HESS CORPORATION

Third Quarter 2022 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 share some thoughts about the oil markets and review our progress in executing our strategy. Greg Hill will then discuss our operations, and John Rielly will review our financial results.

Global oil demand has returned to pre-COVID levels of approximately 100 million barrels a day. As we look to 2023, even with a recessionary environment and a slowing world economy, we expect global oil demand to grow by at least 1 million barrels per day driven by China reopening its economy and an increase in global air travel.

Oil supply, on the other hand, continues to struggle to keep up with global demand. Global oil inventories are approximately 300 million barrels less than pre-COVID levels, and there is very little spare production capacity in the world. Oil markets were tight even before Russia invaded Ukraine and are expected to get even tighter with the potential for further sanctions on Russian oil exports this winter.

The world is facing a structural supply deficit and significantly more global oil investment is needed. According to the International Energy Agency, a reasonable estimate for the global oil and gas investment needed for supply to meet demand is approximately $500 billion each year over the next 10 years. The last five years have seen significant underinvestment which will tighten supply as global oil demand grows in the years ahead.

The International Energy Agency's World Energy Outlook provides multiple scenarios for addressing the dual challenge of growing the global energy supply by about 20 percent over the next 20 years and reaching net zero emissions by 2050. In all of the IEA scenarios, oil and gas will be needed for decades to come. So, to ensure an affordable, just and secure energy transition, we need to invest significantly more in oil and gas – and we also must have government policies that encourage investment, rather than discourage it.

In a world that will need reliable, low cost oil and gas resources for decades to come, Hess is very well positioned. Our strategy is to deliver high return resource growth, a low cost of supply and industry leading cash flow growth – and at the same time maintain our industry leadership in environmental, social and governance performance and disclosure. Our successful execution of this strategy has uniquely positioned our company to deliver significant value to shareholders for years to come, by growing both intrinsic value and cash returns.

By investing only in high return, low cost opportunities, we have built a differentiated and balanced portfolio focused on Guyana, the Bakken, deepwater Gulf of Mexico, and Southeast Asia. With multiple phases of low cost oil developments coming online in Guyana and our robust inventory of high return drilling locations in the Bakken, we can deliver highly profitable production growth of more than 10 percent annually over the next five years.

As our high quality resource base expands, we will steadily move down the cost curve. Our four sanctioned oil developments in Guyana have a breakeven Brent oil price of between \$25 and \$35 per barrel.

In terms of cash flow growth, we have an industry leading rate of change story and durability story – providing a unique value proposition. Based upon a flat Brent oil price of \$65 per barrel, our cash flow is forecast to increase by approximately 25 percent annually between 2021 and 2026 – more than twice as fast as our top line growth – and our balance sheet will also continue to strengthen, with debt to EBITDAX expected to decline to under 1x in 2024.

As our portfolio becomes increasingly free cash flow positive in the coming years, we are committed to returning up to 75 percent of our annual free cash flow to shareholders, with the remainder going to strengthen the balance sheet by increasing our cash position or further reducing our debt. We continued common stock repurchases during the third quarter, repurchasing \$150 million of stock as part of the \$650 million stock repurchase program announced earlier this year, and we intend to repurchase the remaining \$310 million of stock in the fourth quarter.

Looking ahead, we plan to continue increasing our regular dividend to a level that is attractive to income-oriented investors, but sustainable in a low oil price environment. As our free cash flow generation steadily increases in the years ahead, share repurchases will represent a growing proportion of our return of capital.

Key to our strategy is Guyana – one of the industry's highest margin, lowest carbon intensity and highest growth oil and gas prospects according to Wood Mackenzie data. On the Stabroek Block in Guyana, where Hess has a 30 percent interest and ExxonMobil is the operator, we continue to see the potential for six floating production storage and offloading vessels or FPSOs in 2027 with a gross production capacity of more than 1 million barrels of oil per day and up to 10 FPSOs to develop the discovered resources on the block.

In terms of our sanctioned oil developments on the block:

- The Liza Phase 1 and Liza Phase 2 developments are currently operating at their combined gross production capacity of more than 360 thousand barrels of oil per day.
- Our third development at the Payara Field, with a gross production capacity of approximately 220 thousand barrels of oil per day, remains on schedule for start up at the end of 2023.
- Our fourth development, Yellowtail, which was sanctioned in April, will be the largest development to date on the Stabroek Block with first oil expected in 2025. The project will develop an estimated recoverable resource base of approximately 925 million barrels of oil and have a gross production capacity of approximately 250 thousand barrels of oil per day.

Front end engineering and design work for our fifth development at Uaru is underway, with a Plan of Development expected to be submitted to the government before year end.

In terms of exploration and appraisal in Guyana, this morning we announced two new discoveries on the block at Yarrow and Sailfin, bringing our total this year to nine. These discoveries will add to the previously announced gross discovered recoverable resource estimate for the Stabroek Block of approximately 11 billion barrels of oil equivalent – and we continue to see multibillion barrels of future exploration potential remaining.

In Suriname, we recently drilled the Zanderij-1 well, where Hess has a 33 percent interest and Shell is the operator. The well demonstrated a working petroleum system and encountered oil pay. The well results are being evaluated and further exploration activities are being considered.

Turning to sustainability, we are proud to be recognized as an industry leader in our environmental, social and governance performance and disclosure. Hess has once again achieved Level 4 status in the Transition Pathway Initiative's recent management quality assessment, which is the highest level awarded to companies that demonstrably manage climate-related risks and opportunities from a governance, operational and strategic perspective in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

In summary, we continue to successfully execute our strategy and deliver strong operational and ESG performance. We offer a unique value proposition – to grow both our intrinsic value and our cash returns by increasing our resource base, delivering a lower cost of supply and generating the best cash flow growth among our peers, major oil companies and the top quartile of the S&P 500. As our portfolio becomes increasingly free cash flow positive, we will continue to prioritize the return of capital to our shareholders through further dividend increases and share repurchases.

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 delivered strong operational performance. Companywide net production averaged 351 thousand barrels of oil equivalent per day excluding Libya, compared to our guidance of 330 thousand to 335 thousand barrels of oil equivalent per day. This production beat reflects strong performance across our portfolio.

For the fourth quarter, we expect companywide net production to average approximately 370 thousand barrels of oil equivalent per day, excluding Libya. For the full year 2022, we now expect companywide net production to average approximately 325 thousand barrels of oil equivalent per day, excluding Libya, up from our previous guidance of approximately 320 thousand barrels of oil equivalent per day.

Turning to the Bakken, third quarter net production averaged 166 thousand barrels of oil equivalent per day. This was above our guidance of 155 thousand to 160 thousand barrels of oil equivalent per day and primarily reflected strong execution and recovery following challenging weather conditions in the first half of the year.

For the fourth quarter, we expect Bakken net production to average between 165 thousand and 170 thousand barrels of oil equivalent per day. For the full year 2022, we now forecast Bakken net production to average approximately 155 thousand barrels of oil equivalent per day, which is the high end of our previous guidance range of 150 thousand to 155 thousand barrels of oil equivalent per day.

In the third quarter, we drilled 20 wells and brought 22 new wells online. For the fourth quarter, we expect to drill approximately 30 wells and to bring approximately 25 new wells online; and for the full year 2022, we to expect to drill approximately 90 wells and to bring approximately 80 new wells online.

In terms of drilling and completion costs, although we continue to experience cost inflation, we are maintaining our full-year average forecast of $6.3 million per well in 2022.

Given the improvement in oil prices and our robust inventory of high return drilling locations, we added a fourth rig in July. Moving to a four rig program will allow us to grow net production to approximately 200 thousand barrels of oil equivalent per day in 2024, which will maximize free cash flow generation, 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 30 thousand barrels of oil equivalent per day, which was at the high end of our guidance range of 25 thousand to 30 thousand barrels of oil equivalent per day, primarily reflecting the successful start up of the Shell-operated Llano 6 tieback. For the fourth quarter and full year 2022, we forecast Gulf of Mexico net production to average approximately 30 thousand barrels of oil equivalent per day.

In Southeast Asia, net production in the third quarter was 57 thousand barrels of oil equivalent per day, above our guidance of approximately 55 thousand barrels of oil equivalent per day. Planned maintenance work was successfully completed at both the North Malay Basin and JDA assets during the third quarter. Fourth quarter and full year 2022 net production is forecast to average between 60 thousand and 65 thousand barrels of oil equivalent per day.

Now turning to Guyana. In the third quarter, net production from the Liza Phase 1 and Phase 2 developments averaged 98 thousand barrels of oil per day, including tax barrels of 7 thousand barrels of oil per day -- above our guidance of 90 thousand to 95 thousand barrels of oil per day. Both the Liza Destiny and Liza Unity Floating Production, Storage and Offloading vessels delivered strong operating performance and high facility uptime during the quarter.

Guyana net production is forecast to average approximately 110 thousand barrels of oil per day in the fourth quarter, including tax barrels of 20 thousand barrels of oil per day. For the full year 2022, Guyana net production is forecast to average approximately 77 thousand barrels of oil per day, including tax barrels of 7 thousand barrels of oil per day, slightly above our previous guidance of 75 thousand barrels of oil per day.

Turning to our third sanctioned development at Payara, topsides installation and development drilling are underway. The overall project is approximately 88% complete. The FPSO Prosperity will have a gross production capacity of 220 thousand barrels of oil per day and is on track to achieve first oil at the end of 2023.

Our fourth sanctioned development at Yellowtail will utilize the ONE GUYANA FPSO with a gross capacity of approximately 250 thousand barrels of oil per day. Fabrication of topside modules kicked off in September and the hull is expected to arrive in Singapore in early 2023. The overall project is approximately 29% complete and is on track to achieve first oil in 2025.

With regard to our fifth development, Uaru, the operator plans to submit a Plan of Development to the government before the end of this year, with approval expected by the end of the first quarter of 2023. The plan utilizes an FPSO with a gross capacity of approximately 250 thousand barrels of oil per day with first oil targeted for the end of 2026.

As John mentioned, yesterday we announced discoveries at Yarrow and Sailfin. The Yarrow-1 well, located approximately 9 miles southeast of the Barreleye-1 well, encountered 75 feet of high quality, oil bearing sandstone reservoir. The Sailfin-1 well, located approximately 15 miles southeast of the Turbot-1 well, encountered 312 feet of high quality, hydrocarbon bearing sandstone reservoir.

The Banjo-1 well did not encounter commercial quantities of hydrocarbons and was expensed in the third quarter.

On Block 42 in Suriname, we recently drilled the Zanderij-1 well, where Hess has a 33 percent interest and Shell is the operator. The well demonstrated a working petroleum system and encountered oil pay. The well results are being evaluated and further exploration activities are being considered.

Looking forward, fourth quarter exploration and appraisal activities on the Stabroek Block in Guyana will include the Fangtooth SE-1 well, which is a deep test located approximately 8 miles southeast of the Fangtooth-1 discovery well. We will also drill the Fish-1 exploration well located approximately 62 miles northwest of Liza-1. This well will target multiple stacked reservoir intervals. In addition, we plan to drill the Lancetfish-1 well, located approximately 3 miles west of the Liza-3 well which will target deeper reservoirs.

In closing, our execution continues to be strong. The Bakken is on a strong, capital efficient growth trajectory, our Gulf of Mexico and Southeast Asia assets continue to generate significant free cash flow, and Guyana continues to get bigger and better – all of which position us to deliver industry leading returns, material free cash flow generation and significant shareholder value.

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 2022 to the second quarter of 2022.

Consolidated Results of Operations
We had net income of $515 million in the third quarter of 2022, or $583 million on an adjusted basis. Net income was $667 million in the second quarter of 2022.

Exploration and Production
E&P adjusted net income was $626 million in the third quarter compared with $723 million in the second quarter. The changes in the after-tax components of E&P earnings between the third quarter and second quarter of 2022 were as follows:

	Increase (Decrease) In Earnings	
Higher sales volumes increased earnings by	$	370
Lower realized selling prices decreased earnings by		(314)
Higher DD&A expense decreased earnings by		(70)
Higher cash costs and Midstream tariffs decreased earnings by		(55)
Higher exploration expenses decreased earnings by		(22)
All other items decreased earnings by		(6)
For an overall decrease in third quarter earnings of	$	(97)

In the third quarter we sold 8 cargos of crude oil in Guyana, up from 6 cargos in the second quarter. For the third quarter, our E&P sales volumes were underlifted compared with production by approximately one million barrels which decreased our after-tax income by approximately $50 million. In the fourth quarter, we expect to sell 9 cargos from Guyana.

Midstream Activities

The Midstream segment had net income of $68 million in the third quarter of 2022 compared with $65 million in the second quarter. Midstream EBITDA, before noncontrolling interests, amounted to $252 million in the third quarter of 2022 compared to $241 million in the previous quarter.

Financial Position – Cash and Liquidity

At September 30th, excluding the Midstream segment, cash and cash equivalents were $2.38 billion, and total liquidity was $5.73 billion including available committed credit facilities, while debt and finance lease obligations totaled $5.60 billion.

In the third quarter, we continued our common stock share repurchases with the purchase of approximately 1.4 million shares for $150 million. We intend to acquire the remaining board authorized amount of $310 million in the fourth quarter of this year. Total cash returned to shareholders in the third quarter amounted to $265 million including dividends.

Net cash provided by operating activities before changes in working capital was $1.4 billion in the third quarter compared with $1.5 billion in the second quarter, primarily due to lower realized selling prices. In the third quarter, changes in operating assets and liabilities decreased cash flow from operating activities by $66 million.

E&P capital and exploratory expenditures were $701 million in the third quarter and $622 million in the second quarter.

Fourth Quarter and Full Year Guidance

<u>Exploration and Production</u>

Our E&P cash costs in the third quarter of 2022 were $13.19 per barrel of oil equivalent, including Libya, and $13.64 per barrel of oil equivalent, excluding Libya. We project E&P cash costs, excluding Libya, to be in the range of $13.00 to $13.50 per barrel of oil equivalent for the fourth quarter and in the range of $13.50 to $14.00 per barrel of oil equivalent for the full year, which is unchanged from our previous guidance. DD&A expense was $12.56 per barrel of oil equivalent, including Libya and $13.03 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 $12.50 to $13.00 per barrel of oil equivalent for the full year, which is also unchanged from our previous guidance. This results in projected total E&P unit operating costs, excluding Libya, to be in the range of $26.00 to $27.00 per barrel of oil equivalent for both the fourth quarter and full year 2022.

Exploration expenses, excluding dry hole costs, are expected to be approximately $40 million in the fourth quarter and approximately $155 million for the full year, which is down from our previous full year guidance of $160 million to $170 million. The midstream tariff is projected to be approximately $310 million for the fourth quarter and approximately $1,205 million for the full year, which is within the range of our previous full year guidance of $1,190 million to $1,215 million.

E&P income tax expense, excluding Libya, is expected to be approximately $210 million for the fourth quarter and approximately $560 million for the full year, which is up from our previous full year guidance range of $540 million to $550 million.

We expect non-cash option premium amortization, which will be reflected in our realized selling prices, will be approximately $165 million for the fourth quarter.

Our E&P capital and exploratory expenditures are expected to be approximately $800 million in the fourth quarter and full year guidance of approximately $2.7 billion remains unchanged.

<u>Midstream</u>

We anticipate net income attributable to Hess from the Midstream segment to be approximately $65 million for the fourth quarter and approximately $270 million for the full year, which is the midpoint of our previous full year guidance range of $265 million to $275 million.

<u>Corporate and Interest</u>

Corporate expenses are estimated to be approximately $35 million for the fourth quarter and approximately $135 million for the full year, which is down from our previous full year guidance of approximately $150 million. Interest expense is estimated to be approximately $85 million for the fourth quarter and approximately $345 million for the full year, which is at the lower end of our previous full year guidance range of $345 million to $350 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 liquids 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, natural gas liquids and natural gas and competition in the oil and gas exploration and production industry, including as a result of COVID-19; reduced demand for our products, including due to COVID-19, perceptions regarding the oil and gas industry, 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, fracking bans as well as restrictions on oil and gas leases; operational changes and expenditures due to climate change and sustainability related initiatives; disruption or interruption of our operations due to catastrophic events, such as accidents, severe weather, geological events, shortages of skilled labor, cyber-attacks, health measures related to COVID-19, or climate change; the ability of our contractual counterparties to satisfy their obligations to us, including the operation of joint ventures under which we may not control and exposure to decommissioning liabilities for divested assets in the event the current or future owners are unable to perform; 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 limitations on investment in oil and gas activities or negative outcomes within commodity and financial markets; liability resulting from environmental obligations and litigation, including 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.