HESS CORPORATION

Third Quarter 2021 Conference Call Remarks

Jay Wilson – Vice President, Investor Relations

Good morning, everyone, and thank you for participating in our third quarter earnings conference call. Our earnings release was issued this morning and appears on our website, www.hess.com.

Today's conference call contains projections and other forward-looking statements within the meaning of the Federal Securities laws. These statements are subject to known and unknown risks and uncertainties that may cause actual results to differ from those expressed or implied in such statements. These risks include those set forth in the Risk Factors section of Hess' annual and quarterly reports filed with the SEC.

Also, on today's conference call, we may discuss certain non-GAAP financial measures. A reconciliation of the differences between these non-GAAP financial measures and the most directly comparable GAAP financial measures can be found in the supplemental information provided on our website.

On the line with me today are John Hess, Chief Executive Officer; Greg Hill, Chief Operating Officer; and John Rielly, Chief Financial Officer. In case there are audio issues, we will be posting transcripts of each speakers prepared remarks on www.hess.com following the presentation. I'll now turn the call over to John Hess.

John Hess – Chief Executive Officer

Thank you Jay. Welcome to our third quarter conference call. Today, I will review our continued progress in executing our strategy. Greg Hill will then discuss our operations, and John Rielly will cover our financial results.

With COP26 beginning this Sunday, it is appropriate to address the energy transition. Climate change is the greatest scientific undertaking of the 21st century. The world has two challenges – to grow our global energy supply by about 20% in the next 20 years, and to reach net zero emissions by 2050. The International Energy Agency published its latest World Energy Outlook earlier this month, which provides four scenarios to shed light on these challenges. It is important to remember that these are scenarios, not forecasts, to help guide policymakers and business leaders in their decision making. In all four scenarios, oil and gas will be needed in the decades to come.

Significantly more investment will be required to meet the world's growing energy needs – much more in renewables and much more in oil and gas. A reasonable estimate for global oil and gas investment from these IEA scenarios is at least $400 billion each year over the next 10 years. Last year, that number was $300 billion. This year's estimate is $340 billion. To ensure a successful and orderly energy transition, we need to have climate literacy, energy literacy and economic literacy.

Our strategy is to grow our resource base, have a low cost of supply and sustain cash flow growth – while delivering industry leading environmental, social and governance performance and disclosure. By investing only in high return, low cost opportunities, we have built a differentiated and focused portfolio that is balanced between short cycle and long cycle assets. Our cash engines are the Bakken, the Gulf of Mexico and Southeast Asia, where we have competitively advantaged assets and operating capabilities. Guyana is our growth engine and is on track to become a significant cash engine in the coming years as multiple phases of low cost oil developments come online. Also, by adding a third rig in the Bakken in September and completing the turnaround and expansion of the Tioga Gas Plant, the Bakken is expected to generate significant free cash flow in the years ahead.

By successfully executing our strategy, our company is positioned to deliver strong and durable cash flow growth through the end of the decade. Based on the most recent sellside consensus estimates, our cash flow is estimated to grow at a compound annual growth rate of 42 percent between 2020 and 2023, which is 50 percent above our peers and puts us in the top 5 percent of the S&P 500. As our portfolio generates increasing free cash flow, we will first prioritize debt reduction and then cash returns to shareholders through dividend increases and opportunistic share repurchases.

We have continued to maintain financial strength as well as managing for risk. As of September 30, we had $2.4 billion of cash on the balance sheet. In July, we prepaid half of our $1 billion term loan maturing in March 2023, and we plan to repay the remaining $500 million in 2022. This debt reduction combined with the startup of Liza Phase 2 early next year is expected to drive our debt to EBITDAX ratio under 2 and also enable us to consider increasing cash returns to shareholders.

In August, we completed the sale of our interests in Denmark for a total consideration of $150 million, effective January 1st, 2021 and received $375 million in proceeds from Hess Midstream's buyback of Class B units from its sponsors, Hess Corporation and Global Infrastructure Partners. Earlier this month, our company also received net proceeds of $108 million from the public offering of Hess-owned Class A shares of Hess Midstream. The Denmark sale and these midstream monetizations brought material value forward and further strengthened our cash and liquidity position.

Key to our long term strategy is Guyana – one of the industry's best investments. On the Stabroek Block, where Hess has a 30 percent interest and ExxonMobil is the operator, we announced the 19th and 20th significant discoveries during the third quarter at Whiptail and Pinktail, and on October 7th we announced the 21st significant discovery on the block at Cataback. These discoveries will underpin our queue of future low cost oil developments. We see the potential for at least six FPSOs on the Stabroek Block producing more than 1 million gross barrels of oil per day in 2027, and up to 10 FPSOs to develop the discovered resources on the block. On October 7th, we increased the gross discovered recoverable resource estimate for the block to approximately 10 billion barrels of oil equivalent, up from the previous estimate of more than 9 billion barrels of oil equivalent – and we continue to see multibillion barrels of future exploration potential remaining.

In terms of our current Guyana developments, gross production from Liza Phase 1 averaged 124 thousand barrels of oil per day in the third quarter. The Liza-2 development is on track for startup in early 2022 with a gross production capacity of 220 thousand barrels of oil per day, and the Liza Unity FPSO arrived on Monday in Guyana waters. Our third development on the Stabroek Block at the Payara Field is on track to achieve first oil in 2024, also with a gross capacity of 220 thousand barrels of oil per day. Our three sanctioned oil developments have a Brent breakeven oil price of between $25 and $35 per barrel.

The Plan of Development for our fourth development on the block at Yellowtail was recently submitted to the Government of Guyana for approval. Pending government approvals, the project is envisioned to have a gross capacity of approximately 250 thousand barrels of oil per day with first oil in 2025.

Turning to sustainability, we are proud to be recognized as an industry leader in our environmental, social and governance performance and disclosure. Earlier this month, our company received a triple-A rating in the MSCI ESG ratings for 2021 after earning double-A ratings for the previous 10 consecutive years. The triple-A rating designates Hess as a leader in managing industry specific ESG risks relative to peers and reflects our strong management practices to reduce carbon emissions as well as our top quartile performance in areas such as biodiversity and land use, reduction of air and water emissions and waste, and making a positive impact on the communities where we operate.

In summary, we remain focused on executing our strategy and achieving strong operational and ESG performance. Our company is uniquely positioned to deliver cash flow growth over the next decade that is not only industry leading but which we believe will rank among the best in the S&P 500. After our term loan is paid off and our portfolio generates increasing free cash flow, we will prioritize return of capital to our shareholders through dividend increases and opportunistic share repurchases.

Thank you. I will now turn the call over to Greg Hill for an operational update.

Greg Hill – Chief Operating Officer

Thanks, John. In the third quarter, we continued to deliver strong operational performance, meeting our production targets despite extended hurricane related downtime in the Gulf of Mexico and safely executing a major turnaround at our Tioga Gas Plant in North Dakota. Companywide net production averaged 265 thousand barrels of oil equivalent per day excluding Libya, in line with our guidance.

In the fourth quarter and for the full year 2021, we expect companywide net production to average approximately 295 thousand barrels of oil equivalent per day, excluding Libya.

Turning to the Bakken, third quarter net production averaged 148 thousand barrels of oil equivalent per day. This was above our guidance of approximately 145 thousand barrels of oil equivalent per day and primarily reflected strong execution of the Tioga Gas Plant turnaround and expansion – no small task in a COVID environment that required strict adherence to extensive safety protocols to keep more than 650 workers safe.

For the fourth quarter, we expect Bakken net production to average between 155 thousand and 160 thousand barrels of oil equivalent per day. For the full year 2021, we forecast our Bakken net production to average approximately 155 thousand barrels of oil equivalent per day, compared to our previous guidance range of 155 thousand to 160 thousand barrels of oil equivalent per day. This guidance reflects an increase in NGL prices, which reduces volumes under our Percentage of Proceeds contracts, but significantly increases this year's earnings and cash flow.

In the third quarter, we drilled 18 wells and brought 19 new wells online. In the fourth quarter, we expect to drill approximately 19 wells and to bring approximately 18 new wells online; and for the full year 2021, we continue to expect to drill approximately 65 wells and to bring approximately 50 new wells online.

In terms of drilling and completion costs, although we have experienced some cost inflation, we are maintaining our full-year average forecast of $5.8 million per well in 2021.

Since February, we had been operating two rigs, but given the improvement in oil prices and our robust inventory of high return drilling locations, we added a third rig in September. Moving to a three rig program will allow us to grow cash flow and production, better optimize our in-basin infrastructure and drive further reductions in our unit cash costs.

Now moving to the offshore. In the deepwater Gulf of Mexico, third quarter net production averaged 32 thousand barrels of oil equivalent per day, compared to our guidance range of 35 thousand to 40 thousand barrels of oil equivalent per day. Our results reflected an extended period of recovery following Hurricane Ida, which caused power outages at transportation and processing facilities downstream of our platforms. Production was restored at all of our facilities by the end of September. In the fourth quarter, we forecast Gulf of Mexico net production to average between 40 thousand and 45 thousand barrels of oil equivalent per day.

For the full year 2021, our forecast for Gulf of Mexico net production remains approximately 45 thousand barrels of oil equivalent per day.

In Southeast Asia, net production in the third quarter was 50 thousand barrels of oil equivalent per day, in line with our guidance of 50 thousand to 55 thousand barrels of oil equivalent per day, reflecting the impact of planned maintenance shutdowns and lower nominations due to COVID. Fourth quarter net production is forecast to average approximately 65 thousand barrels of oil equivalent per day and our full year 2021 net production forecast remains at approximately 60 thousand barrels of oil equivalent per day.

Now turning to Guyana. In the third quarter, gross production from Liza Phase 1 averaged 124 thousand barrels of oil per day – or 32 thousand barrels of oil per day, net to Hess. Replacement of the flash gas compression system on the Liza Destiny with a modified design is planned for the fourth quarter and production optimization work is now planned to take place in the first quarter. These two projects are expected to result in higher production capacity and reliability.

Net production from Liza Phase 1 is forecast to average approximately 30 thousand barrels of oil per day in the fourth quarter and for the full year 2021.

The Liza Phase 2 development will utilize the 220 thousand barrels of oil per day Unity FPSO, which arrived in Guyana Monday evening. Next steps will be mooring line installation and umbilical and riser hook up. First oil remains on track for first quarter 2022.

Turning to our third development at Payara, the Prosperity FPSO hull entered the Keppel Yard in Singapore on August 1. Topsides fabrication at Dyna-Mac and development drilling are underway. The overall project is approximately 60% complete. The Prosperity will have a gross production capacity of 220 thousand barrels of oil per day and is on track to achieve first oil in 2024.

As for our fourth development at Yellowtail, earlier this month the joint venture submitted the plan of development to the Government of Guyana. Pending government approvals and project sanctioning, the Yellowtail project will utilize an FPSO with a gross capacity of approximately 250 thousand barrels of oil per day. First oil is targeted for 2025.

As John mentioned, we announced three discoveries since July. In July, we announced that the Whiptail-1 and -2 wells encountered 246 feet and 167 feet of high quality, oil bearing sandstone reservoirs, respectively. This discovery is located approximately 4 miles southeast of Uaru-1 and three miles west of Yellowtail. In September, we announced that the Pinktail-1 well, located approximately 22 miles southeast of Liza-1, encountered 220 feet of high quality, oil bearing sandstone reservoirs.

Earlier this month, we announced a discovery at Cataback, located approximately 4 miles east of Turbot-1. The well encountered 243 feet of high quality hydrocarbon bearing reservoirs, of which approximately 102 feet was oil bearing.

These discoveries further underpin future developments and contributed to the increase of estimated gross discovered recoverable resources on the Stabroek Block to approximately 10 billion barrels of oil equivalent.

Exploration and appraisal activities in the fourth quarter will include drilling the Fangtooth-1 exploration well, located approximately 11 miles northwest of Liza-1. This well is a significant step-out test that will target deeper Campanian and Santonian aged reservoirs. Appraisal activities will include Drill Stem Tests at Longtail 2 and Whiptail 2, as well as drilling the Tripletail 2 well.

In closing, we have once again demonstrated strong execution and delivery, and are well positioned to deliver significant value to our shareholders.

I will now turn the call over to John Rielly.

John Rielly – Chief Financial Officer

Thanks Greg. In my remarks today, I will compare results from the third quarter of 2021 to the second quarter of 2021.

Consolidated Results of Operations

We had net income of $115 million in the third quarter of 2021 compared with a net loss of $73 million in the second quarter of 2021. On an adjusted basis, which excludes items affecting comparability of earnings between periods, we had net income of $86 million in the third quarter of 2021 compared to net income of $74 million in the second quarter of 2021. Third quarter earnings include an after-tax gain of $29 million from the sale of our interests in Denmark.

Exploration and Production

On an adjusted basis, E&P had net income of $149 million in the third quarter of 2021 compared to net income of $122 million in the previous quarter. The changes in the after-tax components of adjusted E&P results between the third quarter and second quarter of 2021 were as follows:

	Increase (Decrease) In Earnings
Higher realized crude oil, NGL and natural gas selling prices increased earnings by	$ 110
Lower sales volumes reduced earnings by	(147)
Lower DD&A expense increased earnings by	37
Lower cash costs increased earnings by	14
Lower exploration expenses increased earnings by	10
All other items increased earnings by	3
For an overall increase in third quarter earnings of	$ 27

Sales volumes in the third quarter were lower than the second quarter primarily due to hurricane related downtime in the Gulf of Mexico, planned maintenance downtime and lower nominations in Malaysia, and lower sales in the Bakken resulting from the planned Tioga gas plant maintenance turnaround. In Guyana, we sold three one-million barrel cargos of oil in the third quarter, up from two one-million barrel cargos of oil sold in the second quarter. For the third quarter, our E&P sales volumes were underlifted compared with production by approximately 175,000 barrels, which had an insignificant impact on our after-tax results for the quarter.

Midstream Activities

The Midstream segment had net income of $61 million in the third quarter of 2021 compared with $76 million in the prior quarter. Third quarter results included costs related to the Tioga gas plant maintenance turnaround that was safely and successfully completed. Midstream EBITDA, before noncontrolling interests, amounted to $203 million in the third quarter of 2021 compared with $229 million in the previous quarter.

Financial Position – Cash and Liquidity

At quarter end, excluding Midstream, cash and cash equivalents were $2.41 billion, and total liquidity was $6.0 billion including available committed credit facilities, while debt and finance lease obligations totaled $6.1 billion.

During the third quarter we received net proceeds of $375 million from the sale of 15.6 million Hess-owned Class B units of Hess Midstream and proceeds of approximately $130 million from the sale of our interests in Denmark. In July, we prepaid $500 million of our $1.0 billion term loan and we plan to repay the remaining $500 million in 2022. In October, we received net proceeds of approximately $108 million from the public offering of 4.3 million Hess-owned Class A shares of Hess Midstream. Our ownership in Hess Midstream on a consolidated basis is approximately 44 percent, compared with 46 percent prior to these two recent transactions.

In the third quarter, net cash provided by operating activities before changes in working capital was $631 million compared with $659 million in the second quarter. In the third quarter, net cash provided by operating activities after changes in operating assets and liabilities was $615 million compared with $785 million in the second quarter. Changes in operating assets and liabilities during the third quarter decreased net cash provided by operating activities by $16 million compared with an increase of $126 million in the second quarter.

Fourth Quarter and Full Year Guidance

Exploration and Production

Our E&P cash costs were $12.76 per barrel of oil equivalent including Libya and $13.45 per barrel of oil equivalent excluding Libya in the third quarter of 2021. We project E&P cash costs, excluding Libya, to be in the range of $12.00 to $12.50 per barrel of oil equivalent for the fourth quarter, and $11.75 to $12.00 per barrel of oil equivalent for the full year, compared to previous full year guidance of $11.00 to $12.00 per barrel of oil equivalent. The updated guidance reflects the impact of higher realized selling prices in 2021, which significantly improved cash flow, but reduced volumes received under percentage of proceeds contracts and increased production taxes in the Bakken. DD&A expense was $11.77 per barrel of oil equivalent including Libya and $12.38 per barrel of oil equivalent excluding Libya in the third quarter. DD&A expense, excluding Libya, is forecast to be in the range of $13.00 to $13.50 per barrel of oil equivalent for the fourth quarter and the full year is expected to be in the range of $12.50 to $13.00 per barrel of oil equivalent. This results in projected total E&P unit operating costs, excluding Libya, to be in the range of $25.00 to $26.00 per barrel of oil equivalent for the fourth quarter and $24.25 to $25.00 per barrel of oil equivalent for the full year of 2021.

Exploration expenses, excluding dry hole costs, are expected to be in the range of $50 million to $55 million in the fourth quarter and approximately $160 million for the full year, which is at the lower end of our previous full year guidance of $160 million to $170 million. The midstream tariff is projected to be approximately $295 million for the fourth quarter and approximately $1,095 million for the full year.

E&P income tax expense, excluding Libya, is expected to be in the range of $35 million to $40 million for the fourth quarter and the full year is expected to be in the range of $135 million to $140 million, which is up from previous guidance of $125 million to $135 million reflecting higher commodity prices.

We expect non-cash option premium amortization will be approximately $65 million for the fourth quarter. For the year 2022, we have purchased WTI collars for 90,000 bopd with a floor price of $60 per barrel and a ceiling price of $90 per barrel. We have also entered into Brent collars for 60,000 bopd with a floor price of $65 per barrel and a ceiling price of $95 per barrel. The cost of this 2022 hedge program is $161 million, which will be amortized ratably over 2022.

During the fourth quarter, we expect to sell two one-million barrel cargos of oil from Guyana.

Our E&P capital and exploratory expenditures are expected to be approximately $650 million in the fourth quarter. Full year guidance remains unchanged at approximately $1.9 billion.

Midstream

We anticipate net income attributable to Hess from the Midstream segment to be approximately $70 million for the fourth quarter and the full year is projected to be approximately $280 million, which is the midpoint of our previous guidance of $275 million to $285 million.

Corporate and Interest

Corporate expenses are estimated to be in the range of $30 million to $35 million for the fourth quarter and the full year is expected to be in the range of $125 million to $130 million, which is down from our previous guidance of $130 million to $140 million. Interest expense is estimated to be in the range of $90 million to $95 million for the fourth quarter and the full year is expected to be in the range of $375 million to $380 million, compared to our previous guidance of approximately $380 million.

This concludes my remarks. We will be happy to answer any questions. I will now turn the call over to the operator.

Forward-looking Statements

This script and accompanying release contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Words such as “anticipate,” “estimate,” “expect,” “forecast,” “guidance,” “could,” “may,” “should,” “would,” “believe,” “intend,” “project,” “plan,” “predict,” “will,” “target” and similar expressions identify forward-looking statements, which are not historical in nature. Our forward-looking statements may include, without limitation: our future financial and operational results; our business strategy; estimates of our crude oil and natural gas reserves and levels of production; benchmark prices of crude oil, natural gas liquid (NGL) and natural gas and our associated realized price differentials; our projected budget and capital and exploratory expenditures; expected timing and completion of our development projects; and future economic and market conditions in the oil and gas industry.

Forward-looking statements are based on our current understanding, assessments, estimates and projections of relevant factors and reasonable assumptions about the future. Forward-looking statements are subject to certain known and unknown risks and uncertainties that could cause actual results to differ materially from our historical experience and our current projections or expectations of future results expressed or implied by these forward-looking statements. The following important factors could cause actual results to differ materially from those in our forward-looking statements: fluctuations in market prices of crude oil, NGL and natural gas and competition in the oil and gas exploration and production industry, including as a result of the global COVID-19 pandemic; reduced demand for our products, including due to the global COVID-19 pandemic or the outbreak of any other public health threat, or due to the impact of competing or alternative energy products and political conditions and events; potential failures or delays in increasing oil and gas reserves, including as a result of unsuccessful exploration activity, drilling risks and unforeseen reservoir conditions, and in achieving expected production levels; changes in tax, property, contract and other laws, regulations and governmental actions applicable to our business, including legislative and regulatory initiatives regarding environmental concerns, such as measures to limit greenhouse gas emissions and flaring as well as fracking bans; disruption or interruption of our operations due to catastrophic events, such as accidents, severe weather, geological events, shortages of skilled labor, cyber-attacks or health measures related to the COVID-19 pandemic; the ability of our contractual counterparties to satisfy their obligations to us, including the operation of joint ventures under which we may not control; unexpected changes in technical requirements for constructing, modifying or operating exploration and production facilities and/or the inability to timely obtain or maintain necessary permits; availability and costs of employees and other personnel, drilling rigs, equipment, supplies and other required services; any limitations on our access to capital or increase in our cost of capital, including as a result of weakness in the oil and gas industry or negative outcomes within commodity and financial markets; liability resulting from litigation, including exposure to decommissioning liabilities for divested assets in the event the current or future owners are unable to perform and heightened risks associated with being a general partner of Hess Midstream LP; and other factors described in *Item 1A—Risk Factors* in our Annual Report on Form 10-K and any additional risks described in our other filings with the Securities and Exchange Commission (SEC).

As and when made, we believe that our forward-looking statements are reasonable. However, given these risks and uncertainties, caution should be taken not to place undue reliance on any such forward-looking statements since such statements speak only as of the date when made and there can be no assurance that such forward-looking statements will occur and actual results may differ materially from those contained in any forward-looking statement we make. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events or otherwise.

Non-GAAP financial measures

The Corporation has used non-GAAP financial measures in this script and accompanying release. "Adjusted net income (loss)" presented in this script and accompanying release is defined as reported net income (loss) attributable to Hess Corporation excluding items identified as affecting comparability of earnings between periods. "Net cash provided by (used in) operating activities before changes in operating assets and liabilities" presented in this script and accompanying release is defined as Net cash provided by (used in) operating activities excluding changes in operating assets and liabilities. Management uses adjusted net income (loss) to evaluate the Corporation's operating performance and believes that investors' understanding of our performance is enhanced by disclosing this measure, which excludes certain items that management believes are not directly related to ongoing operations and are not indicative of future business trends and operations. Management believes that net cash provided by (used in) operating activities before changes in operating assets and liabilities demonstrates the Corporation's ability to internally fund capital expenditures, pay dividends and service debt. These measures are not, and should not be viewed as, a substitute for U.S. GAAP net income (loss) or net cash provided by (used in) operating activities. A reconciliation of reported net income (loss) attributable to Hess Corporation (U.S. GAAP) to adjusted net income (loss), and a reconciliation of net cash provided by (used in) operating activities (U.S. GAAP) to net cash provided by (used in) operating activities before changes in operating assets and liabilities are provided in the accompanying release.

Cautionary Note to Investors

We use certain terms in this script and accompanying release relating to resources other than proved reserves, such as unproved reserves or resources. Investors are urged to consider closely the oil and gas disclosures in Hess Corporation's Form 10-K, File No. 1-1204, available from Hess Corporation, 1185 Avenue of the Americas, New York, New York 10036 c/o Corporate Secretary and on our website at www.hess.com. You can also obtain this form from the SEC on the EDGAR system.