



## Hess Announces 2017 E&P Capital and Exploratory Budget; Provides Earnings Update for Fourth Quarter 2016

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NEW YORK--(BUSINESS WIRE)--Jan. 12, 2017-- Hess Corporation (NYSE:HES) today announced a 2017 E&P capital and exploratory budget and provided a fourth quarter 2016 earnings update.

### 2017 E&P Capital and Exploratory Budget

The company's 2017 E&P capital and exploratory budget will be \$2.25 billion, compared to its 2016 actual spend of \$1.9 billion. This includes increased capital for additional rigs in the Bakken, development activities at the world-class Liza Field in Guyana and restart of drilling at the Valhall Field in Norway.

The \$2.25 billion budget is allocated as follows: \$700 million (31 percent) for unconventional shale resources, \$375 million (17 percent) for production, \$825 million (37 percent) for developments and \$350 million (15 percent) for exploration and appraisal activities.

Net 2017 production is forecast to average between 300,000 and 310,000 barrels of oil equivalent per day (boepd), excluding Libya. Production is expected to increase 8-12 percent from the beginning of 2017 to the end of the year as a result of additional rigs in the Bakken, restart of drilling at Valhall and start-up of North Malay Basin in the third quarter. Bakken net production in 2017 is forecast to average between 95,000 and 105,000 boepd.

"Our 2017 budget reflects our balanced approach to investing in short cycle and long cycle growth options while maintaining our financial flexibility," CEO John Hess said. "With our leadership position in the Bakken, two offshore developments – North Malay Basin and Stampede – that will become significant cash generators starting in 2017 and 2018 respectively, and the world-class Liza discovery on track for sanction in 2017, Hess is well positioned to deliver sustainable growth, cash generation and returns for our shareholders."

President and COO Greg Hill said: "We're excited about the year ahead. With oil prices starting to recover, we will ramp up our Bakken rig count from two currently to six by year end. We plan to resume drilling at the Valhall Field from the existing platform rig and we will continue to progress our two offshore developments to first production, which will add a combined 35,000 boepd once online."

### Unconventionals

- \$700 million primarily to increase from two rigs to six rigs by the end of 2017 and to bring online approximately 75 new wells in the Bakken Shale in North Dakota. Funds are also included for non-operated wells and pad construction in preparation for 2018 drilling.

### Production

- \$375 million primarily for production activities in the deepwater Gulf of Mexico, including the drilling and completion of a production well at the Penn State Field (Hess 50 percent and operator) and for operations at the Valhall Field in Norway (Hess 64 percent, Aker BP operator), where drilling will restart in late first quarter 2017.

### Developments

- \$425 million to drill two wells and complete three wells, install the tension leg platform and progress development of the Stampede Field in the deepwater Gulf of Mexico (Hess 25 percent and operator) to achieve first oil in 2018.
- \$275 million to complete initial full field development of North Malay Basin in Malaysia (Hess 50 percent and operator) to achieve first production in the third quarter of 2017.
- \$125 million for development activities at the Liza Field in Guyana (Hess 30 percent, Esso Exploration and Production Guyana Limited operator).

### Exploration and Appraisal Spend

- \$350 million to drill wells on the Stabroek Block offshore Guyana that include appraising the significant Liza Field, the recent Payara discovery and new exploration prospects. Additional funds are included for seismic acquisition and processing and for license acquisitions.

### Fourth Quarter 2016 Earnings Update

The company's fourth quarter results will include a noncash charge of approximately \$3.8 billion to establish valuation allowances against net deferred tax assets as of December 31, 2016, as required under accounting standards following a three-year cumulative loss. The accounting for deferred tax valuation allowances has no impact on the amount or utilization of the underlying tax attributes legally available to the company to offset future taxable income and therefore has no economic impact.

During the quarter, the company made the decision to defer further development of the Equus natural gas fields on blocks WA-390-P and WA-474-P (Hess 100%) offshore the North West Shelf of Australia. As a result, fourth quarter 2016 results will include an after-tax charge of approximately \$700 million to fully impair the carrying value of interests in Equus. Capital will be allocated to projects that generate higher returns for shareholders, including the Bakken and Guyana.

Fourth quarter 2016 results will also include additional after-tax charges affecting comparability of earnings of approximately \$140 million for rig exit costs, loss on debt extinguishment, impairment of rail cars, severance and other charges.

#### **2017 Estimated Capital and Exploratory Expenditures (\$ Millions)**

<b>By Segment:</b>		<b>By Region:</b>	
<b>Exploration and Production</b>		<b>Exploration and Production</b>	
Unconventionals	\$700	United States	\$1,350
Production	375	Europe	150
Developments	825	Africa	25
Exploration and Appraisal	350	Asia and Other	725
<b>Total</b>	<b>\$2,250</b>		<b>\$2,250</b>

*Note: This budget excludes expenditures associated with the Midstream segment, which has a 2017 capital budget of \$190 million.*

Hess Corporation is a leading global independent energy company engaged in the exploration and production of crude oil and natural gas. More information on Hess Corporation is available at <http://www.hess.com>.

#### **Cautionary Statements**

*This news release contains projections and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These projections and statements reflect the company's current views with respect to future events and financial performance. No assurances can be given, however, that these events will occur or that these projections will be achieved, and actual results could differ materially from those projected as a result of certain risk factors. A discussion of these risk factors is included in the company's periodic reports filed with the Securities and Exchange Commission.*

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