s average selling prices were as follows:

	2013	2012	2011
Crude oil per barrel (including hedging)			
United States			
Onshore	**$ 90.00**	$ 84.78	$ 91.11
Offshore	**103.83**	101.80	104.83
Total United States	**95.50**	92.32	98.56
Europe	**88.03**	74.14	80.18
Africa	**108.70**	89.02	88.46
Asia	**107.40**	107.45	111.71
Worldwide	**98.48**	86.94	89.99
Crude oil per barrel (excluding hedging)			
United States			
Onshore	**$ 89.81**	$ 85.66	$ 91.11
Offshore	**103.15**	104.39	104.83
Total United States	**95.11**	93.96	98.56
Europe	**87.45**	75.06	80.18
Africa	**108.07**	110.92	110.28
Asia	**107.40**	109.35	111.71
Worldwide	**98.01**	93.70	95.60
Natural gas liquids per barrel			
United States			
Onshore	**$ 43.14**	$ 44.22	$ 79.75
Offshore	**29.18**	35.24	50.88
Total United States	**38.07**	40.75	58.59
Europe	**58.31**	78.43	75.49
Asia	**74.94**	77.92	72.29
Worldwide	**40.68**	47.81	62.72
Natural gas per mcf			
United States			
Onshore	**$ 3.08**	$ 2.02	$ 3.16
Offshore	**2.83**	2.15	3.54
Total United States	**2.96**	2.09	3.39
Europe	**11.06**	9.50	8.79
Asia and other	**7.50**	6.90	6.02
Worldwide	**6.64**	6.16	5.96

Crude oil price hedging contracts increased E&P Sales and other operating revenues by $39 million ($25 million after income taxes) in 2013, and reduced E&P Sales and other operating revenues by $688 million ($431 million after income taxes) in 2012 and $517 million ($327 million after income taxes) in 2011. During 2013, the Corporation had Brent crude oil fixed-price swap contracts to hedge 90,000 barrels of oil per day (bopd) of crude oil sales volumes at an average price of $109.70 per barrel. In 2012, the Corporation had Brent crude oil fixed-price swap contracts to hedge 120,000 bopd of crude oil sales volumes for the full year at an average price of $107.70 per barrel. In 2011 and 2012, the Corporation also realized hedge losses from previously closed Brent crude oil hedges that covered 24,000 bopd during the year. The Corporation has entered into Brent crude oil fixed-price swap contracts to hedge 25,000 bopd for calendar year 2014 at an average price of $109.12 per barrel.

Production Volumes: The Corporation s crude oil and natural gas production was 336,000 boepd in 2013, 406,000 boepd in 2012 and 370,000 boepd in 2011. Approximately 72% in 2013, 75% in 2012 and 72% in 2011 of the Corporation s

25

Table of Contents

production was from crude oil and natural gas liquids. The Corporation currently expects total worldwide production to average between 305,000 boepd and 315,000 boepd in 2014, excluding asset sales and any contribution from Libya, which has a net production capacity of approximately 25,000 boepd and is shut-in due to civil unrest in the country.

The Corporation s net daily worldwide production was as follows:

	2013	**2012**	**2011**
		(In thousands)	
Crude oil barrels per day			
United States			
Bakken	**55**	47	26
Other Onshore	**10**	13	11
Total Onshore	**65**	60	37
Offshore	**43**	48	44
Total United States	**108**	108	81
Europe	**44**	84	89
Africa	**62**	75	66
Asia	**11**	17	13
Total	**225**	284	249
Natural gas liquids barrels per day			
United States			
Bakken	**6**	5	2
Other Onshore	**4**	5	5
Total Onshore	**10**	10	7
Offshore	**5**	6	6