

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended *March 31, 2017*

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-1204

**HESS CORPORATION**

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE

(State or Other Jurisdiction of Incorporation or Organization)

13-4921002

(I.R.S. Employer Identification Number)

1185 AVENUE OF THE AMERICAS, NEW YORK, N.Y.

(Address of Principal Executive Offices)

10036

(Zip Code)

(Registrant's Telephone Number, Including Area Code is (212) 997-8500)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its Corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

At March 31, 2017, there were 317,916,303 shares of Common Stock outstanding.

**HESS CORPORATION**  
**Form 10-Q**  
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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET (UNAUDITED)**

	March 31, 2017	December 31, 2016
	(In millions, except share amounts)	
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,686	\$ 2,732
Accounts receivable		
Trade	775	940
Other	137	86
Inventories	377	323
Other current assets	196	195
<b>Total current assets</b>	<b>4,171</b>	<b>4,276</b>
Property, plant and equipment:		
Total — at cost	47,250	46,907
Less: Reserves for depreciation, depletion, amortization and lease impairment	24,049	23,312
<b>Property, plant and equipment — net</b>	<b>23,201</b>	<b>23,595</b>
Goodwill	375	375
Deferred income taxes	23	59
Other assets	330	316
<b>Total Assets</b>	<b>\$ 28,100</b>	<b>\$ 28,621</b>
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	\$ 565	\$ 433
Accrued liabilities	1,343	1,609
Taxes payable	102	97
Current maturities of long-term debt	116	112
<b>Total current liabilities</b>	<b>2,126</b>	<b>2,251</b>
Long-term debt	6,669	6,694
Deferred income taxes	1,125	1,144
Asset retirement obligations	1,943	1,912
Other liabilities and deferred credits	1,004	1,029
<b>Total Liabilities</b>	<b>12,867</b>	<b>13,030</b>
<b>Equity</b>		
Hess Corporation stockholders' equity:		
Preferred stock, par value \$1.00; Authorized — 20,000,000 shares		
<i>Series A 8% Cumulative Mandatory Convertible; \$1,000 per share liquidation preference; Issued — 575,000 shares (2016: 575,000)</i>	1	1
Common stock, par value \$1.00; Authorized — 600,000,000 shares		
<i>Issued — 317,916,303 shares (2016: 316,523,200)</i>	318	317
Capital in excess of par value	5,804	5,773
Retained earnings	9,692	10,147
Accumulated other comprehensive income (loss)	(1,667)	(1,704)
<b>Total Hess Corporation stockholders' equity</b>	<b>14,148</b>	<b>14,534</b>
Noncontrolling interests	1,085	1,057
<b>Total equity</b>	<b>15,233</b>	<b>15,591</b>
<b>Total Liabilities and Equity</b>	<b>\$ 28,100</b>	<b>\$ 28,621</b>

See accompanying Notes to Consolidated Financial Statements.

**HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**STATEMENT OF CONSOLIDATED INCOME (UNAUDITED)**

	Three Months Ended March 31,	
	2017	2016
(In millions, except per share amounts)		
<b>Revenues and Non-Operating Income</b>		
Sales and other operating revenues	\$ 1,277	\$ 973
Other, net	(2)	20
Total revenues and non-operating income	1,275	993
<b>Costs and Expenses</b>		
Cost of products sold (excluding items shown separately below)	219	189
Operating costs and expenses	359	436
Production and severance taxes	31	19
Exploration expenses, including dry holes and lease impairment	58	132
General and administrative expenses	96	98
Interest expense	84	85
Depreciation, depletion and amortization	737	868
Total costs and expenses	1,584	1,827
<b>Income (Loss) Before Income Taxes</b>	(309)	(834)
Provision (benefit) for income taxes	(13)	(346)
<b>Net Income (Loss)</b>	(296)	(488)
Less: Net income (loss) attributable to noncontrolling interests	28	21
<b>Net Income (Loss) Attributable to Hess Corporation</b>	(324)	(509)
Less: Preferred stock dividends	12	6
<b>Net Income (Loss) Attributable to Hess Corporation Common Stockholders</b>	\$ (336)	\$ (515)
<b>Net Income (Loss) Attributable to Hess Corporation Per Common Share</b>		
Basic	\$ (1.07)	\$ (1.72)
Diluted	\$ (1.07)	\$ (1.72)
<b>Weighted Average Number of Common Shares Outstanding (Diluted)</b>	313.9	299.8
<b>Common Stock Dividends Per Share</b>	\$ 0.25	\$ 0.25

See accompanying Notes to Consolidated Financial Statements.

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

**HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES  
STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME (UNAUDITED)**

	Three Months Ended March 31,	
	2017	2016
	(In millions)	
<b>Net Income (Loss)</b>	\$ (296)	\$ (488)
<b>Other Comprehensive Income (Loss):</b>		
<b>Derivatives designated as cash flow hedges</b>		
Change in fair value of cash flow hedges	4	—
Income taxes on change in fair value of cash flow hedges	(2)	—
<b>Change in derivatives designated as cash flow hedges, after taxes</b>	2	—
<b>Pension and other postretirement plans</b>		
(Increase) reduction in unrecognized actuarial losses	7	—
Income taxes on actuarial changes in plan liabilities	(3)	—
(Increase) reduction in unrecognized actuarial losses, net	4	—
Amortization of net actuarial losses	17	16
Income taxes on amortization of net actuarial losses	—	(5)
Net effect of amortization of net actuarial losses	17	11
<b>Change in pension and other postretirement plans, after taxes</b>	21	11
<b>Foreign currency translation adjustment</b>		
Foreign currency translation adjustment	14	169
<b>Change in foreign currency translation adjustment</b>	14	169
<b>Other Comprehensive Income (Loss)</b>	37	180
<b>Comprehensive Income (Loss)</b>	(259)	(308)
Less: Comprehensive income (loss) attributable to noncontrolling interests	28	21
<b>Comprehensive Income (Loss) Attributable to Hess Corporation</b>	\$ (287)	\$ (329)

See accompanying Notes to Consolidated Financial Statements.

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

**HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES  
STATEMENT OF CONSOLIDATED CASH FLOWS (UNAUDITED)**

	Three Months Ended March 31,	
	2017	2016
	(In millions)	
<b>Cash Flows From Operating Activities</b>		
Net income (loss)	\$ (296)	\$ (488)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation, depletion and amortization	737	868
Exploratory dry hole costs	—	85
Exploration lease impairment	7	9
Stock compensation expense	22	25
Provision (benefit) for deferred income taxes and other tax accruals	(27)	(351)
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	115	317
(Increase) decrease in inventories	(55)	(13)
Increase (decrease) in accounts payable and accrued liabilities	(115)	(360)
Increase (decrease) in taxes payable	6	(15)
Changes in other operating assets and liabilities	(45)	(137)
Net cash provided by (used in) operating activities	<u>349</u>	<u>(60)</u>
<b>Cash Flows From Investing Activities</b>		
Additions to property, plant and equipment - E&P	(340)	(567)
Additions to property, plant and equipment - Midstream	(50)	(53)
Proceeds from asset sales	100	—
Other, net	—	7
Net cash provided by (used in) investing activities	<u>(290)</u>	<u>(613)</u>
<b>Cash Flows From Financing Activities</b>		
Net borrowings (repayments) of debt with maturities of 90 days or less	5	5
Debt with maturities of greater than 90 days		
Borrowings	—	—
Repayments	(26)	(17)
Proceeds from issuance of preferred stock	—	557
Proceeds from issuance of common stock	—	1,087
Cash dividends paid	(92)	(80)
Other, net	8	(38)
Net cash provided by (used in) financing activities	<u>(105)</u>	<u>1,514</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(46)</b>	<b>841</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>2,732</b>	<b>2,716</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 2,686</b>	<b>\$ 3,557</b>

See accompanying Notes to Consolidated Financial Statements.

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

**HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES  
STATEMENT OF CONSOLIDATED EQUITY (UNAUDITED)**

	<b>Mandatory Convertible Preferred Stock</b>	<b>Common Stock</b>	<b>Capital in Excess of Par</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Total Hess Stockholders' Equity</b>	<b>Noncontrolling Interests</b>	<b>Total Equity</b>
	<b>(In millions)</b>							
<b>Balance at January 1, 2017</b>	\$ 1	\$ 317	\$ 5,773	\$ 10,147	\$ (1,704)	\$ 14,534	\$ 1,057	\$ 15,591
Cumulative effect of adoption of new accounting standards	—	—	2	(39)	—	(37)	—	(37)
Net income (loss)	—	—	—	(324)	—	(324)	28	(296)
Other comprehensive income (loss)	—	—	—	—	37	37	—	37
Share-based compensation, including income taxes	—	1	29	—	—	30	—	30
Dividends on preferred stock	—	—	—	(12)	—	(12)	—	(12)
Dividends on common stock	—	—	—	(80)	—	(80)	—	(80)
<b>Balance at March 31, 2017</b>	<u>\$ 1</u>	<u>\$ 318</u>	<u>\$ 5,804</u>	<u>\$ 9,692</u>	<u>\$ (1,667)</u>	<u>\$ 14,148</u>	<u>\$ 1,085</u>	<u>\$ 15,233</u>
<b>Balance at January 1, 2016</b>	\$ —	\$ 286	\$ 4,127	\$ 16,637	\$ (1,664)	\$ 19,386	\$ 1,015	\$ 20,401
Net income (loss)	—	—	—	(509)	—	(509)	21	(488)
Other comprehensive income (loss)	—	—	—	—	180	180	—	180
Stock issuance	1	29	1,577	—	—	1,607	—	1,607
Share-based compensation, including income taxes	—	2	18	—	—	20	—	20
Dividends on preferred stock	—	—	—	(6)	—	(6)	—	(6)
Dividends on common stock	—	—	—	(80)	—	(80)	—	(80)
<b>Balance at March 31, 2016</b>	<u>\$ 1</u>	<u>\$ 317</u>	<u>\$ 5,722</u>	<u>\$ 16,042</u>	<u>\$ (1,484)</u>	<u>\$ 20,598</u>	<u>\$ 1,036</u>	<u>\$ 21,634</u>

See accompanying Notes to Consolidated Financial Statements.

**HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**1. Basis of Presentation**

The financial statements included in this report reflect all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of our consolidated financial position at March 31, 2017 and December 31, 2016, the consolidated results of operations for the three months ended March 31, 2017 and 2016, and consolidated cash flows for the three months ended March 31, 2017 and 2016. The unaudited results of operations for the interim periods reported are not necessarily indicative of results to be expected for the full year.

The financial statements were prepared in accordance with the requirements of the Securities and Exchange Commission (SEC) for interim reporting. As permitted under those rules, certain notes or other financial information that are normally required by generally accepted accounting principles (GAAP) in the United States have been condensed or omitted from these interim financial statements. These statements, therefore, should be read in conjunction with the consolidated financial statements and related notes included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2016.

On January 1, 2017, the Corporation's interests in a Permian Basin gas plant in West Texas and related CO<sub>2</sub> assets, and water handling assets in North Dakota were transferred from the Exploration and Production (E&P) segment to the Midstream segment as a result of organizational changes to the management of these assets. These additional assets are wholly-owned by the Corporation and are not included in our Hess Infrastructure Partners joint venture. Prior period information has been recast to conform to the current period presentation. See *Note 8, Segment Information*.

In the first quarter of 2017, we adopted Accounting Standards Update (ASU) 2016-16, *Income Taxes – Intra-Entity Transfer of Assets Other than Inventory*. This ASU requires the recognition of income tax consequences from intra-entity transfer of assets other than inventory when the transfer occurs. The adoption of this standard was applied on a modified retrospective basis through a cumulative effect adjustment as of January 1, 2017, that resulted in a decrease to *Retained earnings* and a decrease to *Deferred income taxes*, included in non-current assets, of \$37 million.

In the first quarter of 2017, we adopted ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*. This ASU makes changes to various provisions associated with share-based accounting, including provisions affecting the accounting for income taxes, the accounting for forfeitures, the presentation of the statements of cash flow, and the consideration of net settlement provisions on the balance sheet classification of the share-based award. As part of the adoption of this ASU, we elected to account for forfeitures of share-based awards in the period when they occur. The effect of this election was applied on a modified retrospective basis through a cumulative effect adjustment as of January 1, 2017, that resulted in a decrease to *Retained earnings* and an increase to *Capital in excess of par value* of \$2 million. The cumulative effect adjustment to deferred tax assets for excess tax benefits not previously recognized as of the beginning of the period was offset by a corresponding change in valuation allowance, resulting in no cumulative effect adjustment to retained earnings. Further, as part of the adoption of this ASU, we have applied its provisions affecting excess tax benefits on a prospective basis in the statement of income and the statement of cash flows, effective January 1, 2017.

**New Accounting Pronouncements:** In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers*, as a new Accounting Standards Codification (ASC) Topic, ASC 606. This ASU is effective for us beginning in the first quarter of 2018, with early adoption permitted from the first quarter of 2017. We have developed a project plan for the implementation of ASC 606 in the first quarter of 2018, and conducted an evaluation of a sample of revenue contracts with customers against the requirements of the standard. Further analysis is planned in 2017 to complete the implementation plan. Based on our assessment to date, we have not identified any changes to the timing of revenue recognition based on the requirements of ASC 606 that would have a material impact on our consolidated financial statements. We plan to adopt ASC 606 using the modified retrospective method that requires application of the new standard prospectively from the date of adoption with a cumulative effect adjustment, if any, recorded to retained earnings as of January 1, 2018.

In February 2016, the FASB issued ASU 2016-02, *Leases*, as a new ASC Topic, ASC 842. The new standard will require assets and liabilities to be reported on the balance sheet for all leases with lease terms greater than one year, including leases currently treated as operating leases under the existing standard. This ASU is effective for us beginning in the first quarter of 2019, with early adoption permitted. We are currently assessing the impact of the ASU on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*. This ASU makes changes to the impairment model for trade receivables, net investments in leases, debt securities, loans and certain other instruments. The standard requires the use of a forward-looking "expected loss" model compared to the current "incurred loss" model. This



**HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

ASU is effective for us beginning in the first quarter of 2020, with early adoption permitted from the first quarter of 2019. We are currently assessing the impact of the ASU on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations – Clarifying the Definition of a Business*. This ASU provides a screen that excludes an integrated set of activities and assets from the definition of a business if the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or group of similar identifiable assets. This ASU also clarifies that an integrated set of activities and assets must include (at a minimum), an input and a substantive process that together significantly contribute to the ability to create output to be considered a business. This ASU is effective for us beginning in the first quarter of 2018, with early application permitted. We are currently assessing the impact of the ASU on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other – Simplifying the Test for Goodwill Impairment*. This ASU modifies the concept of goodwill impairment from a condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of the reporting unit exceeds its fair value. Thus, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value. The impairment charge would be limited by the amount of goodwill allocated to the reporting unit. This ASU removes the requirement to determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if the reporting unit had been acquired in a business combination. This ASU is effective for us beginning in the first quarter of 2020, with early adoption permitted. We are currently assessing the impact of the ASU on our consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05, *Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets*. This ASU clarifies the scope of *Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets*, and to add guidance for partial sales of nonfinancial assets. This ASU is effective for us beginning in the first quarter of 2018, with early application permitted. We are currently assessing the impact of the ASU on our consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits*. This ASU requires that an employer disaggregate the service cost component from the other components of net benefit cost. The amendments also provide explicit guidance on how to present the service cost component and the other components of net benefit cost in the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization. This ASU is effective for us beginning in the first quarter of 2018, with early application permitted. We are currently assessing the impact of the ASU on our consolidated financial statements.

## 2. Inventories

Inventories consisted of the following:

	March 31, 2017	December 31, 2016
	(In millions)	
Crude oil and natural gas liquids	\$ 137	\$ 77
Materials and supplies	240	246
<b>Total Inventories</b>	<b>\$ 377</b>	<b>\$ 323</b>

## 3. Capitalized Exploratory Well Costs

The following table discloses the net changes in capitalized exploratory well costs pending determination of proved reserves during the three months ended March 31, 2017 (in millions):

<b>Balance at January 1, 2017</b>	\$	597
Additions to capitalized exploratory well costs pending the determination of proved reserves		27
<b>Balance at March 31, 2017</b>	<b>\$</b>	<b>624</b>

Capitalized exploratory well costs capitalized for greater than one year following completion of drilling were \$511 million at March 31, 2017 and primarily related to:

*Ghana:* Approximately 55% of the capitalized well costs in excess of one year relates to our Deepwater Tano/Cape Three Points license (Hess 50% license interest), offshore Ghana. The government of Côte d'Ivoire has challenged the maritime border between it and the country of Ghana, which includes a portion of our Deepwater Tano/Cape Three Points license. We are unable to proceed with development of this license until there is a resolution of this matter, which may also impact our

**HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

ability to develop the license. The International Tribunal for Law of the Sea is expected to render a final ruling on the maritime border dispute in September 2017. Under terms of our license and subject to resolution of the border dispute, we have declared commerciality for four discoveries, including the Pecan Field in March 2016, which would be the primary development hub for the block. Following a favorable outcome of the border dispute, we will have ten months to submit a plan of development to the Ghanaian government. Front-end engineering studies and other development planning is progressing.

*Guyana:* Approximately 20% of the capitalized well costs in excess of one year relates to the Stabroek Block, offshore Guyana (Hess 30% participating interest), where the operator Esso Exploration and Production Guyana Limited, announced a significant oil discovery at the Liza-1 well in the second quarter of 2015. During 2016, the operator completed a 17,000 square kilometer 3D seismic acquisition on the Stabroek Block and drilled the Liza-2, Liza-3, and Payara-1 wells, all of which encountered hydrocarbons. During 2017, the operator drilled the Snoek-1 well, which confirmed another oil discovery on the Stabroek Block. Development planning is underway and we expect to be in a position to sanction the first phase of the Liza development in 2017. Additional exploration and appraisal drilling is also planned on the block.

*Gulf of Mexico:* Approximately 20% of the capitalized well costs in excess of one year relates to an appraisal well in the northern portion of the Shenzi Field (Hess 28% participating interest) in the Gulf of Mexico, where hydrocarbons were encountered in the fourth quarter of 2015. The operator is evaluating plans for developing this area of the field.

*JDA:* Approximately 5% of the capitalized well costs in excess of one year relates to the JDA in the Gulf of Thailand (Hess 50%) where hydrocarbons were encountered in three successful exploration wells drilled in the western part of Block A-18. The operator is currently evaluating results and formulating future drilling plans in the area.

**4. Hess Infrastructure Partners LP**

We consolidate the activities of Hess Infrastructure Partners LP (HIP), a 50/50 joint venture between Hess Corporation and Global Infrastructure Partners (GIP), which qualifies as a variable interest entity (VIE) under U.S. GAAP. We have concluded that we are the primary beneficiary of the VIE, as defined in the accounting standards, since we have the power, through our 50% ownership, to direct those activities that most significantly impact the economic performance of HIP.

HIP, which owns Bakken midstream assets, is a component of our Midstream segment. At March 31, 2017, HIP liabilities totaling \$800 million (December 31, 2016: \$841 million) are on a nonrecourse basis to Hess Corporation, while HIP assets available to settle the obligations of HIP include cash and cash equivalents totaling \$2 million (December 31, 2016: \$2 million) and property, plant and equipment with a carrying value of \$2,528 million (December 31, 2016: \$2,528 million).

**5. Retirement Plans**

Components of net periodic pension cost consisted of the following:

	Three Months Ended	
	March 31,	
	2017	2016
	(In millions)	
Service cost	\$ 14	\$ 16
Interest cost	26	28
Expected return on plan assets	(41)	(42)
Amortization of unrecognized net actuarial losses	17	16
Pension expense	<u>\$ 16</u>	<u>\$ 18</u>

In 2017, we expect to contribute \$52 million to our funded pension plans. Through March 31, 2017, we have contributed \$14 million to these plans.

**HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**6. Weighted Average Common Shares**

The Net income (loss) and weighted average number of common shares used in the basic and diluted earnings per share computations were as follows:

	Three Months Ended March 31,	
	2017	2016
(In millions)		
<b>Net income (loss) attributable to Hess Corporation Common Stockholders:</b>		
Net income (loss)	\$ (296)	\$ (488)
Less: Net income (loss) attributable to noncontrolling interests	28	21
Less: Preferred stock dividends	12	6
Net income (loss) attributable to Hess Corporation Common Stockholders	<u>\$ (336)</u>	<u>\$ (515)</u>
<b>Weighted average number of common shares outstanding:</b>		
Basic	313.9	299.8
Effect of dilutive securities		
Restricted common stock	—	—
Stock options	—	—
Performance share units	—	—
Mandatory Convertible Preferred stock	—	—
Diluted	<u>313.9</u>	<u>299.8</u>

The following table summarizes the number of antidilutive shares excluded from the computation of diluted shares:

	Three Months Ended March 31,	
	2017	2016
Restricted common stock	3,126,222	3,036,611
Stock options	6,298,896	6,720,462
Performance share units	313,004	885,939
Common shares from conversion of preferred stocks	12,547,650	7,214,291

During the three months ended March 31, 2017, we granted 1,206,732 shares of restricted stock (2016 Q1: 1,596,742), 438,980 performance share units (2016 Q1: 433,170) and 662,819 stock options (2016 Q1: 805,068).

**7. Guarantees and Contingencies**

We are subject to loss contingencies with respect to various claims, lawsuits and other proceedings. A liability is recognized in our consolidated financial statements when it is probable that a loss has been incurred and the amount can be reasonably estimated. If the risk of loss is probable, but the amount cannot be reasonably estimated or the risk of loss is only reasonably possible, a liability is not accrued; however, we disclose the nature of those contingencies. We cannot predict with certainty if, how or when existing claims, lawsuits and 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 lengthy discovery, conciliation and/or arbitration proceedings, or litigation before a loss or range of loss can be reasonably estimated. Subject to the foregoing, in management's opinion, based upon currently known facts and circumstances, the outcome of such lawsuits, claims and proceedings, including the matters described below, is not expected to have a material adverse effect on our financial condition. However, we could incur judgments, enter into settlements, or revise our opinion regarding the outcome of certain matters, and such developments could have a material adverse effect on our results of operations in the period in which the amounts are accrued and our cash flows in the period in which the amounts are paid.

We, along with many companies that have been or continue to be engaged in refining and marketing of gasoline, have 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 us. 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. The majority of the cases asserted against us have been settled. In June 2014, the Commonwealth of Pennsylvania and the State of Vermont each filed independent lawsuits alleging that we and all

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major oil companies with operations in each respective state, have damaged the groundwater in those states by introducing thereto gasoline with MTBE. The Pennsylvania suit has been removed to Federal court and has been forwarded to the existing MTBE multidistrict litigation pending in the Southern District of New York. The suit filed in Vermont is proceeding there in a state court. In September 2016, the State of Rhode Island also filed a lawsuit in Federal court alleging that we and other major oil companies damaged the groundwater in Rhode Island by introducing thereto gasoline with MTBE.

In September 2003, we received a directive from the New Jersey Department of Environmental Protection (NJDEP) to remediate contamination in the sediments of the Lower Passaic River. The NJDEP is also seeking natural resource damages. The directive, insofar as it affects us, relates to alleged releases from a petroleum bulk storage terminal in Newark, New Jersey we previously owned. We and over 70 companies entered into an Administrative Order on Consent with the Environmental Protection Agency (EPA) to study the same contamination; this work remains ongoing. We and other parties settled a cost recovery claim by the State of New Jersey and also agreed with EPA to fund remediation of a portion of the site. In April 2014, the EPA issued a Focused Feasibility Study (FFS) proposing to conduct bank-to-bank dredging of the lower eight miles of the Lower Passaic River at an estimated cost of \$1.7 billion. On March 4, 2016, the EPA issued a Record of Decision (ROD) in respect of the lower eight miles of the Lower Passaic River, selecting a remedy that includes bank-to-bank dredging at an estimated cost of \$1.38 billion. The ROD does not address the upper nine miles of the Lower Passaic River, which may require additional remedial action. In addition, the federal trustees for natural resources have begun a separate assessment of damages to natural resources in the Passaic River. Given that the EPA has not selected a remedy for the entirety of the Lower Passaic River, total remedial costs cannot be reliably estimated at this time. Based on currently known facts and circumstances, we do not believe that this matter will result in a significant liability to us because there are numerous other parties who we expect will share in the cost of remediation and damages and our former terminal did not store or use contaminants which are of the greatest concern in the river sediments and could not have contributed contamination along most of the river's length.

In March 2014, we received an Administrative Order from EPA requiring us and 26 other parties to undertake the Remedial Design for the remedy selected by the EPA for the Gowanus Canal Superfund Site in Brooklyn, New York. The remedy includes dredging of surface sediments and the placement of a cap over the deeper sediments throughout the Canal and in-situ stabilization of certain contaminated sediments that will remain in place below the cap. EPA has estimated that this remedy will cost \$506 million; however, the ultimate costs that will be incurred in connection with the design and implementation of the remedy remain uncertain. Our alleged liability derives from our former ownership and operation of a fuel oil terminal adjacent to the Canal. We indicated to EPA that we would comply with the Administrative Order and are currently contributing funding for the Remedial Design based on an interim allocation of costs among the parties. At the same time, we are participating in an allocation process whereby a neutral expert selected by the parties will determine the final shares of the Remedial Design costs to be paid by each of the participants. The parties have not yet addressed the allocation of costs associated with implementing the remedy that is currently being designed.

On January 18, 2017, we entered into a Consent Decree with the North Dakota Department of Health resolving alleged non-compliance with North Dakota's air pollution laws and provisions of the federal Clean Air Act. Pursuant to the Consent Decree, we are required to implement corrective actions, including implementation of a leak detection and repair program, at most of our existing facilities in North Dakota. We were assessed a base penalty of \$922,000, which is subject to adjustment based on the date we complete corrective actions required under the terms of the Consent Decree. We made an initial penalty payment of \$55,000 during the first quarter of 2017.

From time to time, we are involved in other judicial and administrative proceedings, including proceedings relating to other environmental matters. We 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 our financial condition, results of operations or cash flows.

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**8. Segment Information**

We currently have two operating segments, Exploration and Production and Midstream. All unallocated costs are reflected under Corporate, Interest and Other.

The following table presents operating segment financial data (in millions):

<u>For the Three Months Ended March 31, 2017</u>	<u>Exploration and Production</u>	<u>Midstream</u>	<u>Corporate, Interest and Other</u>	<u>Eliminations</u>	<u>Total</u>
Operating Revenues - Third parties	\$ 1,275	\$ 2	\$ —	\$ —	\$ 1,277
Intersegment Revenues	—	147	—	(147)	—
Operating Revenues	<u>\$ 1,275</u>	<u>\$ 149</u>	<u>\$ —</u>	<u>\$ (147)</u>	<u>\$ 1,277</u>
Net Income (Loss) attributable to Hess Corporation	\$ (233)	\$ 18	\$ (109)	\$ —	\$ (324)
Depreciation, Depletion and Amortization	703	32	2	—	737
Provision (Benefit) for Income Taxes (a)	(20)	11	(4)	—	(13)
Capital Expenditures	342	28	—	—	370
<u>For the Three Months Ended March 31, 2016</u>	<u>Exploration and Production</u>	<u>Midstream</u>	<u>Corporate, Interest and Other</u>	<u>Eliminations</u>	<u>Total</u>
Operating Revenues - Third parties	\$ 971	\$ 2	\$ —	\$ —	\$ 973
Intersegment Revenues	—	133	—	(133)	—
Operating Revenues	<u>\$ 971</u>	<u>\$ 135</u>	<u>\$ —</u>	<u>\$ (133)</u>	<u>\$ 973</u>
Net Income (Loss) attributable to Hess Corporation	\$ (453)	\$ 16	\$ (72)	\$ —	\$ (509)
Depreciation, Depletion and Amortization	837	28	3	—	868
Provision (Benefit) for Income Taxes	(315)	9	(40)	—	(346)
Capital Expenditures	504	36	—	—	540

(a) The provision for income taxes in the Midstream segment is presented before consolidating its operations with other U.S. activities of the Company and prior to evaluating realizability of net U.S. deferred taxes. An offsetting impact is presented in the E&P segment.

Identifiable assets by operating segment were as follows:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
	(In millions)	
Exploration and Production	\$ 22,481	\$ 22,856
Midstream	3,166	3,165
Corporate, Interest and Other	2,453	2,600
Total	<u>\$ 28,100</u>	<u>\$ 28,621</u>

**9. Financial Risk Management Activities**

In the normal course of our business, we are exposed to commodity risks related to changes in the prices of crude oil and natural gas as well as changes in interest rates and foreign currency values. Financial risk management activities include transactions designed to reduce risk in the selling prices of crude oil or natural gas we produce or by reducing our exposure to foreign currency or interest rate movements. Generally, futures, swaps or option strategies may be used to fix the forward selling price of a portion of our crude oil or natural gas production. Forward contracts may also be used to purchase certain currencies in which we conduct the business with the intent of reducing exposure to foreign currency fluctuations. These forward contracts comprise various currencies, primarily the British Pound and Danish Krone. Interest rate swaps may be used to convert interest payments on certain long-term debt from fixed to floating rates.

Gross notional amounts of both long and short positions are presented in the table below. These amounts include long and short positions that offset in closed positions and have not reached contractual maturity. Gross notional amounts do not quantify risk or represent assets or liabilities of the Corporation, but are used in the calculation of cash settlements under the contracts.

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The gross notional amounts of financial risk management derivative contracts outstanding were as follows:

	March 31, 2017	December 31, 2016
	(In millions)	
Commodity - crude oil (millions of barrels)	4	—
Foreign exchange	\$ 69	\$ 785
Interest rate swaps	\$ 350	\$ 350

During the first quarter of 2017, we entered into Brent crude oil price collars to hedge 15,000 barrels of oil per day (bopd) through December 31, 2017. These collars have a floor price of \$55 per barrel and a ceiling price of \$75 per barrel. In April, 2017, we entered into additional Brent crude oil price collars covering 5,000 bopd through December 31, 2017, that have a floor price of \$55 per barrel and a ceiling price of \$75 per barrel, and West Texas Intermediate (WTI) crude oil price collars covering 60,000 bopd through December 31, 2017 that have a floor price of \$50 per barrel and a ceiling price of \$70 per barrel. The crude oil price collars, which have been designated as cash flow hedges, reduce the price exposure to our net production that is hedged.

The table below reflects the gross and net fair values of the risk management derivative instruments, all of which are based on Level 2 inputs:

	Accounts Receivable	Accounts Payable
	(In millions)	
<b>March 31, 2017</b>		
<b>Derivative Contracts Designated as Hedging Instruments</b>		
Commodity	\$ 17	\$ —
Interest rate	—	(1)
Total derivative contracts designated as hedging instruments	17	(1)
<b>Derivative Contracts Not Designated as Hedging Instruments</b>		
Foreign exchange	—	—
Total derivative contracts not designated as hedging instruments	—	—
Gross fair value of derivative contracts	17	(1)
<b>Net Fair Value of Derivative Contracts</b>	<b>\$ 17</b>	<b>\$ (1)</b>
<b>December 31, 2016</b>		
<b>Derivative Contracts Designated as Hedging Instruments</b>		
Interest rate	\$ —	\$ —
Total derivative contracts designated as hedging instruments	—	—
<b>Derivative Contracts Not Designated as Hedging Instruments</b>		
Foreign exchange	9	(1)
Total derivative contracts not designated as hedging instruments	9	(1)
Gross fair value of derivative contracts	9	(1)
Master netting arrangements	(1)	1
<b>Net Fair Value of Derivative Contracts</b>	<b>\$ 8</b>	<b>\$ —</b>

Derivative contracts designated as hedging instruments:

*Crude oil collars:* Realized and unrealized gains from crude oil collars for the first quarter of 2017 increased E&P Sales and other operating revenue by \$1 million (\$1 million after income taxes). At March 31, 2017, the after-tax deferred gains in Accumulated other comprehensive income (loss) related to crude oil collars were \$2 million, which will be reclassified into earnings during 2017 as the hedged crude oil sales are recognized in earnings. There were no crude oil hedge contracts in 2016.

*Interest rate swaps:* At March 31, 2017, and December 31, 2016, we had interest rate swaps with gross notional amounts totaling \$350 million, which were designated as fair value hedges. In the first quarter of 2017, the change in fair value of interest rate swaps was a decrease of \$1 million (2016 Q1: an increase of \$14 million). Changes in the fair value of the interest rate swaps and the hedged fixed-rate debt are recorded in Interest expense in the *Statement of Consolidated Income*.

**HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES  
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Derivative contracts not designated as hedging instruments:

*Foreign exchange:* Total foreign exchange gains and losses, which are reported in Other, net in Revenues and non-operating income in the *Statement of Consolidated Income* amounted to a loss of \$1 million in the first quarter of 2017 (2016 Q1: gain of \$6 million). A component of foreign exchange gains or losses is the result of foreign exchange derivative contracts that are not designated as hedges which amounted to a loss of less than \$1 million (2016 Q1: loss of \$20 million). The after-tax foreign currency translation adjustments included in the *Statement of Consolidated Comprehensive Income* amounted to a gain of \$14 million in the first quarter of 2017 (2016 Q1: gain of \$169 million). The cumulative currency translation adjustment at March 31, 2017, was a reduction to shareholders' equity of \$1,031 million compared with a reduction of \$1,045 million at December 31, 2016.

*Fair Value Measurement:* We have other short-term financial instruments, primarily cash equivalents, accounts receivable and accounts payable, for which the carrying value approximated fair value at March 31, 2017. Total long-term debt with a carrying value of \$6,785 million at March 31, 2017, had a fair value of \$7,222 million based on Level 2 inputs.

**10. Subsequent Events**

In April 2017, Hess Midstream Partners LP (the "Partnership"), sold 16,997,000 common units representing limited partner interests at a price of \$23 per unit in an initial public offering (IPO) for net proceeds of approximately \$360 million, of which \$350 million was distributed equally to Hess Corporation and GIP.

The Partnership owns an approximate 20% controlling interest in the operating companies that comprise our midstream joint venture, while HIP, the 50/50 joint venture between Hess Corporation and GIP, owns the remaining 80%. Hess Corporation and GIP each own a direct 33.75% limited partner interest in the Partnership and a 50% indirect ownership through HIP of the general partner which has a 2% economic interest plus incentive distribution rights. The public unit holders own a 30.5% limited partner interest. Hess will continue to consolidate HIP subsequent to the IPO.

The Partnership has a \$300 million 4-year senior secured syndicated revolving credit facility, which became available for utilization at completion of the IPO. The credit facility can be used for borrowings and letters of credit to fund operating activities and capital expenditures of the Partnership. Outstanding borrowings under this credit facility are non-recourse to Hess Corporation.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

**Overview**

Hess Corporation is a global Exploration and Production (E&P) company engaged in exploration, development, production, transportation, purchase and sale of crude oil, natural gas liquids, and natural gas with production operations located primarily in the United States (U.S.), Denmark, Equatorial Guinea, the Malaysia/Thailand Joint Development Area (JDA), Malaysia, and Norway. The Midstream operating segment provides fee-based services, including gathering, compressing and processing natural gas and fractionating natural gas liquids, or NGLs; gathering, terminaling, loading and transporting crude oil and NGLs; and storing and terminaling propane, primarily in the Bakken and Three Forks Shale plays in the Williston Basin area of North Dakota.

Beginning January 1, 2017, Hess's Midstream segment includes our interests in a Permian Basin gas plant in West Texas and related CO<sub>2</sub> assets, and water handling assets in North Dakota. These assets are wholly-owned by the Corporation and are not held in our Hess Infrastructure Partners joint venture. Certain previously reported amounts have been recast to reflect the inclusion of these assets as part of the Midstream operating segment.

**2017 Outlook**

We forecast net production to average between 300,000 barrels of oil equivalent per day (boepd) and 310,000 boepd in 2017, excluding Libya. Due primarily to planned seasonal maintenance at several of our offshore assets in the second quarter, we expect net production will average between 275,000 boepd and 285,000 boepd, excluding Libya. We expect net production, excluding Libya, to average 305,000 boepd to 315,000 boepd in the third quarter of 2017, and 330,000 boepd to 340,000 boepd in the fourth quarter. The ramp up in production over the second half of the year will be driven by the start-up of our North Malay Basin development project in the third quarter and increased drilling activity in the Bakken.

Net cash provided by operating activities was \$349 million in the first quarter of 2017, compared with net cash used in operating activities of \$60 million in the first quarter of 2016. While strip crude oil prices for 2017 are improved over the prior-year, we forecast a net operating cash flow deficit (cash flow from operating activities less capital expenditures) for the year. We expect to fund our net operating cash flow deficit (including capital expenditures) in 2017 with cash on hand, which was \$2.7 billion at March 31, 2017.

**First Quarter Results**

In the first quarter of 2017, we incurred a net loss of \$324 million compared to a net loss of \$509 million in the first quarter of 2016. First quarter 2017 after-tax results were improved as higher realized oil selling prices and lower operating costs and exploration expenses more than offset the change in deferred incomes taxes and lower production volumes.

**Exploration and Production**

In the first quarter of 2017, E&P incurred a net loss of \$233 million compared with a net loss of \$453 million in the first quarter of 2016. Worldwide net production averaged 311,000 boepd in the first quarter of 2017, compared to net production of 350,000 boepd in the first quarter of 2016. The average realized crude oil selling price, including hedging, was \$48.58 per barrel, up from \$28.50 in the first quarter of 2016. The average realized natural gas liquids selling price in the first quarter of 2017 was \$18.71 per barrel compared to \$7.44 in the prior-year quarter, while the average realized natural gas selling price was \$3.20 per thousand cubic feet (mcf), down from \$3.42 in the first quarter of 2016.



**Overview (continued)**

**Exploration and Production**

The following is an update of our E&P activities:

*Producing E&P assets:*

- In North Dakota, net production from the Bakken oil shale play averaged 99,000 boepd for the first quarter of 2017 (2016 Q1: 111,000 boepd) reflecting temporary operational impacts caused by severe winter weather and the effects from a reduced drilling program. In the first quarter of 2017, we operated an average of two rigs, drilled 11 wells and brought 8 new wells on production. The Corporation added a third rig in March and a fourth rig in April, and plans to add two additional rigs in the fourth quarter to end 2017 with six rigs. For the full year of 2017, we expect to drill 80 wells and bring 75 new wells online.
- In the Gulf of Mexico, net production for the first quarter of 2017 averaged 66,000 boepd (2016 Q1: 69,000 boepd). The decrease in production primarily reflects unplanned well downtime at the Conger Field (Hess 38%) and natural field declines, partially offset by higher production from the Tubular Bells Field (Hess 57%). In the second quarter of 2017, an approximately 34 day shut-down is planned for the Conger Field and an approximately 44 day shut-down for the Llano Field (Hess 50%). As a result, we expect our Gulf of Mexico net production to average between 50,000 boepd and 55,000 boepd for the quarter.
- At the Valhall Field (Hess 64%), offshore Norway, in the first quarter of 2017, net production averaged 27,000 boepd (2016 Q1: 30,000 boepd). The operator resumed drilling from the platform rig in the first quarter, with the first well expected to be brought on production in the fourth quarter of 2017.
- At North Malay Basin (Hess 50%), in the Gulf of Thailand, the topside facilities for the central processing platform were shipped from the fabrication yard to the field and installed on the platform. In addition, we commenced commissioning of the central processing facilities. The fourteenth and final well of the Phase I development drilling campaign was completed in the first quarter. The floating, storage, and offloading vessel is currently expected to be transported to the field in the second quarter and production is expected to commence in the third quarter of 2017, after which net production is expected to increase to 165 million cubic feet per day.

*Other E&P assets:*

- At the Hess operated Stampede development project (Hess 25%) in the Green Canyon area of the Gulf of Mexico, the first production well was completed, preparatory work for platform installation was finalized, and the second rig commenced drilling operations in February. First production is targeted for the first half of 2018, after which net production is expected to ramp up to 15,000 boepd.
- In Guyana, at the offshore Stabroek Block (Hess 30%), operated by Esso Exploration and Production Guyana Limited, results from the Snoek-1 well confirmed another oil discovery on the block. The Snoek-1 well, which is located approximately 5 miles southeast of the Liza-1 oil discovery, encountered more than 82 feet of high-quality, oil-bearing sandstone reservoirs. The co-venture partners continue to evaluate the resource potential on the broader Stabroek Block and the operator is currently drilling the Liza-4 appraisal well. Development planning is underway and we expect to be in a position to sanction the first phase of the Liza development in 2017. The development concept for Liza Phase 1 is expected to involve a floating production, storage and offloading vessel that will process approximately 120,000 bopd gross from two subsea drill centers.

**Midstream**

The following is an update of our Midstream activities:

- In April 2017, Hess Midstream Partners LP (the "Partnership"), sold 16,997,000 common units representing limited partner interests at a price of \$23 per unit in an initial public offering (IPO) for net proceeds of approximately \$360 million, of which \$350 million was distributed equally to Hess Corporation and GIP.

The Partnership owns an approximate 20% controlling interest in the operating companies that comprise our midstream joint venture, while Hess Infrastructure Partners LP (HIP), the 50/50 joint venture between Hess Corporation and GIP, owns the remaining 80%. Hess Corporation and GIP each own a direct 33.75% limited partner interest in the Partnership and a 50% indirect ownership through HIP of the general partner which has a 2% economic interest plus incentive distribution rights. The public unit holders own a 30.5% limited partner interest. Hess will continue to consolidate HIP subsequent to the IPO.

**Consolidated Results of Operations**

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

	Three Months Ended	
	March 31,	
	2017	2016
	(In millions, except per share amounts)	
<b>Net Income (Loss) Attributable to Hess Corporation:</b>		
Exploration and Production	\$ (233)	\$ (453)
Midstream	18	16
Corporate, Interest and Other	(109)	(72)
<b>Total</b>	<b>\$ (324)</b>	<b>\$ (509)</b>
<b>Net Income (Loss) Attributable to Hess Corporation Per Common Share - Diluted (a)</b>	<b>\$ (1.07)</b>	<b>\$ (1.72)</b>

(a) Calculated as net income (loss) attributable to Hess Corporation less preferred stock dividends, divided by weighted average number of diluted shares.

**Comparison of Results****Exploration and Production**

Following is a summarized income statement of our E&P operations:

	Three Months Ended	
	March 31,	
	2017	2016
	(In millions)	
<b>Revenues and Non-Operating Income</b>		
Sales and other operating revenues	\$ 1,275	\$ 971
Other, net	(5)	10
Total revenues and non-operating income	1,270	981
<b>Costs and Expenses</b>		
Cost of products sold (excluding items shown separately below)	242	204
Operating costs and expenses	309	384
Production and severance taxes	31	19
Midstream tariffs	124	118
Exploration expenses, including dry holes and lease impairment	58	132
General and administrative expenses	56	55
Depreciation, depletion and amortization	703	837
Total costs and expenses	1,523	1,749
<b>Results of Operations Before Income Taxes</b>	<b>(253)</b>	<b>(768)</b>
Provision (benefit) for income taxes	(20)	(315)
<b>Net Income (Loss) Attributable to Hess Corporation</b>	<b>\$ (233)</b>	<b>\$ (453)</b>

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, midstream tariffs, exploration expenses and income taxes, as discussed below.

**Consolidated Results of Operations (continued)**

**Selling Prices:** Higher realized selling prices in the first quarter of 2017 improved after-tax results by approximately \$190 million compared with the first quarter of 2016.

Average selling prices were as follows:

	Three Months Ended	
	March 31,	
	2017	2016
<b>Crude Oil - Per Barrel (Including Hedging)</b>		
United States		
Onshore	\$ 46.47	\$ 26.90
Offshore	47.18	27.02
Total United States	46.74	26.94
Europe	54.04	32.52
Africa	51.25	28.87
Asia	54.70	39.13
Worldwide	48.58	28.50
<b>Crude Oil - Per Barrel (Excluding Hedging)</b>		
United States		
Onshore	\$ 46.47	\$ 26.90
Offshore	47.18	27.02
Total United States	46.74	26.94
Europe	54.18	32.52
Africa	51.37	28.87
Asia	54.70	39.13
Worldwide	48.61	28.50
<b>Natural Gas Liquids - Per Barrel</b>		
United States		
Onshore	\$ 18.07	\$ 6.87
Offshore	20.55	9.66
Total United States	18.43	7.20
Europe	28.06	16.24
Worldwide	18.71	7.44
<b>Natural Gas - Per Mcf</b>		
United States		
Onshore	\$ 2.32	\$ 1.20
Offshore	2.40	1.47
Total United States	2.35	1.27
Europe	3.99	4.59
Asia	4.01	5.58
Worldwide	3.20	3.42

During the first quarter of 2017, we entered into Brent crude oil price collars to hedge 15,000 barrels of oil per day (bopd) through December 31, 2017. These collars have a floor price of \$55 per barrel and a ceiling price of \$75 per barrel. In April, we entered into additional Brent crude oil price collars covering 5,000 bopd through December 31, 2017, that have a floor price of \$55 per barrel and a ceiling price of \$75 per barrel, and West Texas Intermediate (WTI) crude oil price collars covering 60,000 bopd through December 31, 2017, that have a floor price of \$50 per barrel and a ceiling price of \$70 per barrel. There were no crude oil hedge contracts in 2016.

**Consolidated Results of Operations (continued)**

**Production Volumes:** Net crude oil, natural gas liquids and natural gas production averaged 311,000 boepd in the first quarter of 2017, and 350,000 boepd for the same period in 2016. Due primarily to planned seasonal maintenance at several of our offshore assets, we expect net production to average between 275,000 boepd and 285,000 boepd in the second quarter. Net production for the full year of 2017 is forecast to average between 300,000 boepd and 310,000 boepd.

Our net daily worldwide production was as follows:

	Three Months Ended	
	March 31,	
	2017	2016
	(In thousands)	
<b>Crude Oil - Barrels</b>		
United States		
Bakken	67	73
Other Onshore	8	10
Total Onshore	75	83
Offshore	47	51
Total United States	122	134
Europe	31	35
Africa	35	37
Asia	2	2
Worldwide	190	208
<b>Natural Gas Liquids - Barrels</b>		
United States		
Bakken	23	27
Other Onshore	10	13
Total Onshore	33	40
Offshore	6	6
Total United States	39	46
Europe	1	1
Worldwide	40	47
<b>Natural Gas - Mcf</b>		
United States		
Bakken	53	67
Other Onshore	106	135
Total Onshore	159	202
Offshore	75	74
Total United States	234	276
Europe	38	45
Asia	212	250
Worldwide	484	571
<b>Barrels of Oil Equivalent (a)</b>	<b>311</b>	<b>350</b>

Crude oil and natural gas liquids as a share of total production	74%	73%
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(a) 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 on page 18.

**United States:** Onshore net production was lower in the first quarter of 2017 compared to the first quarter of 2016, primarily due to severe winter weather in North Dakota and the effects from a reduced drilling program in the Bakken shale play. Offshore net production was lower in the first quarter of 2017, compared to the corresponding period in 2016, due to unplanned well downtime at the Conger Field and natural field declines, partially offset by increased production from the Tubular Bells Field.

**Consolidated Results of Operations (continued)**

**International:** Net production was lower in the first quarter of 2017, compared to the first quarter of 2016, primarily due to the effects of reduced drilling activity in response to low oil prices and natural field decline.

**Sales Volumes:** The impact of lower sales volumes decreased after-tax results by approximately \$60 million in the first quarter of 2017, compared to the first quarter of 2016.

Our worldwide sales volumes were as follows:

	Three Months Ended March 31,	
	2017	2016
	(In thousands)	
Crude oil - barrels	15,744	19,449
Natural gas liquids - barrels	3,623	4,254
Natural gas - mcf	43,544	51,970
<b>Barrels of Oil Equivalent (a)</b>	<b>26,624</b>	<b>32,365</b>
Crude oil - barrels per day	175	214
Natural gas liquids - barrels per day	40	47
Natural gas - mcf per day	484	571
<b>Barrels of Oil Equivalent Per Day (a)</b>	<b>296</b>	<b>356</b>

(a) 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 on page 18.

**Cost of Products Sold:** Cost of products sold is mainly comprised of costs relating to the purchases of crude oil, natural gas liquids and natural gas from our partners in Hess operated wells or other third parties. The increase in Cost of products sold in the first quarter of 2017 compared with the same period in 2016, principally reflects the impact of higher benchmark crude oil prices on the cost of purchased volumes.

**Cash Operating Costs:** Cash operating costs, consisting of operating costs and expenses, production and severance taxes and E&P general and administrative expenses, were down in the first quarter of 2017, compared to the same period in 2016, due to lower workover expenses, lease operating and employee costs, partially offset by higher production taxes in the Bakken shale play.

**Depreciation, Depletion and Amortization:** DD&A expenses were lower in the first quarter of 2017, compared with the prior-year period, resulting from lower production and an improved portfolio average DD&A rate due to the production mix.

**Unit Cost Information:** Unit cost per barrel of oil equivalent (boe) information is based on total E&P production volumes. Actual and forecast unit costs are as follows:

	Actual		Forecast range (a)	
	Three Months Ended March 31,		Three Months Ended June 30,	Twelve Months Ended December 31,
	2017	2016	2017	2017
Cash operating costs	\$ 14.15	\$ 14.38	\$15.50 — \$16.50	\$15.00 — \$16.00
Depreciation, depletion and amortization costs	25.10	26.28	25.00 — 26.00	24.00 — 25.00
<b>Total Production Unit Costs</b>	<b>\$ 39.25</b>	<b>\$ 40.66</b>	<b>\$ 40.50 — \$42.50</b>	<b>\$ 39.00 — \$41.00</b>

(a) Forecast information excludes any contribution from Libya and items affecting comparability of earnings.

**Consolidated Results of Operations (continued)**

**Exploration Expenses:** Exploration expenses were as follows:

	Three Months Ended	
	March 31,	
	2017	2016
	(In millions)	
Exploratory dry hole costs	\$ —	\$ 85
Exploratory lease impairment	7	9
Geological and geophysical expense and exploration overhead	51	38
	<u>\$ 58</u>	<u>\$ 132</u>

Exploratory dry hole costs in the first quarter of 2016 related to a non-operated exploration well in the Gulf of Mexico. Exploration expenses, excluding dry hole expense, are estimated to be in the range of \$65 million to \$75 million in the second quarter of 2017 and \$250 million to \$270 million for the full year of 2017.

**Income Taxes:** The effective income tax rate for E&P operations, excluding Libya, was a benefit of 13% in the first quarter of 2017 compared to a benefit of 41% in the prior-year quarter. Commencing in 2017, we are generally not recognizing deferred tax benefit or expense in the U.S., Denmark (hydrocarbon tax only), and Malaysia while we maintain valuation allowances against net deferred tax assets in these jurisdictions in accordance with the requirements of U.S. accounting standards. Excluding items affecting comparability of earnings between periods and Libyan operations, the E&P effective income tax rate is expected to be a benefit in the range of 10% to 14% in the second quarter of 2017, and a benefit in the range of 12% to 16% for the full year of 2017.

**Midstream**

Following is a summarized income statement of our Midstream operations:

	Three Months Ended	
	March 31,	
	2017	2016
	(In millions)	
<b>Revenues and Non-Operating Income</b>		
Total revenues and non-operating income	\$ 149	\$ 135
<b>Costs and Expenses</b>		
Operating costs and expenses	50	52
General and administrative expenses	5	5
Depreciation, depletion and amortization	32	28
Interest expense	5	4
Total costs and expenses	<u>92</u>	<u>89</u>
<b>Results of Operations Before Income Taxes</b>		
	57	46
Provision (benefit) for income taxes (a)	11	9
Net income (loss)	46	37
Less: Net income (loss) attributable to noncontrolling interests (b)	28	21
<b>Net Income (Loss) Attributable to Hess Corporation</b>	<u>\$ 18</u>	<u>\$ 16</u>

(a) The provision for income taxes in the Midstream segment in 2017 is presented before consolidating its operations with other U.S. activities of the Company and prior to evaluating realizability of net U.S. deferred taxes. An offsetting impact is presented in the E&P segment.

(b) Hess Infrastructure Partners is not subject to tax and, therefore, the noncontrolling interest's share of net income is a pre-tax amount.

Total revenues and non-operating income for the first quarter of 2017 increased from the prior year period primarily due to higher minimum volume commitments earned in the current quarter. The decrease in Operating costs and expenses in the first quarter of 2017, compared with same period in 2016, primarily reflects cost savings and lower third-party rail charges. The increase in DD&A in the first quarter of 2017, compared to the same period in 2016, results from capital expenditures on gathering pipelines and related facilities that have been placed in service. Net income attributable to Hess Corporation from the Midstream segment is estimated to be in the range of \$15 million to \$25 million in the second quarter of 2017 and \$65 million to \$85 million for the full year of 2017.

In April 2017, Hess Midstream Partners LP (the "Partnership"), sold 16,997,000 common units representing limited partner interests at a price of \$23 per unit in an initial public offering (IPO) for net proceeds of approximately \$360 million, of which \$350 million was distributed equally to Hess Corporation and GIP.

**Consolidated Results of Operations (continued)**

The Partnership owns an approximate 20% controlling interest in the operating companies that comprise our midstream joint venture, while HIP, the 50/50 joint venture between Hess Corporation and GIP, owns the remaining 80%. Hess Corporation and GIP each own a direct 33.75% limited partner interest in the Partnership and a 50% indirect ownership through HIP of the general partner which has a 2% economic interest plus incentive distribution rights. The public unit holders own a 30.5% limited partner interest. Hess will continue to consolidate HIP subsequent to the IPO.

**Corporate, Interest and Other**

The following table summarizes Corporate, Interest and Other expenses:

	Three Months Ended March 31,	
	2017	2016
	(In millions)	
Corporate and other expenses	\$ 34	\$ 31
Interest expense	96	94
Less: Capitalized interest	(17)	(13)
Interest expense, net	79	81
Corporate, Interest and Other expenses before income taxes	113	112
Provision (benefit) for income taxes	(4)	(40)
<b>Total Corporate, Interest and Other Expenses After Income Taxes</b>	<b>\$ 109</b>	<b>\$ 72</b>

Corporate and other expenses were higher in the first quarter of 2017, compared to the same period in 2016, primarily due to higher insurance expense. Capitalized interest was higher in the first quarter of 2017, compared to the same period in 2016, following increased activity at the Hess operated Stampede development project. The benefit for income taxes is lower in the first quarter of 2017, compared to the same period in 2016, due to us generally not recognizing deferred tax benefit or expense in the U.S. while we maintain valuation allowances against net deferred tax assets in accordance with the requirements of U.S. accounting standards.

Second quarter 2017 after-tax corporate expenses, are expected to be in the range of \$35 million to \$40 million, and after-tax interest expense is expected to be in the range of \$75 million to \$80 million. We estimate after-tax corporate expenses for full year 2017 to be in the range of \$140 million to \$150 million, and interest expense to be in the range of \$295 million to \$305 million, after-tax.

**Other Items Potentially Affecting Future Results**

Our future results may be impacted by a variety of factors, including but not limited to, volatility in the selling prices of crude oil, natural gas liquids and natural gas, reserve and production changes, asset sales, impairment charges and exploration expenses, industry cost inflation and/or deflation, changes in foreign exchange rates and income tax rates, changes in deferred tax asset valuation allowances, the effects of weather, political risk, environmental risk and catastrophic risk. For a more comprehensive description of the risks that may affect our business, see Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2016.

**Liquidity and Capital Resources**

The following table sets forth certain relevant measures of our liquidity and capital resources:

	March 31, 2017	December 31, 2016
	(In millions, except ratio)	
Cash and cash equivalents	\$ 2,686	\$ 2,732
Current maturities of long-term debt	116	112
Total debt (a)	6,785	6,806
Total equity	15,233	15,591
Debt to capitalization ratio (b)	30.8%	30.4%

(a) Includes \$731 million of debt outstanding at March 31, 2017, from Hess Infrastructure Partners, our 50/50 Midstream joint venture, that is non-recourse to Hess Corporation (December 31, 2016: \$733 million).

(b) Total debt as a percentage of the sum of total debt plus equity.

**Liquidity and Capital Resources (continued)****Cash Flows**

The following table summarizes our cash flows:

	Three Months Ended March 31,	
	2017	2016
(In millions)		
<b>Net cash provided by (used in):</b>		
Operating activities	\$ 349	\$ (60)
Investing activities	(290)	(613)
Financing activities	(105)	1,514
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ (46)</b>	<b>\$ 841</b>

**Operating activities:** Net cash provided by operating activities was \$349 million in the first quarter of 2017, compared to net cash used of \$60 million in the first quarter of 2016. The increase in 2017 operating cash flows primarily reflects higher benchmark crude oil prices and lower operating costs, partially offset by lower production volumes. Changes in working capital were a use of cash of \$94 million in the first quarter of 2017, and a use of cash of \$208 million in the first quarter of 2016.

**Investing activities:** The reduction in cash outflows from investing activities is due to lower Additions to property, plant and equipment in the first quarter of 2017, as compared to the same period in 2016, reflecting reduced drilling activity. Proceeds from asset sales were \$100 million in the first quarter of 2017 relate to the sale of non-core acreage, onshore United States.

The following table reconciles capital expenditures incurred on an accrual basis to Additions to property, plant and equipment:

	Three Months Ended March 31,	
	2017	2016
(In millions)		
Capital expenditures incurred - E&P	\$ (342)	\$ (504)
Increase (decrease) in related liabilities	2	(63)
<b>Additions to property, plant and equipment - E&amp;P</b>	<b>\$ (340)</b>	<b>\$ (567)</b>
Capital expenditures incurred - Midstream	\$ (28)	\$ (36)
Increase (decrease) in related liabilities	(22)	(17)
<b>Additions to property, plant and equipment - Midstream</b>	<b>\$ (50)</b>	<b>\$ (53)</b>

**Financing activities:** In the first quarter of 2017, we made net debt repayments of \$21 million (2016 Q1: \$12 million). We paid common and preferred stock dividends in the first quarter of 2017 totaling \$92 million (2016 Q1: \$80 million). In the first quarter of 2016, we issued 28,750,000 shares of common stock and depositary shares representing 575,000 shares of 8% Series A Mandatory Convertible Preferred Stock for total net proceeds of \$1.64 billion.

**Future Capital Requirements and Resources**

We ended the quarter with \$2.7 billion in cash and cash equivalents and total liquidity including available committed credit facilities of approximately \$7.2 billion. Net cash provided by operating activities was \$349 million in the first quarter of 2017, compared with net cash used in operating activities of \$60 million in the first quarter of 2016. While strip crude oil prices for 2017 are improved over the prior-year, we forecast a net operating cash flow deficit (cash flow from operating activities less capital expenditures) for the year. We expect to fund our projected net operating cash flow deficit (including capital expenditures) in 2017 with cash on hand. We may also take any of the following steps, or a combination thereof, to improve our liquidity and financial position: reduce our planned capital program and other cash outlays, borrow from our committed credit facilities, issue debt or equity securities, and pursue asset sales.



**Liquidity and Capital Resources (continued)**

The table below summarizes the capacity, usage and available capacity of our borrowings and letter of credit facilities at March 31, 2017:

	Expiration Date	Capacity	Borrowings	Letters of Credit Issued (In millions)	Total Used	Available Capacity
Revolving credit facility - Hess Corporation	January 2020	\$ 4,000	\$ —	\$ —	\$ —	\$ 4,000
Revolving credit facility - HIP(a)	July 2020	400	158	—	158	242
Committed lines	Various (b)	545	—	29	29	516
Uncommitted lines	Various (b)	209	—	209	209	—
<b>Total</b>		<b>\$ 5,154</b>	<b>\$ 158</b>	<b>\$ 238</b>	<b>\$ 396</b>	<b>\$ 4,758</b>

(a) This facility may only be utilized by HIP and is non-recourse to Hess Corporation.

(b) Committed and uncommitted lines have expiration dates through 2018.

Hess Corporation has a \$4.0 billion syndicated revolving credit facility expiring in January 2020. Borrowings on the facility will generally bear interest at 1.3% above the London Interbank Offered Rate (LIBOR). The interest rate will be higher if our credit rating is lowered. The facility contains a financial covenant that limits the amount of the total borrowings on the last day of each fiscal quarter to 65% of the Corporation's total capitalization, defined as total debt plus stockholders' equity. As of March 31, 2017, Hess Corporation had no outstanding borrowings under this facility and was in compliance with this financial covenant.

We also have a shelf registration under which we may issue additional debt securities, warrants, common stock or preferred stock.

HIP has \$1.0 billion of senior unsecured syndicated credit facilities, consisting of a \$400 million 5-year revolving credit facility and a drawn \$600 million 5-year Term Loan A facility. The revolving credit facility can be used for borrowings and letters of credit to fund the joint venture's operating activities and capital expenditures. Term Loan A proceeds were used for a distribution to partners in July 2015. Borrowings on both loan facilities generally bear interest at LIBOR plus an applicable margin ranging from 1.10% to 2.00%. The interest rate is subject to adjustment based on HIP's leverage ratio, which is calculated as total debt to Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). If HIP obtains credit ratings, pricing levels will be based on the credit ratings in effect from time to time. The credit facilities contain financial covenants that generally require a leverage ratio of no more than 5.0 to 1.0 for the prior four fiscal quarters and an interest coverage ratio, which is calculated as EBITDA to interest expense, of no less than 2.25 to 1.0 for the prior four fiscal quarters. HIP is in compliance with these financial covenants at the end of the first quarter. At March 31, 2017, borrowings under HIP's revolving credit facility amounted to \$158 million and borrowings under the Term Loan A facility amounted to \$578 million, excluding deferred issuance costs, which are non-recourse to Hess Corporation.

In the first quarter of 2017, Hess Midstream Partners LP (the "Partnership") entered into a \$300 million 4-year senior secured syndicated revolving credit facility, which became available for utilization at completion of its initial public offering of common units in April. The credit facility can be used for borrowings and letters of credit to fund operating activities and capital expenditures of the Partnership. Borrowings on the credit facility will generally bear interest at LIBOR plus an applicable margin of 1.275%. The interest rate is subject to adjustment based on the Partnership's leverage ratio, which is calculated as total debt to EBITDA. Facility fees will accrue at 0.275% every quarter. If the Partnership obtains credit ratings, pricing levels will be based on the credit ratings in effect from time to time. The Partnership is subject to customary covenants in the credit agreement, including financial covenants that generally require a leverage ratio of no more than 4.5 to 1.0 for the prior four fiscal quarters. The credit facility is secured by first priority perfected liens on substantially all directly owned assets of the Partnership and its wholly-owned subsidiaries, including equity interests in subsidiaries, subject to certain customary exclusions. Outstanding borrowings under this credit facility are non-recourse to Hess Corporation.

**Market Risk Disclosures**

The Corporation is exposed in the normal course of business to commodity risks related to changes in the prices of crude oil and natural gas, as well as changes in interest rates and foreign currency values. See *Note 9, Financial Risk Management Activities*, in the *Notes to Consolidated Financial Statements*.

**Financial Risk Management Activities**

We have outstanding foreign exchange contracts with notional amounts totaling \$69 million at March 31, 2017, to reduce our exposure to fluctuating foreign exchange rates for various currencies. The change in fair value of foreign exchange contracts from a 10% strengthening of the U.S. Dollar exchange rate is estimated to be a loss of approximately \$5 million at March 31, 2017.

At March 31, 2017, our outstanding long-term debt of \$6,785 million, including current maturities, had a fair value of \$7,222 million. A 15% increase or decrease in the rate of interest would decrease or increase the fair value of long-term debt, including the impact of interest rate swaps, by approximately \$480 million or \$550 million, respectively.

During the first quarter of 2017, we entered into Brent crude oil price collars to hedge 15,000 bopd through December 31, 2017. These collars have a floor price of \$55 per barrel and a ceiling price of \$75 per barrel. In April, we entered into additional Brent crude oil price collars covering 5,000 bopd through December 31, 2017, that have a floor price of \$55 per barrel and a ceiling price of \$75 per barrel, and WTI crude oil price collars covering 60,000 bopd through December 31, 2017, that have a floor price of \$50 per barrel and a ceiling price of \$70 per barrel.

**Forward-looking Information**

Certain sections in this Quarterly Report on Form 10-Q, including information incorporated by reference herein, contain “forward-looking” statements, as defined under the Private Securities Litigation Reform Act of 1995. Generally, the words “anticipate,” “estimate,” “expect,” “forecast,” “guidance,” “could,” “may,” “should,” “believe,” “intend,” “project,” “plan,” “predict,” “will,” “target” and similar expressions identify forward-looking statements, which generally are not historical in nature. Forward-looking statements related to our operations and financial conditions are based on our current understanding, assessments, estimates and projections. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our current projections or expectations. As and when made, we believe that these forward-looking statements are reasonable. However, 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. We are not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Risk factors that could materially impact future actual results are discussed in *Item 1A. Risk Factors* in our Annual Report on Form 10-K and in our other filings with the SEC.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

The information required by this item is presented under Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Market Risk Disclosures.”

**Item 4. Controls and Procedures.**

Based upon their evaluation of the Corporation’s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of March 31, 2017, John B. Hess, Chief Executive Officer, and John P. Rielly, Chief Financial Officer, concluded that these disclosure controls and procedures were effective as of March 31, 2017.

There was no change in internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 in the quarter ended March 31, 2017 that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

**Item 1. Legal Proceedings.**

Information regarding legal proceedings is contained in *Note 7, Guarantees and Contingencies* in the *Notes to Consolidated Financial Statements* and is incorporated herein by reference.

**Item 2. Share Repurchase Activities.**

Our common share repurchase activities for the three months ended March 31, 2017, were as follows:

	<b>Total Number of Shares Purchased (a)</b>	<b>Average Price Paid per Share (b)</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (c) (In millions)</b>
<b>2017</b>				
January	—	\$ —	—	\$ 1,150
February	41,070	51.73	—	1,150
March	—	—	—	1,150
<b>Total</b>	<u>41,070</u>	<u>\$ 51.73</u>	<u>—</u>	

(a) Represents common shares repurchased at a price of \$51.71 per common share on the open market, substantially all of which were subsequently granted to Directors in accordance with the Non-Employee Directors' Stock Plan.

(b) The average price paid per share was inclusive of transaction fees.

(c) In March 2013, the Corporation announced a board authorized plan to repurchase up to \$4 billion of outstanding common shares. In May 2014, the Corporation increased the repurchase program to \$6.5 billion.

**Item 6. Exhibits and Reports on Form 8-K.**

a. Exhibits

- 10(1) Form of Restricted Stock Award Agreement.
- 10(2) Form of Stock Option Award Agreement.
- 10(3) Form of Performance Award Agreement for three-year period ending December 31, 2019.
- 31(1) Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)).
- 31(2) Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)).
- 32(1) Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).
- 32(2) Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).
- 101(INS) XBRL Instance Document.
- 101(SCH) XBRL Schema Document.
- 101(CAL) XBRL Calculation Linkbase Document.
- 101(LAB) XBRL Labels Linkbase Document.
- 101(PRE) XBRL Presentation Linkbase Document.
- 101(DEF) XBRL Definition Linkbase Document.

b. Reports on Form 8-K

During the quarter ended March 31, 2017, Registrant filed the following reports on Form 8-K:

- (i) Filing dated January 25, 2017 under Items 2.02 and 9.01, a news release dated January 25, 2017 reporting results for the fourth quarter of 2016.
- (ii) Filing dated March 6, 2017 reporting under Item 5.02 reporting compensatory arrangements of certain officers.
- (iii) Filing dated March 24, 2017 reporting under Item 8.01 information about 2017 Annual Meeting of Stockholders.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HESS CORPORATION  
(REGISTRANT)

By       /s/ John B. Hess        
JOHN B. HESS  
CHIEF EXECUTIVE OFFICER

By       /s/ John P. Rielly        
JOHN P. RIELLY  
SENIOR VICE PRESIDENT AND  
CHIEF FINANCIAL OFFICER

Date: May 4, 2017

**RESTRICTED STOCK AWARD AGREEMENT**  
**pursuant to the HESS CORPORATION**  
**2008 LONG-TERM INCENTIVE PLAN**

\*\*\*\*\*

<b>Awardee:</b>	FIRST NAME — LAST NAME
<b>Grant Date:</b>	DATE
<b>Number of Shares of Common Stock Subject to such Award</b>	<b>#OF RESTRICTED SHARES</b>

\*\*\*\*\*

THIS RESTRICTED STOCK AWARD AGREEMENT (this “Agreement”), dated as of the Grant Date specified above, is entered into by and between Hess Corporation, a Delaware corporation (the “Corporation”), and the Awardee specified above, pursuant to the Hess Corporation 2008 Long-Term Incentive Plan, as in effect and as amended from time to time (the “Plan”); and

WHEREAS, it has been determined under the Plan that it would be in the best interests of the Corporation to grant the restricted stock award provided for herein to the Awardee as an inducement to remain in the employment of the Corporation (and/or any Subsidiary), and as an incentive for increased effort during such employment;

NOW, THEREFORE, in consideration of the mutual covenants and premises hereinafter set forth and for other good and valuable consideration, the parties hereto hereby mutually covenant and agree as follows:

The Compensation and Management Development Committee (the “Committee”) of the Board of Directors (the “Board”) of Hess Corporation has granted to you restricted shares of the Common Stock of the Corporation in accordance with the terms and provisions of the Plan and this Agreement (the “Restricted Shares”). The Restricted Shares are restricted for a period commencing on the date of grant and ending on the applicable Vesting Date (as defined below) or an earlier date as set forth in this Agreement and are otherwise subject to the terms and conditions set forth herein. If the conditions set forth in the Plan and this Agreement are not satisfied, this Agreement and the Restricted Shares awarded together with all rights and interests relating thereto, shall be void and of no force or effect.

**1. Incorporation By Reference; Document Receipt.** This Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly not intended to apply to the grant of Restricted Shares hereunder), all of which terms and provisions are made a part of and incorporated in this Agreement as if each were expressly set forth mutatis mutandis herein. Any capitalized term not defined in this Agreement will have the same meaning as is ascribed thereto under the Plan. You hereby acknowledge receipt of a prospectus describing the Plan and the Awards thereunder and that you have read it carefully and fully understand its content. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan will control.

**2. Period of Restriction.** Except to the extent otherwise provided in the Plan or this Agreement, one-third of the Restricted Shares and any accumulated dividends or distributions related to such Restricted Shares will vest and cease to be subject to restrictions on each of the first three anniversaries of the Grant Date (each, a “Vesting Date”), provided that you remain continuously employed by the Corporation or a Subsidiary until the applicable Vesting Date. \_

3. **Restricted Stock.** Restricted Shares will be issued in book-entry form in your name and deposited with an agent designated by the Committee, as transfer agent (the “Transfer Agent”). Prior to the issuance and deposit of the Restricted Shares with the Transfer Agent, you will have no rights of a shareholder, and you will not be entitled to vote the Restricted Shares or receive any dividends or other distributions, in respect of the Restricted Shares. The Restricted Shares will be held by the Transfer Agent pursuant to an agreement (the “Transfer Agent Agreement”) between the Transfer Agent and the Corporation. You authorize the Transfer Agent Agreement to transfer shares and otherwise act in accordance with instructions of the Corporation. You will furnish the Transfer Agent with stock transfer powers or authorizations from time to time, if requested. Except to the extent otherwise provided in the Plan or this Agreement, if you remain continuously employed by the Corporation or any Subsidiary until the applicable Vesting Date, Restricted Shares will be issued to you on a noncertificated basis unless prohibited by applicable law or the rules of any stock exchange. For as long as an account is maintained in your name with a broker, custodian, or other institution retained by the Corporation to assist in the administration of the Plan (the “Administrator”), such Restricted Shares will be deposited into such account.

4. **Rights as a Stockholder.** While the Restricted Shares are held by the Transfer Agent, you will be the record owner and will have all the rights of a stockholder with respect to the Restricted Shares, including (without limitation) the right to vote, subject to the restrictions provided for in the Plan, the Transfer Agent Agreement and this Agreement. From and after the date on which the Restricted Shares are issued in your name and deposited with the Transfer Agent, cash dividends and other distributions made or paid with respect to the Restricted Shares will be held by the Corporation or an escrow agent, in the discretion of the Corporation, and may (but need not be) reinvested as determined by the Committee, and such dividends and distributions will be paid to you (or your account at the Administrator referred to in Section 3) at the time and to the extent pro tanto that the Restricted Shares become non-forfeitable and are delivered to you by the Transfer Agent. Any new, additional or different securities that you may become entitled to receive with respect to the Restricted Shares under the Plan by virtue of any reinvestment of any cash dividends paid on the Common Stock or any stock dividend, stock split, recapitalization, reorganization, merger, consolidation, split-up, or any similar change affecting the Common Stock, will be delivered to the Transfer Agent subject to the same restrictions, terms and conditions as apply to the related Restricted Shares.

5. **Termination and Forfeiture.**

5.1 If (i) your employment with the Corporation or any Subsidiary terminates prior to the final Vesting Date by reason of your death, permanent total disability or “Full Retirement” (as defined below), the Transfer Agent will, as promptly as practicable, deliver to you, or your account at the Administrator referred to in Section 3 (in the case of permanent total disability or your Full Retirement), or your beneficiary(ies) (in the case of your death) a certificate representing all of the Restricted Shares awarded to you hereunder and all accumulated dividends on the Restricted Shares, in each case, that have not previously been delivered to you. The existence and date of permanent total disability will be determined by the Committee and its determination shall be final and conclusive. Notwithstanding anything in this Section 5.1 to the contrary, in the event that the Corporation determines that there are any amounts required to be withheld on account of you becoming eligible for Full Retirement, a sufficient number of Restricted Shares shall vest and be available to be sold by the Administrator in accordance with Section 8 here to satisfy any withholding tax obligation.

<sup>1</sup>For purposes of this Agreement, “Full Retirement” means voluntary retirement after attaining at least age 65 with at least five years of continuous service with the Corporation or a Subsidiary prior to the date of such retirement.

5.2 If your employment with the Corporation or any Subsidiary terminates prior to the final Vesting Date for any reason other than your death, permanent total disability or Full Retirement, all of the Restricted Shares and any rights thereto, awarded to you hereunder, all accumulated dividends in respect thereof, in each case that have not previously become vested in accordance with Section 2, will be forfeited by you and returned by the Transfer Agent to the Corporation and you will have no further rights with respect thereto.

5.3 Notwithstanding Section 5.2 above, if (i) your employment with the Corporation or any Subsidiary terminates prior to the final Vesting Date by reason of your “Early Retirement” (as defined below), the Committee, in its sole

<sup>1</sup> Note to Draft: The shares would be withheld from the shares that vest on such date. For example, if you had 100 unvested shares and you hit age 65, all 100 shares would vest on that date but 40 could be withheld by the Corporation to pay the withholding tax.



discretion, may (but is not obligated to) determine that it will deliver to you, or your account at the Administrator referred to in Section 3, on a specified date a certificate representing a proportionate number of the Restricted Shares awarded to you hereunder that have not previously become vested in accordance with Section 2 based on the number of calendar days elapsed (as of the date of such Early Retirement) since the previous Vesting Date under Section 2 (or the Grant Date in the case of such Early Retirement prior to the first Vesting Date) until the final Vesting Date (the "Remaining Restricted Period"), together with a proportionate amount of the accumulated dividends in respect thereof that have not previously become vested in accordance with Section 2 also based on the number of calendar days elapsed (as of the date of such Early Retirement) in the Remaining Restricted Period. For purposes of this Agreement, "Early Retirement" means voluntary retirement after attaining at least age 55 with at least ten years of continuous service with the Corporation of any Subsidiary prior to the date of such retirement.

**5.4** Notwithstanding any other provision of this Agreement to the contrary:

**5.4.1** If, following termination of your employment with the Corporation or any Subsidiary due to Early Retirement, as described in Section 5.3 above, where the Committee has previously determined that you shall receive a proportionate number of the Restricted Shares in accordance with Section 5.3, the Committee determines in its good faith discretion that you shall have engaged in any Prohibited Activity (as hereinafter defined) at any time prior to the third anniversary of the Grant Date, then you shall be obligated to pay or deliver to the Corporation either (at your election): (a) a cash payment in an amount equal to the Fair Market Value of the proportionate number of Restricted Shares determined in accordance with Section 5.3 as of the date of such termination of your employment due to Early Retirement, reduced by the amount of any income and social security taxes that you previously paid to the Corporation or a Subsidiary in respect of such Shares, or (b) a number of Shares equal to the proportionate number of the Restricted Shares determined in accordance with Section 5.3 in the case of termination of your employment due to Early Retirement, reduced by a number of Shares with a Fair Market Value on the date of such delivery equal to the amount of such taxes referred to in clause (a) of this sentence. This Section 5.4 shall not constitute the Corporation's exclusive remedy for your engagement in any Prohibited Activity, and the Corporation may seek any additional legal or equitable remedy, including injunctive relief, in any such circumstances. If any provision contained in this Section 5.4 shall be held by any court of competent jurisdiction to be unenforceable, void or invalid, the parties intend that such provision be modified to make it valid and enforceable to the fullest extent permitted by law. If any such provision cannot be modified to be valid and enforceable, such provision shall be severed from this Agreement and the invalidity or unenforceability of such provision shall not affect the validity or enforceability of the remaining provisions. Notwithstanding any other provision of this Section 5.4 to the contrary, upon the occurrence of a Change of Control, the foregoing provisions of this Section 5.4 shall automatically terminate and cease to apply with respect to any Restricted Shares that are outstanding and have not previously been forfeited under this Section 5.4.

**5.4.2** For purposes of this Agreement:

(a) "Prohibited Activity" shall mean either Competitive Activity or Interference.

(b) "Competitive Activity" shall mean that you, directly or indirectly, in any manner or capacity, shall be employed by, serve as a director or manager of, act as a consultant to or maintain any material ownership interest in, any E&P Company or M&R Company that competes with the business of the Corporation or any Subsidiary or affiliate thereof in geographical areas in which you are aware that the Corporation or any Subsidiary or affiliate is engaged, or is considering engaging, unless the Committee agrees to such activity of you in writing; provided, however, that your ownership solely as an investor of less than 1% of the outstanding securities of any publicly-traded securities of any E&P Company or M&R Company shall not, by itself, be considered to be Competitive Activity.

(c) "Interference" shall mean that you shall, directly or indirectly, interfere with the relationship between the Company or any Subsidiary or affiliate of the Company and any person (including, without limitation, any business or governmental entity) that to your knowledge is, or was, a client, customer, supplier, licensee or partner of the Company or any Subsidiary, or had any other business relationship with the Company or any Subsidiary.

(d) "E&P Company" shall mean any business which is engaged in the business of exploring for, or developing or producing, crude oil or natural gas.

(e) "M&R Company" shall mean any business which is engaged in the manufacture, generation, purchase, marketing or trading of refined petroleum products, natural gas or electricity.

6. **Change of Control.** The Restricted Shares awarded to you hereunder are subject to acceleration of vesting and "cash-out" at the discretion of the Committee upon the occurrence of a Change of Control, all as provided in and subject to Section 9 of the Plan.

7. **Beneficiary.** You may designate the beneficiary or beneficiaries to receive any Restricted Shares or other amounts which may be delivered in respect of this Award after your death. Such designation may be made by you on the enclosed beneficiary designation form and (unless you have waived such right) may be changed by you from time to time by filing a new beneficiary designation form with the Committee. If you do not designate a beneficiary or if no designated beneficiary(ies) survives you, your beneficiary will be the legal representative of your estate.

8. **Tax Withholding.** No delivery of vested Restricted Shares or payment of any accumulated cash dividends in respect thereof or other amount in respect of this Award will be made unless and until you (or your beneficiary or legal representative) have made appropriate arrangements for the payment of any amounts required to be withheld with respect thereto under all present or future federal, state and local tax laws and regulations and other laws and regulations. Unless you elect otherwise in writing or are prohibited by law, upon a Vesting Date or other expiration of the applicable restriction period such number of Restricted Shares as shall be necessary to pay such withholding amounts shall be sold by the Administrator on your behalf, and the proceeds thereof shall be delivered to the Corporation for remittance to the appropriate governmental authorities, and the remaining Restricted Shares shall be delivered to you, or your account at the Administrator referred to in Section 3.

Notwithstanding the immediately preceding paragraph, if you make an election pursuant to Section 83(b) of the Code, or the value of any Restricted Shares otherwise becomes includible in your gross income for income tax purposes prior to the expiration of the applicable restriction period, you agree to pay to the Corporation in cash (or make other arrangements, in accordance with Section 12.03 of the Plan, for the satisfaction of) any taxes of any kind required by law to be withheld with respect to such Restricted Shares. If you elect immediate Federal income taxation with respect to all or any portion of the Restricted Shares pursuant to Section 83(b) of the Code, you agree to deliver a copy of such election to the Corporation at the time such election is filed with the Internal Revenue Service.

9. **Limitations; Governing Law.** Nothing herein or in the Plan will be construed as conferring on you or anyone else the right to continue in the employ of the Corporation or any Subsidiary. The rights and obligations under this Agreement and the Award are governed by and construed in accordance with the laws of the State of Delaware, without reference to the principles of conflict of laws thereof.

10. **Non-transferability.** The Restricted Shares, and any rights and interests with respect thereto, issued under this Agreement and the Plan may not, prior to vesting, be sold, exchanged, transferred, assigned or otherwise disposed of in any way by you (or any of your beneficiary(ies)). The Restricted Shares, and any rights and interests with respect thereto, may not, prior to vesting, be pledged, encumbered or otherwise hypothecated in any way by you (or any of your beneficiary(ies)) and will not, prior to vesting, be subject to execution, attachment or similar legal process. Any attempt to sell, exchange, transfer, assign, pledge, encumber or otherwise dispose of or hypothecate in any way any of the Restricted Shares, or the levy of any execution, attachment or similar legal process upon the Restricted Shares, contrary to the terms and provisions of this Agreement and/or the Plan will be null and void ab initio and without legal force or effect. Each certificate evidencing the Restricted Shares will bear a legend to this effect.

11. **Entire Agreement; Amendment.** This Agreement (including the Plan which is incorporated herein by reference) contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties hereto relating to such subject matter. The Board has the right, in its sole discretion, to amend, alter, suspend, discontinue or terminate the Plan, and the Committee has the right, in its sole discretion, to amend, alter, suspend, discontinue or terminate one or more of the Awards of Restricted Stock or this Agreement from time to time in accordance with and as provided in the Plan; provided, however, that no such amendment, alteration, suspension, discontinuance or termination after initial shareholder approval of the Plan may materially impair your previously accrued rights under this Agreement or the Plan

without your consent. The Corporation will give you written notice of any such modification or amendment of this Agreement as soon as practicable after the adoption thereof. This Agreement may also be modified, amended or terminated by a writing signed by you and the Corporation.

**12. Notices.** Any notice which may be required or permitted under this Agreement will be in writing and will be delivered in person, or via facsimile transmission, overnight courier service or certified mail, return receipt requested, postage prepaid, properly addressed as follows:

**12.1** If the notice is to the Corporation, to the attention of the Secretary of Hess Corporation, 1185 Avenue of the Americas, New York, New York 10036, or at such other address as the Corporation by notice to you may designate in writing from time to time.

**12.2** If the notice is to you, at your address as shown on the Corporation's records, or at such other address as you, by notice to the Corporation, may designate in writing from time to time.

**13. Compliance with Laws.** The issuance of the Restricted Shares pursuant to this will be subject to, and will comply with, any applicable requirements of federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act of 1933, the Exchange Act and the respective rules and regulations promulgated thereunder), any applicable rules of any exchange on which the Common Stock is listed (including, without limitation, the rules and regulations of the New York Stock Exchange), and any other law, rule or regulation applicable thereto. The Corporation will not be obligated to issue any of the Common Stock subject to this Agreement if such issuance would violate any such requirements and if issued will be deemed void ab initio.

**14. Binding Agreement; Further Assurances.** This Agreement will inure to the benefit of, be binding upon, and be enforceable by the Corporation and its successors and assigns. Each party hereto will do and perform (or will cause to be done and performed) all such further acts and shall execute and deliver all such other agreements, certificates, instruments and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan and the consummation of the transactions contemplated thereunder.

**15. Counterparts; Headings.** This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which will constitute one and the same instrument. The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and will not be deemed to be a part of this Agreement.

**16. Severability.** The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction will not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder will be enforceable to the fullest extent permitted by law.

**17. Terms of Employment.** The Plan is a discretionary plan. You hereby acknowledge that neither the Plan nor this Agreement forms part of your terms of employment and nothing in the Plan may be construed as imposing on the Corporation or any Subsidiary a contractual obligation to offer participation in the Plan to any employee of the Corporation or any Subsidiary. The Corporation or any Subsidiary is under no obligation to grant further Restricted Shares to you under the Plan. If you cease to be an employee of the Corporation or any Subsidiary for any reason, you shall not be entitled by way of compensation for loss of office or otherwise howsoever to any sum or other benefit to compensate you for the loss of any rights under this Agreement or the Plan. You also acknowledge that the Corporation has adopted a policy prohibiting recipients of equity awarded from the Corporation, including the Restricted Shares, from trading in equity derivative instruments to hedge the economic risks of holding Corporation common stock or interests therein. You hereby acknowledge that you will abide by such policy in all respects.

**18. Data Protection.** By signing this Agreement, you consent to the holding and processing of personal data provided by you to the Corporation for all purposes necessary for the operation of the Plan. These include, but are not limited to:



STOCK OPTION AGREEMENT

pursuant to the

HESS CORPORATION  
2008 LONG-TERM INCENTIVE PLAN

\* \* \* \* \*

<b>Optionee:</b>	First and Last Name
<b>Grant Date:</b>	Grant Date
<b>Number of Shares of Common Stock Subject to such Option:</b>	# of shares
<b>Per Share Exercise Price of Option:</b>	Grant Price

\* \* \* \* \*

THIS STOCK OPTION AGREEMENT (this "Agreement"), dated as of the Grant Date specified above, is entered into by and between Hess Corporation, a Delaware corporation (the "Corporation"), and the Optionee specified above, pursuant to the Hess Corporation 2008 Long-Term Incentive Plan, as in effect and as amended from time to time (the "Plan"); and

WHEREAS, it has been determined under the Plan that it would be in the best interests of the Corporation to grant the stock option provided for herein to the Optionee as an inducement to remain in the employment of the Corporation (and/or any Subsidiary), and as an incentive for increased effort during such employment;

NOW, THEREFORE, in consideration of the mutual covenants and premises hereinafter set forth and for other good and valuable consideration, the parties hereto hereby mutually covenant and agree as follows:

1. **Incorporation By Reference; Document Receipt.** This Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly not intended to apply to the grant of the option hereunder), all of which terms and provisions are made a part of and incorporated in this Agreement as if each were expressly set forth mutatis mutandis herein. Any capitalized term not defined in this Agreement will have the same meaning as is ascribed thereto under the Plan. The Optionee hereby acknowledges receipt of a prospectus describing the Plan and the Awards thereunder and that the Optionee has read it carefully and fully understands its content. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan will control.

2. **Grant of Options.** As of the Grant Date specified above, the Corporation hereby grants to the Optionee non-qualified stock options (each, an "Option" and collectively, the "Options") to acquire from the Corporation at the Per Share Exercise Price specified above for



such Option the aggregate number of shares of the Common Stock of the Corporation specified above for such Option (the "Option Shares"). The Options are not to be treated as (and are not intended to qualify as) incentive stock options within the meaning of Section 422 of Code.

3. **No Rights as Stockholder or to Cash Payments Equivalent to Dividends.** Prior to the acquisition of the Option Shares upon the exercise of any Option, neither the Optionee nor any other person will become the beneficial owner of the Option Shares underlying the Option, nor have any rights as a stockholder with respect to any such Option Shares and will not be entitled to receive a cash payment or other distribution with respect to such Option Shares.

4. **Exercise of this Option.**

4.1 Unless the exercisability of any Option is accelerated under the terms of the Plan or this Agreement, all Options not theretofore terminated will become exercisable as follows: (i) one-third of the Option Shares (rounded to the nearest whole number of shares) will become exercisable on the first anniversary of the Grant Date (ii) one-third of the Option Shares (rounded to the nearest whole number of shares) will become exercisable on the second anniversary of the Grant Date and (iii) the remainder of the Option Shares will become exercisable on the third anniversary of the Grant Date.

4.2 Unless earlier terminated in accordance with the terms of the Plan or this Agreement, all Options will expire and no longer be exercisable upon the tenth anniversary of the Grant Date (the "Expiration Date").

4.3 In no event will any Option be exercisable for a fractional share of Common Stock.

4.4 If the Optionee remains employed by the Corporation or any of its Subsidiaries through the Expiration Date, the Options may be exercised to the extent exercisable until the close of trading (generally 4:00 p.m. New York time) on the last trading day falling within the exercise period on the New York Stock Exchange or, if different, the principal stock exchange on which the Common Stock is then listed. Thus if the Expiration Date is not a trading day, then the last day the Stock Options may be exercised is the last trading day preceding the Expiration Date.

5. **Method of Exercise and Payment.** Once exercisable, an Option may be exercised in whole or in part by the Optionee by delivering to the Secretary of the Corporation or his designated agent (who, for so long as the Corporation maintains a "cashless exercise" program and the Optionee exercises and sells Option Shares through such program, shall be the administrator of such program) on any business day (the "Exercise Date") a notice, in such manner and form as may be required by the Corporation, specifying the number of the Option Shares the Optionee then desires to acquire (the "Exercise Notice"). The Exercise Notice will be accompanied by payment of the aggregate Per Share Exercise Price applicable to such Option for such number of the Option Shares to be acquired upon such exercise. Such payment will be made in cash, by personal or certified check, bank draft or money order payable to the order of the Corporation or, if permitted by the Committee (in its sole discretion) and applicable law, rule or regulation, by delivery of, alone or in conjunction with a partial cash or instrument payment, (a) Shares already owned by the Participant for at least six months, or (b) some other form of payment acceptable to the Committee. To the extent permitted by law, the Committee may also allow the Optionee to simultaneously exercise an Option and sell the Shares thereby acquired pursuant to a "cashless exercise" arrangement or program, selected

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by and approved of in all respects in advance by the Committee. Payment instruments will be received by the Corporation subject to collection. The proceeds received by the Corporation upon the exercise of any Option may be used by the Corporation for general corporate purposes. Any portion of an Option that is exercised may not be exercised again. Upon exercise in accordance with the terms of the Plan and this Agreement, the Option Shares underlying the exercised portion of the Option will be promptly delivered to the Optionee, except that for so long as the Corporation maintains a “cashless exercise” program and the Optionee exercises and sells Option Shares through such program, delivery of the proceeds of such sale shall be made to a brokerage account maintained in the name of the Optionee with the administrator of such program.

**6. Termination and Forfeiture.**

**6.1** Unless otherwise determined by the Committee, all Options will terminate in accordance with Sections 6.2, 6.3 and 6.4 below, as the case may be. In any event, all Options will terminate upon the tenth anniversary of the Grant Date.

**6.2** Subject to any determination of the Committee pursuant to Section 6.01 of the Plan, if an Optionee's employment with the Corporation or any Subsidiary terminates for any reason (other than by reason of the Optionee's death, disability or “Full Retirement” (as defined below) or “Early Retirement” (as defined below), all Options, to the extent not exercisable on the date of any such termination of employment, will be forfeited and cancelled by the Corporation. The Optionee's rights, if any, to exercise any exercisable portion of any Option will terminate one-hundred-eighty (180) days after the date of any termination of employment (other than by reason of the Optionee's death, disability, or Full or Early Retirement, but not beyond the tenth anniversary of the Grant Date, and thereafter all Options will be forfeited and cancelled by the Corporation. For purposes of this Agreement, “Full Retirement” means voluntary retirement after attaining at least age 65 with at least five years of continuous service with the Corporation or a Subsidiary prior to the date of such retirement. For purposes of this Agreement, “Early retirement” means voluntary retirement after attaining at least age 55 with at least ten years of continuous service with the Corporation or a Subsidiary prior to the date of such retirement.

**6.3** If an Optionee's employment with the Corporation or any Subsidiary terminates by reason of the Optionee's death, disability, or Full Retirement, the Optionee (or, in the event of the Optionee's death, the Optionee's estate, designated beneficiary or other legal representative, as the case may be and as determined by the Committee) shall have the right to exercise all Options at any time until the tenth anniversary of the Grant Date. The existence and date of the Optionee's disability shall be determined by the Committee and any such determination shall be conclusive.

**6.4** (a) Notwithstanding anything to the contrary in Section 6.2 above, if the Optionee's employment with the Corporation or any Subsidiary terminates by reason of the Optionee's Early Retirement, all Options to the extent exercisable on the date of such Early Retirement shall remain exercisable until the tenth anniversary of the Grant Date.

(b) Notwithstanding anything to the contrary in Section 6.2 above, if the Optionee's employment with the Corporation or any Subsidiary terminates by reason of the Optionee's Early Retirement, the Committee, in its sole discretion, may (but is not obligated to) determine that (i) each Option to the extent not exercisable at the time of any such Early Retirement will become exercisable as to a proportionate number of underlying Option Shares based on the number of calendar days elapsed (as of the date of such Early Retirement) in the vesting period of such Option (or portion thereof), and (ii) each such Option shall remain

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exercisable until the tenth anniversary of the Grant Date. Except for Options which have become exercisable as described in the prior sentence, any Option to the extent not exercisable at the time of the Optionee's termination of employment by reason of Early Retirement will be forfeited and cancelled by the Corporation.

**6.5** For the purposes of determining the dates on which Options may be exercised following a termination of employment or death, disability, Full Retirement or Early Retirement, the Stock Options may be exercised until the close of trading (generally 4:00 p.m. New York time) on the last trading day falling within the exercise period on the New York Stock Exchange or, if different, the principal stock exchange on which the Common Stock is then listed. Thus if the Option would otherwise terminate on a day that is not a trading day, then the last day the Options may be exercised is the last trading day preceding such termination date.

**7. Change of Control.** The Options are subject to acceleration of exercisability and "cash-out" at the discretion of the Committee upon the occurrence of a Change of Control, all as provided in and subject to Section 9 of the Plan.

**8. Non-transferability.** The Options, and any rights or interests therein or under this Agreement, may not be sold, exchanged, transferred, assigned or otherwise disposed of in any way at any time by the Optionee (or any beneficiary(ies) of the Optionee), except to an Immediate Family Member or to a trust, partnership or limited liability corporation all of whose beneficiaries, partners or members, as the case may be, are Immediate Family Members, or by testamentary disposition by the Optionee or the laws of descent and distribution or pursuant to Section 16 of this Agreement; provided, however, that to transfer an Option to an Immediate Family Member or to an entity described above, such Immediate Family Member or entity must agree, in a form acceptable to Committee, to be bound by the terms of the Plan and this Agreement. The Options may not be pledged, encumbered or otherwise hypothecated in any way at any time by the Optionee (or any beneficiary(ies) of the Optionee) and will not be subject to execution, attachment or similar legal process. Any attempt to sell, exchange, pledge, transfer, assign, encumber or otherwise dispose of or hypothecate this Option, or the levy of any execution, attachment or similar legal process upon this Option, contrary to the terms of this Agreement and/or the Plan will be null and void and without legal force or effect. During the Optionee's lifetime, the Options may be exercisable only by the Optionee or the Optionee's legal representative, or if transferred to an Immediate Family Member or an entity comprising Immediate Family Members as described above, by such Immediate Family Member or entity.

**9. Entire Agreement; Amendment.** This Agreement (including the Plan incorporated herein by reference) contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties relating to such subject matter. The Board has the right, in its sole discretion, to amend, alter, suspend, discontinue or terminate the Plan, and the Committee has the right, in its sole discretion, to amend, alter, suspend, discontinue or terminate any or all of the Options or this Agreement from time to time in accordance with and as provided in the Plan; provided, however, that no such amendment, alteration, suspension, discontinuance or termination after initial shareholder approval of the Plan may materially impair the previously accrued rights of the Optionee under this Option without the consent of the Optionee. The Corporation will give written notice to the Optionee of any such modification or amendment of this Agreement as soon as practicable after the adoption thereof. This Agreement may also be modified, amended or terminated by a writing signed by both the Corporation and the Optionee.

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**10. Notices.** Any notice (other than an Exercise Notice) which may be required or permitted under this Agreement will be in writing, and will be delivered in person or via facsimile transmission, overnight courier service or certified mail, return receipt requested, postage prepaid, properly addressed as follows:

**10.1** If the notice is to the Corporation, to the attention of the Secretary of Hess Corporation, 1185 Avenue of the Americas, New York, New York 10036, or at such other address as the Corporation by notice to the Optionee designates in writing from time to time.

**10.2** If the notice is to the Optionee, at his or her address as shown on the Corporation's records, or at such other address as the Optionee, by notice to the Corporation, designates in writing from time to time.

**11. Limitations; Governing Law.** Nothing herein or in the Plan will be construed as conferring on the Optionee or anyone else the right to continue in the employ of the Corporation or any Subsidiary. This Agreement will be governed by and construed in accordance with the laws of the State of Delaware, without reference to the principles of conflict of laws thereof.

**12. Compliance with Laws.** The issuance of this Option (and the Option Shares upon exercise of this Option) pursuant to this Agreement will be subject to, and will comply with, any applicable requirements of any federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act of 1933, the Exchange Act and the respective rules and regulations promulgated thereunder), rules of any exchange on which the Common Stock is listed (including, without limitation, the rules and regulations of the New York Stock Exchange), and any other law or regulation applicable thereto. The Corporation will not be obligated to issue this Option or any of the Option Shares pursuant to this Agreement if any such issuance would violate any such requirements, and if issued will be deemed void ab initio.

**13. Binding Agreement; Further Assurances.** This Agreement will inure to the benefit of, be binding upon, and be enforceable by the Corporation and its successors and assigns. Each party hereto will do and perform (or will cause to be done and performed) all such further acts and will execute and deliver all such other agreements, certificates, instruments and documents as any party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan and the consummation of the transactions contemplated thereunder.

**14. Counterparts; Headings.** This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which will constitute one and the same instrument. The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and will not be deemed to be a part of this Agreement.

**15. Severability.** The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction will not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder will be enforceable to the fullest extent permitted by law.

**16. Beneficiary.** The Optionee may designate the beneficiary or beneficiaries to exercise this Option (or to receive any Option Shares issuable hereunder) after the death of the Optionee. Such designation may be made by the Optionee on the enclosed beneficiary

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designation form and (unless the Optionee has waived such right) may be changed by the Optionee from time to time by filing a new beneficiary designation form with the Committee. If the Optionee does not designate a beneficiary or if no designated beneficiary(ies) survives the Optionee, the Optionee's beneficiary will be the legal representative of the Optionee's estate.

**17. Tax Withholding.** Neither the exercise of any Option under this Agreement, nor the issuance of any Option Shares thereunder, will be permitted or effected unless and until the Optionee (or the Optionee's beneficiary(ies) or legal representative) has made appropriate arrangements for the payment of any amounts required to be withheld with respect thereto under all present or future federal, state and local tax laws and regulations and other laws and regulations. Unless the Optionee otherwise elects or is prohibited by law, if and for so long as the Corporation maintains a cashless exercise program and the Optionee exercises and sells Option Shares through such program, payment of such amounts will be made by deducting such amounts from the proceeds of such sale.

**18. Terms of Employment.** The Plan is a discretionary plan. The Optionee hereby acknowledges that neither the Plan nor this Agreement forms part of his terms of employment and nothing in the Plan may be construed as imposing on the Corporation or any Subsidiary a contractual obligation to offer participation in the Plan to any employee of the Corporation or any Subsidiary. The Corporation or any Subsidiary is under no obligation to grant further Options to the Optionee under the Plan. If the Optionee ceases to be an employee of the Corporation or any Subsidiary for any reason, he shall not be entitled by way of compensation for loss of office or otherwise howsoever to any sum or other benefit to compensate him for the loss of any rights under this Agreement or the Plan.

**19. Data Protection.** By signing this Agreement, the Optionee consents to the holding and processing of personal data provided by the Optionee to the Corporation for all purposes necessary for the operation of the Plan. These include, but are not limited to:

- 19.1** Administering and maintaining Optionee records;
  - 19.2** Providing information to any registrars, brokers or third party administrators of the Plan; and
  - 19.3** Providing information to future purchasers of the Corporation or the business in which the Optionee works.
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IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed by its duly authorized officer, and you have also executed this Agreement and acknowledged receipt of other related materials including the Plan prospectus, all as of the Grant Date.

Hess Corporation

By /s/ John B. Hess  
JOHN B. HESS  
CHIEF EXECUTIVE OFFICER

Acknowledged and Agreed to:

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**HESS CORPORATION 2008 LONG-TERM INCENTIVE PLAN Performance Award Agreement**

Participant: FIRST NAME – LAST NAME  
 Grant Date: DATE  
 Number of Performance Shares: # OF PERFORMANCE SHARE UNITS

\* \* \* \* \*

This PERFORMANCE AWARD AGREEMENT (this "Agreement"), dated as of the Grant Date specified above, is entered into by and between HESS CORPORATION, a Delaware corporation (the "Corporation"), and the Participant specified above, pursuant to the Shareholder Value Program under the Hess Corporation 2008 Long-Term Incentive Plan, as in effect and as amended from time to time (the "Plan").

WHEREAS, it has been determined under the Plan that it would be in the best interests of the Corporation to grant the Performance Award provided for herein to the Participant as an inducement to remain in the employment of the Corporation (and/or any Subsidiary), and as an incentive for improved performance toward corporate goals during such employment;

WHEREAS, pursuant to the provisions of the Plan, the Committee has authorized the grant to the Participant of a Performance Award in accordance with the terms and conditions of this Agreement; and

WHEREAS, the Participant and the Corporation desire to enter into this Agreement to evidence and confirm the grant of such Performance Award on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and premises hereinafter set forth and for other good and valuable consideration, the parties hereto hereby mutually covenant and agree as follows.

1. Incorporation By Reference; Document Receipt. This Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly not intended to apply to the grant of the Performance Award hereunder), all of which terms and provisions are made a part of and incorporated in this Agreement as if each were expressly set forth mutatis mutandis herein. Any capitalized term not defined in this Agreement shall have the same meaning as is ascribed thereto under the Plan. The Participant hereby acknowledges receipt of a prospectus describing the Plan and the Awards thereunder and that he has read it carefully and fully understands its content. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall control.

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2. Grant of Performance Award. Pursuant to the provisions of the Plan, the Corporation as of the date set forth above (the "Grant Date") has granted to the Participant, and hereby evidences the grant to the Participant of, subject to the terms and conditions set forth herein and in the Plan, a Performance Award consisting of the number of Performance Shares specified above. A Performance Share is an unfunded and unsecured obligation to deliver up to two Shares (or a portion thereof) or the cash equivalent thereof (determined in accordance with Section 3), subject to the terms and conditions of this Agreement and those of the Plan. References herein to Performance Shares are to the Performance Shares comprising such Performance Award granted pursuant to this Agreement.

3. Payment of Earned Performance Shares. Subject to the provisions of Section 5 and Section 6, after the end of the Performance Cycle described in Section 4(a), the Committee shall certify in writing on the date (the "vesting date") of its first regular meeting following the end of the Performance Cycle whether, and to what extent, the performance goal set forth in Section 4(b) has been achieved and determine and certify in writing the number of Performance Shares earned pursuant to Section 4. The number of such Performance Shares so earned shall be paid by the Corporation as soon as administratively practicable after the vesting date; provided that in no event shall such payment be made later than March 15 of the calendar year that immediately follows the last day of the Performance Cycle. To the extent that the Performance Shares are not earned pursuant to Section 4, such Performance Shares shall be forfeited. Payments hereunder shall be made in Shares, unless the Committee, in its sole discretion, affirmatively determines that such payments shall be made in cash, or a combination of Shares and cash. If a cash payment is made in lieu of delivering Shares, the amount of such payment shall be equal to the Fair Market Value of such Shares as of the trading date immediately prior to the date of such payment, less applicable tax withholdings in accordance with Section 12.03 of the Plan.

4. Vesting Criteria Applicable to Performance Shares.

(a) Performance Cycle. The Performance Cycle for the Performance Award granted pursuant to this Agreement shall commence on January 1, 2017, and shall end on December 31, 2019.

(b) Performance Goal. The performance goal for the Performance Cycle is the total return per Share to the Corporation's shareholders, inclusive of dividends paid, during the Performance Cycle in comparison to the total return per share of common stock, inclusive of dividends paid, during the Performance Cycle achieved by the companies that are listed in Exhibit A attached hereto (such companies, the "Comparison Companies"), as set forth in this Section 4(b). For purposes of this Agreement, such total shareholder return ("Total Shareholder Return") for the Corporation and each of the Comparison Companies shall be measured by dividing (A) the sum of (1) the dividends paid (regardless of whether paid in cash or property) on the common stock of such company during the Performance Cycle, assuming reinvestment of such dividends in such stock (based on the closing price of such stock on the date such dividend is paid), plus (2) the average closing price of a share of such stock on the principal United States exchange on which the stock trades for the 60 trading days

immediately prior to and including the last day of the Performance Cycle (appropriately adjusted for any stock dividend, stock split, spin-off, merger or other similar corporate events)(the "Ending Average Value") minus the average closing price of a share of such company's common stock on the principal United States exchange on which the stock trades for the 60 trading days occurring immediately prior to the first day of the Performance Cycle (the "Beginning Average Value") , by (B) the Beginning Average Value. For the avoidance of doubt, it is intended that the foregoing calculation of Total Shareholder Return shall take into account not only the reinvestment of dividends in a share of common stock of the Corporation and any Comparison Company but also capital appreciation or depreciation in the shares deemed acquired by such reinvestment. All determinations under this Section 4 shall be made by the Committee.

(c) Percentage of Performance Shares Earned. Except as provided in Section 6, the Performance Shares shall be earned based on where the Corporation's Total Shareholder Return during the Performance Cycle ranks in comparison to the Total Shareholder Returns of the Comparison Companies during the Performance Cycle. As soon as practicable after the completion of the Performance Cycle, the Total Shareholder Returns of the Corporation and each of the Comparison Companies shall be calculated and ranked from first to last (the "TSR Ranking"). The extent to which Performance Shares shall become earned on the vesting date described in Section 3 shall be based on the TSR Ranking attained by the Corporation. The percentage of Performance Shares earned (the "Percentage of Performance Shares Earned") shall be the percentage set forth in the Percentage of Performance Shares Earned column of the schedule set forth in Exhibit B attached hereto that corresponds to the TSR Ranking attained by the Corporation set forth in the TSR Ranking column of such schedule. The number of Performance Shares earned shall be the product of the number of Performance Shares set forth in Section 2 multiplied by the Percentage of Performance Shares Earned. If at any time during the Performance Cycle, a Comparison Company is acquired, ceases to exist, ceases to be a publicly-traded company, files for bankruptcy, spins off 50% or more of its assets (except as otherwise provided in Exhibit A), or sells all, or substantially all, of its assets, such Comparison Company shall be removed and treated as if it had never been a Comparison Company. The Total Shareholder Returns of the Corporation and the remaining Comparison Companies shall be ranked from first to last, and the Percentage of Performance Shares Earned shall be determined as described in this Section 4(c) based on the Corporation's TSR Ranking among the remaining Comparison Companies: (i) to the extent the number of Comparison Companies plus the Corporation is reduced to 12, 11, 10 or 9, in accordance with the percentage corresponding to Corporation's TSR Ranking as set forth in Exhibit C-1, C-2, C-3, or C-4 attached hereto, respectively, and (ii) to the extent that the number of Comparison Companies plus the Corporation is reduced to fewer than 9, in accordance with the percentage corresponding to the Corporation's TSR Ranking as set forth in Exhibit C-4, provided that (1) the Committee may use its negative discretion, consistent with Code Section 162(m), to reduce the Percentage of Performance Shares Earned corresponding to such TSR Ranking of the Corporation such that the Percentage of Performance Shares Earned shall be as reasonably commensurate as possible with the Percentage of Performance Shares Earned that would have resulted if the number of Comparison Companies plus the Corporation had been 9, using similar percentile hurdles

as exist in C-4, with straight-line interpolation between points, and (2) if the Corporation ranks last among the remaining Comparison Companies, the Percentage of Performance Shares Earned shall be 0%. Notwithstanding the foregoing provisions of this Section 4(c) to the contrary, if the Corporation's Total Shareholder Return during the Performance Cycle is negative, the Percentage of Performance Shares Earned shall not exceed 100%.

5. Termination of Employment. Except as provided in this Section 5, the Participant shall not have any right to any payment hereunder unless the Participant is employed by the Corporation or a Subsidiary on the vesting date pursuant to Section 3.

(a) Death, Permanent Total Disability or Full Retirement. If (i) the Participant's employment with the Corporation or any Subsidiary terminates prior to the vesting date pursuant to Section 3 by reason of the Participant's death, permanent total disability or "Full Retirement" (as defined below), the Participant shall be entitled to receive the same payment, if any (without pro-ratio), in respect of the Performance Shares as would have been payable, and at the same time and subject to the same conditions, had the Participant's employment continued until such vesting date. The existence and date of permanent total disability shall be determined by the Committee and its determination shall be final and conclusive. For purposes of this Agreement, "Full Retirement" shall mean voluntary retirement after attaining at least age 65 with at least five years of continuous service with the Corporation or any Subsidiary prior to the date of such retirement.

(b) Other than Death, Permanent Total Disability or Full Retirement. If the Participant's employment with the Corporation or any Subsidiary terminates prior to the vesting date pursuant to Section 3 for any reason other than the Participant's death, permanent total disability or Full Retirement, all of the Performance Shares and the Participant's rights with respect thereto shall be immediately forfeited and cancelled without further action by the Corporation or the Participant as of the date of such termination of employment.

(c) Early Retirement/Termination other than Cause. Notwithstanding Section 5(b), if (i) the Participant's employment with the Corporation or any Subsidiary terminates prior to the vesting date pursuant to Section 3 by reason of the Participant's "Early Retirement" (as defined below) or on account of a termination by the Corporation or a Subsidiary other than for Cause, the Participant shall be entitled to receive the same payment, if any, in respect of the Performance Shares as would have been payable, and at the same time and subject to the same conditions, had the Participant's employment continued until such vesting date, provided that such payment shall be pro-rated based on the number of calendar days of the Performance Cycle elapsed through the date of such Early Retirement or termination other than for Cause. For purposes of this Agreement, "Early Retirement" shall mean voluntary retirement after attaining at least age 55 with at least ten years of continuous service with the Corporation or any Subsidiary prior to the date of such retirement.

(d) Forfeiture Following Early Retirement or Termination other than Cause. Notwithstanding any other provision of this Agreement to the contrary, if, following termination of the Participant's employment with the

Corporation or any Subsidiary due to Early Retirement or a termination other than for Cause, as described in Section 5(c), the Committee determines in its good faith discretion that the Participant shall have engaged in any Prohibited Activity (as hereinafter defined) at any time during the time through the otherwise applicable vesting date with respect to the Performance Cycle, all of the Performance Shares and the Participant's rights with respect thereto shall be immediately forfeited and cancelled without further action by the Corporation or the Participant as of the date on which the Participant shall have first entered into such Prohibited Activity. This Section 5(d) shall not constitute the Corporation's exclusive remedy for the Participant's engagement in any Prohibited Activity, and the Corporation may seek any additional legal or equitable remedy, including injunctive relief, in any such circumstances. If any provision contained in this Section 5(d) shall be held by any court of competent jurisdiction to be unenforceable, void or invalid, the parties intend that such provision be modified to make it valid and enforceable to the fullest extent permitted by law. If any such provision cannot be modified to be valid and enforceable, such provision shall be severed from this Agreement and the invalidity or unenforceability of such provision shall not affect the validity or enforceability of the remaining provisions. Notwithstanding any other provision of this Section 5(d) to the contrary, upon the occurrence of a Change of Control, the foregoing provisions of this Section 5(d) shall automatically terminate and cease to apply with respect to any Performance Shares that are outstanding and have not previously been forfeited under this Section 5(d). For purposes of this Agreement:

(i) "Prohibited Activity" shall mean either Competitive Activity or Interference.

(ii) "Competitive Activity" shall mean that the Participant, directly or indirectly, in any manner or capacity, shall be employed by, serve as a director or manager of, act as a consultant to or maintain any material ownership interest in, any E&P Company or M&R Company that competes with the business of the Corporation or any Subsidiary or affiliate thereof in geographical areas in which the Participant is aware that the Corporation or any Subsidiary or affiliate is engaged, or is considering engaging, unless the Committee agrees to such activity of the Participant in writing; provided, however, that the Participant's ownership solely as an investor of less than 1% of the outstanding securities of any publicly-traded securities of any E&P Company or M&R Company shall not, by itself, be considered to be Competitive Activity.

(iii) "Interference" shall mean that the Participant shall, directly or indirectly, interfere with the relationship between the Corporation or any Subsidiary or affiliate of the Corporation and any person (including, without limitation, any business or governmental entity) that to the Participant's knowledge is, or was, a client, customer, supplier, licensee or partner of the Corporation or any Subsidiary, or had any other business relationship with the Corporation or any Subsidiary.



(iv) the business of exploring for, or developing or producing, crude oil or natural gas.

“E&P Company” shall mean any business which is engaged in

(v) the manufacture, generation, purchase, marketing or trading of refined petroleum products, natural gas or electricity.

“M&R Company” shall mean any business which is engaged in

6. Change of Control. Notwithstanding anything in Section 3, 4, 5(a) or 5(c) to the contrary, in the event a Change of Control occurs during the Performance Cycle, the Corporation’s Total Shareholder Return, TSR Ranking and the Percentage of Performance Shares Earned shall be determined in accordance with Section 4 for the portion of the Performance Cycle that ends on the date immediately prior to the date of the Change of Control. Provided that the Performance Shares have not been forfeited pursuant to Section 5 prior to the date of the Change of Control, the number of the Performance Shares earned shall be the sum of (a) the product of the number of Performance Shares set forth in Section 2, multiplied by a fraction, the numerator of which is the number of calendar days of the Performance Cycle that elapse through the date immediately prior to the date of the Change of Control and the denominator of which is the full number of calendar days during the Performance Cycle, multiplied by the Percentage of Performance Shares Earned, plus (b) the product of the number of Performance Shares set forth in Section 2, multiplied by a fraction, the numerator of which is the number of calendar days remaining in the Performance Cycle on and following the date of the Change of Control and the denominator of which is the full number of calendar days during the Performance Cycle. The amount payable subject to the terms and conditions hereof in respect of such earned Performance Shares shall be equal to the product of such number of earned Performance Shares multiplied by the Change of Control Price, without interest or other additional earnings (such amount, the “CoC Earned Performance Share Amount”). Except as otherwise provided in this Section 6, the CoC Earned Performance Share Amount shall be paid in a cash lump-sum during, and no later than March 15 of, the calendar year that immediately follows the last day of the Performance Cycle. If, following a Change of Control, the Participant’s employment with the Corporation or any Subsidiary terminates prior to payment of the CoC Earned Performance Share Amount by reason of (w) termination by the Corporation or such Subsidiary without Cause, (x) resignation by the Participant for Good Reason, (y) the Participant’s death or permanent total disability (determined as described in Section 5(a)) or (z) the Participant’s Full Retirement, the Participant shall be entitled to receive payment of the CoC Earned Performance Share Amount in a cash lump-sum not later than 5 business days after the effective date of such termination of employment, provided that if such payment would result in accelerated or additional taxes under Section 409A of the Code then such payment shall be made at the time specified in the immediately preceding sentence as if the Participant’s employment had not so terminated. If, following a Change of Control, the Participant’s employment with the Corporation or any Subsidiary terminates under any circumstances other than those described in the immediately preceding sentence, then the Participant shall not have any right to any payment in respect of the Performance Shares, whether or not earned.

7. Dividend Equivalents. With respect to the number of Performance Shares set forth in Section 2, the Participant shall be credited with Dividend Equivalents with respect to each such Performance Share equal to the amount per Share of any ordinary cash dividends declared by the Board with record dates during the period beginning on the first day of the Performance Cycle and ending on the earliest to occur of: (a) the last day of the Performance Cycle; (b) the date of a Change of Control and (c) the date such Performance Share terminates or is forfeited under Section 3 or Section 5. The Corporation shall pay in cash to the Participant an amount equal to the product of (i) sum of the aggregate amount of such Dividend Equivalents credited to the Participant, multiplied by (ii) the Percentage of Performance Shares Earned, such amount to be paid as and when the related Performance Shares are paid in accordance with Section 3 or Section 6, as applicable. Any Dividend Equivalents shall be forfeited as and when the related Performance Shares are forfeited in accordance with Section 3, Section 5 or Section 6.

8. No Rights as a Shareholder. Until shares of Common Stock are issued, if at all, in satisfaction of the Corporation's obligations under this Agreement, in the time and manner specified in Section 3 or 6, the Participant shall have no rights as a shareholder as to the Shares underlying the Performance Shares.

9. Beneficiary. The Participant may designate the beneficiary or beneficiaries to receive any payments which may be made in respect of the Performance Shares after the Participant's death. Any such designation shall be made by the Participant in writing on a beneficiary designation form provided by or on behalf of the Corporation and (unless the Participant has waived such right) may be changed by the Participant from time to time by filing a new beneficiary designation form as provided therein. If the Participant does not designate a beneficiary or if no designated beneficiary survives the Participant, the Participant's beneficiary shall be the legal representative of his estate.

10. Tax Withholding. No payment of Shares or cash in respect of the Performance Shares shall be made unless and until the Participant (or his or her beneficiary or legal representative) shall have made arrangements satisfactory to the Committee for the payment of any amounts required to be withheld with respect thereto under all present or future federal, state, local and non-United States tax laws and regulations and other laws and regulations in accordance with Section 12.03 of the Plan. The Corporation shall have the right to deduct from all amounts paid to the Participant in cash in respect of Performance Shares any such amounts. In the case of any payments of Performance Shares in the form of Shares, unless the Participant elects otherwise in advance in writing or is prohibited by law, upon payment of such Shares, such number of such Shares as shall be necessary to pay such amounts shall be sold by the Corporation or its designee on the Participant's behalf, and the proceeds thereof shall be delivered to the Corporation for remittance to the appropriate governmental authorities. In the event the Committee determines that any amounts are required to be withheld in respect of the Performance Shares prior to payment of such Performance Shares, the Participant shall thereupon pay to the Corporation in cash the full amount so required to be withheld.

11. Limitations; Governing Law. Nothing herein or in the Plan shall be construed as conferring on the Participant or anyone else the right to continue in the employ

of the Corporation or any Subsidiary. The rights and obligations under this Agreement are governed by and construed in accordance with the laws of the State of Delaware, without reference to the principles of conflict of laws thereof.

12. Non-transferability. Except as otherwise provided by Section 8, the Performance Shares, and any rights and interests with respect thereto, may not be sold, exchanged, transferred, assigned or otherwise disposed of in any way by the Participant (or the Participant's beneficiary), and may not be pledged or encumbered in any way by the Participant (or the Participant's beneficiary), and shall not be subject to execution, attachment or similar legal process.

13. Entire Agreement; Amendment. This Agreement (including the Plan which is incorporated herein by reference) contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties hereto relating to such subject matter. The Board has the right, in its sole discretion, to amend, alter, suspend, discontinue or terminate the Plan, and the Committee has the right, in its sole discretion, to amend, alter, suspend, discontinue or terminate this Agreement from time to time in accordance with and as provided in the Plan; provided, however, that no such amendment, alteration, suspension, discontinuance or termination of the Plan may materially impair the Participant's previously accrued rights under this Agreement or the Plan without the Participant's consent, except as otherwise provided in Section 11 of the Plan. This Agreement may also be modified, amended or terminated by a writing signed by the Participant and the Corporation.

14. Notices. Any notice which may be required or permitted under this Agreement shall be in writing and shall be delivered in person, or via facsimile transmission, overnight courier service or certified mail, return receipt requested, postage prepaid, properly addressed as follows:

(a) If the notice is to the Corporation, to the attention of the Secretary of Hess Corporation, 1185 Avenue of the Americas, New York, New York 10036, or at such other address as the Corporation by notice to the Participant may designate in writing from time to time.

(b) If the notice is to the Participant, at the Participant's address as shown on the Corporation's records, or at such other address as the Participant, by notice to the Corporation, may designate in writing from time to time.

15. Compliance with Laws. The issuance of any Shares pursuant to this Agreement shall be subject to, and shall comply with, any applicable requirements of federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act of 1933, as amended, the Exchange Act and the respective rules and regulations promulgated thereunder), any applicable rules of any exchange on which the Common Stock is listed (including, without limitation, the rules and regulations of the New York Stock Exchange), and any other law, rule or regulation applicable thereto. The Corporation shall not be obligated to issue any of the Common

Stock subject to this Agreement if such issuance would violate any such requirements and if issued shall be deemed void ab initio.

16. Binding Agreement; Further Assurances. This Agreement shall inure to the benefit of, be binding upon, and be enforceable by the Corporation and its successors and assigns. Each party hereto shall do and perform (or shall cause to be done and performed) all such further acts and shall execute and deliver all such other agreements, certificates, instruments and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan and the consummation of the transactions contemplated thereunder.

17. Counterparts; Headings. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument. The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

18. Severability. The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

19. Terms of Employment. The Plan is a discretionary plan. The Participant hereby acknowledges that neither the Plan nor this Agreement forms part of the Participant's terms of employment and nothing in the Plan may be construed as imposing on the Corporation or any Subsidiary a contractual obligation to offer participation in the Plan to any employee of the Corporation or any Subsidiary. Neither the Corporation nor any Subsidiary is under any obligation to grant any further Awards to the Participant under the Plan. If the Participant ceases to be an employee of the Corporation or any Subsidiary for any reason, the Participant shall not be entitled by way of compensation for loss of office or otherwise howsoever to any sum or other benefit to compensate the Participant for the loss of any rights under this Agreement or the Plan. The Participant also acknowledges that the Corporation has adopted a policy prohibiting recipients of equity awarded from the Corporation, including the Performance Shares, from trading in equity derivative instruments to hedge the economic risks of holding Corporation common stock or interests therein. The Participant hereby acknowledges that he will abide by such policy in all respects.

20. Data Protection. By signing this Agreement, the Participant hereby consents to the holding and processing of personal data provided by the Participant to the Corporation for all purposes necessary for the operation of the Plan. These include, but are not limited to:

- (a) administering and maintaining the Participant's records;

(b) providing information to any registrars, brokers or third party administrators of the

Plan; and

(c) providing information to future purchasers of the Corporation or the business in

which the Participant works.

21.

Code Section 409A. Payment of the Performance Shares and this Agreement are intended to comply with Section 409A of the Code, and shall be administered and construed in accordance with such intent. Accordingly, the Corporation shall have the authority to take any action, or refrain from taking any action, with respect to this Agreement that it determines is necessary or appropriate to ensure compliance with Code Section 409A (provided that the Corporation shall choose the action that best preserves the value of payments provided to the Participant under this Agreement that is consistent with Code Section 409A). In furtherance, but not in limitation, of the foregoing, notwithstanding any other provisions of this Agreement to the contrary:

(a) in no event may the Participant designate, directly or indirectly, the calendar year of any payment to be made hereunder;

(b) if at the time of the Participant's separation from service, the Corporation determines that the Participant is a "specified employee" within the meaning of Code Section 409A, payments, if any, hereunder that constitute a "deferral of compensation" under Code Section 409A and that would otherwise become due on account of such separation from service shall be delayed and all such delayed payments shall be paid in full upon the earlier to occur of (i) a date during the thirty-day period commencing six months and one day following such separation from service and (ii) the date of the Participant's death, provided that such delay shall not apply to any payment that is excepted from coverage by Code Section 409A, such as a payment covered by the short-term deferral exception described in Treasury Regulations Section 1.409A-1(b)(4); and

(c) notwithstanding any other provision of this Agreement to the contrary, a termination or retirement of Participant's employment hereunder shall mean and be interpreted consistent with a "separation from service" within the meaning of Code Section 409A with respect to any payments hereunder that constitute a "deferral of compensation" under Code Section 409A that become due on account of such separation from service.

**IN WITNESS WHEREOF**, the Corporation has caused this Agreement to be executed by its duly authorized officer, and the Participant has also executed this Agreement and acknowledged receipt of other related materials including the Plan prospectus, all as of the Grant Date.

Hess Corporation

By /s/ John B. Hess  
JOHN B. HESS  
CHIEF EXECUTIVE OFFICER

Acknowledged and Agreed to:

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**Comparison Companies**

- Anadarko Petroleum Corporation
- Apache Corporation
- Chesapeake Energy Corporation
- ConocoPhillips Company
- Continental Resources, Inc.
- Devon Energy Corporation
- EOG Resources, Inc.
- Marathon Oil Corporation
- Murphy Oil Corporation
- Noble Energy, Inc.
- Occidental Petroleum Corporation
- Pioneer Natural Resources Co.

**Percentage of Performance Shares Earned Schedule**

*Use this schedule if number of Comparison Companies plus the Corporation is 13:*

<u>TSR Ranking</u>	<u>Percentage of Performance Shares Earned</u>
1st	200%
2nd	200%
3rd	175%
4th	150%
5th	125%
6th	100%
7th	88%
8th	75%
9th	63%
10th	50%
11th	0%
12th	0%
13th	0%



**Percentage of Performance Shares Earned Schedule**

*Use this schedule if number of Comparison Companies plus the Corporation is 12:*

<u>TSR Ranking</u>	<u>Percentage of Performance Shares Earned</u>
1st	200%
2nd	200%
3rd	175%
4th	150%
5th	125%
6th	100%
7th	83%
8th	66%
9th	50%
10th	0%
11th	0%
12th	0%

**Percentage of Performance Shares Earned Schedule**

*Use this schedule if number of Comparison Companies plus the Corporation is 11:*

<u>TSR Ranking</u>	<u>Percentage of Performance Shares Earned</u>
1st	200%
2nd	200%
3rd	175%
4th	150%
5th	100%
6th	83%
7th	67%
8th	50%
9th	0%
10th	0%
11th	0%

**Percentage of Performance Shares Earned Schedule**

*Use this schedule if number of Comparison Companies plus the Corporation is 10:*

<u>TSR Ranking</u>	<u>Percentage of Performance Shares Earned</u>
1st	200%
2nd	175%
3rd	150%
4th	125%
5th	100%
6th	75%
7th	50%
8th	0%
9th	0%
10th	0%

**Percentage of Performance Shares Earned Schedule**

*Use this schedule if number of Comparison Companies plus the Corporation is 9:*

<u>TSR Ranking</u>	<u>Percentage of Performance Shares Earned</u>
1st	200%
2nd	167%
3rd	133%
4th	100%
5th	83%
6th	67%
7th	50%
8th	0%
9th	0%

## CERTIFICATIONS

I, John B. Hess, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hess Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and the internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ John B. Hess  
 JOHN B. HESS  
 CHIEF EXECUTIVE OFFICER

Date: May 4, 2017

I, John P. Rielly, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hess Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and the internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ John P. Rielly  
JOHN P. RIELLY  
SENIOR VICE PRESIDENT AND  
CHIEF FINANCIAL OFFICER

Date: May 4, 2017

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hess Corporation (the "Corporation") on Form 10-Q for the period ending March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John B. Hess, Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By /s/ John B. Hess  
JOHN B. HESS  
CHIEF EXECUTIVE OFFICER  
Date: May 4, 2017

A signed original of this written statement required by Section 906 has been provided to Hess Corporation and will be retained by Hess Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hess Corporation (the "Corporation") on Form 10-Q for the period ending March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John P. Rielly, Senior Vice President and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By /s/ John P. Rielly  
JOHN P. RIELLY  
SENIOR VICE PRESIDENT AND  
CHIEF FINANCIAL OFFICER  
Date: May 4, 2017

A signed original of this written statement required by Section 906 has been provided to Hess Corporation and will be retained by Hess Corporation and furnished to the Securities and Exchange Commission or its staff upon request.