

# Supplemental Earnings Information



Third Quarter 2018



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# OPERATING RESULTS

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# Reported Net Income (Loss), Items Affecting Comparability & Adjusted Net Income (Loss) by Operating Activity



\$ In Millions, Except Per Share Data

	3Q 2018	3Q 2017	2Q 2018
<b><u>Net Income (Loss) Attributable to Hess Corporation (U.S. GAAP)</u></b>			
Exploration and Production	\$ 144	\$ (474)	\$ 31
Midstream	30	(12)	30
Corporate and Other	(38)	(66)	(108)
Interest	(84)	(72)	(83)
Net income (loss) attributable to Hess Corporation	\$ 52	\$ (624)	\$ (130)
Net income (loss) per common share (diluted)*	\$ 0.14	\$ (2.02)	\$ (0.48)
<b><u>Items Affecting Comparability of Earnings - Income (Expense)</u></b>			
Exploration and Production	\$ (59)	\$ (236)	\$ 10
Midstream	-	(34)	-
Corporate and Other	(12)	(30)	(84)
Total items affecting comparability of earnings between periods	\$ (71)	\$ (300)	\$ (74)

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

# Reported Net Income (Loss), Items Affecting Comparability & Adjusted Net Income (Loss) by Operating Activity (Cont'd)



\$ In Millions, Except Per Share Data

	3Q 2018	3Q 2017	2Q 2018
<b><u>Adjusted Net Income (Loss)*</u></b>			
Exploration and Production	\$ 203	\$ (238)	\$ 21
Midstream	30	22	30
Corporate and Other	(26)	(36)	(24)
Interest	(84)	(72)	(83)
Adjusted net income (loss) attributable to Hess Corporation	\$ 123	\$ (324)	\$ (56)
Adjusted net income (loss) per common share (diluted)**	\$ 0.38	\$ (1.07)	\$ (0.23)
Weighted average number of common shares outstanding (diluted) [in millions]	297.3	314.5	297.5

\* The Corporation has used a non-GAAP financial measure in this supplemental earnings information. "Adjusted Net Income (Loss)" presented throughout this supplemental information is defined as reported net income (loss) attributable to Hess Corporation excluding items identified as affecting comparability of earnings between periods. Management uses adjusted net income (loss) to evaluate the Corporation's operating performance and believes that investors' understanding of our performance is enhanced by disclosing this measure, which excludes certain items that management believes are not directly related to ongoing operations and are not indicative of future business trends and operations. This measure is not, and should not be viewed as, a substitute for U.S. GAAP net income (loss).

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

# Items Affecting Comparability of Earnings Between Periods



(Amounts, After Income Taxes)

## 3Q 2018

- **Exploration and Production** – Results included:
  - A charge of \$73 million in connection with vacated office space, of which \$57 million is included in General and administrative expenses and \$16 million is included in Depreciation, depletion and amortization.
  - A gain of \$14 million from the sale of the Corporation's joint venture interests in the Utica shale play.
- **Midstream** – None.
- **Corporate and Other** – Results included:
  - A noncash income tax expense of \$12 million, which is the offset to a noncash income tax benefit recorded in Other comprehensive income resulting from changes in fair value of the Corporation's 2019 crude oil hedging program, as required under accounting standards' intraperiod allocation rules.

## 3Q 2017

- **Exploration and Production** – Results included:
  - A gain of \$314 million related to the sale of enhanced oil recovery assets in the Permian Basin.
  - A noncash charge of \$550 million to impair the carrying value of the Corporation's former assets in Norway.
- **Midstream** – Results included:
  - A loss of \$34 million related to the sale of Permian Midstream assets that were wholly-owned by the Corporation.
- **Corporate and Other** – Results included:
  - A charge of \$30 million in connection with vacated office space, of which \$11 million is included in General and administrative expenses and \$19 million is included in Depreciation, depletion and amortization.

# Items Affecting Comparability of Earnings Between Periods (Cont'd)



(Amounts, After Income Taxes)

## 2Q 2018

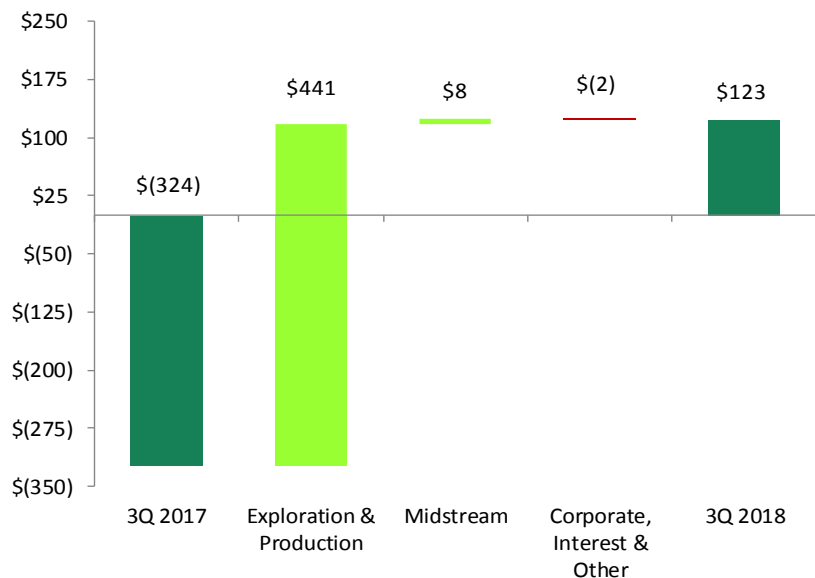
- **Exploration and Production** – Results included:
  - A gain of \$10 million associated with the sale of the Corporation's interests in Ghana.
- **Midstream** – None.
- **Corporate and Other** – Results included:
  - A charge of \$26 million related to the premium paid for debt repurchases.
  - A charge of \$58 million resulting from the settlement of legal claims related to former downstream interests.

# Consolidated Adjusted Net Income (Loss)

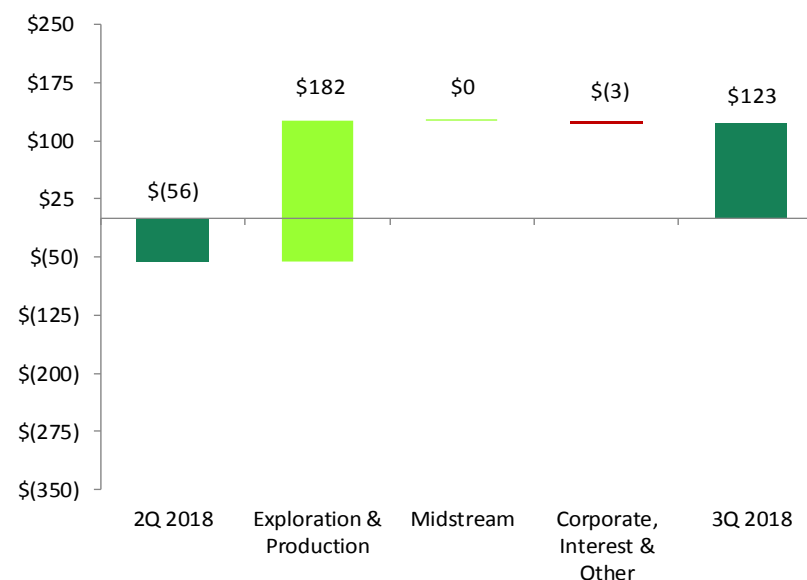


\$ In Millions

**3Q 2018 vs. 3Q 2017**



**3Q 2018 vs. 2Q 2018**



	3Q 2018	3Q 2017	Incr. / (Decr.)
Exploration and Production	\$ 203	\$ (238)	\$ 441
Midstream	30	22	8
Corporate, Interest and Other	(110)	(108)	(2)
Adjusted net income (loss) attributable to Hess Corporation	<u>\$ 123</u>	<u>\$ (324)</u>	<u>\$ 447</u>

	3Q 2018	2Q 2018	Incr. / (Decr.)
Exploration and Production	\$ 203	\$ 21	\$ 182
Midstream	30	30	-
Corporate, Interest and Other	(110)	(107)	(3)
Adjusted net income (loss) attributable to Hess Corporation	<u>\$ 123</u>	<u>\$ (56)</u>	<u>\$ 179</u>

# Analysis of Consolidated Adjusted Net Income (Loss)



## 3Q 2018 vs. 3Q 2017

- **Exploration and Production** – The improved results reflect higher realized crude oil selling prices, lower operating costs and depreciation, depletion and amortization expense, partially offset by lower production volumes, primarily due to asset sales.
- **Midstream** – The increase in earnings primarily reflects higher throughput volumes.
- **Corporate and Other** – The decrease in corporate and other costs was primarily due to lower employee costs.
- **Interest** – The increase in interest expense was due to lower capitalized interest in the third quarter of 2018 primarily due to first production commencing at the Stampede Field in January 2018.

## 3Q 2018 vs. 2Q 2018

- **Exploration and Production** – The increase in earnings primarily reflects higher realized crude oil selling prices and higher production volumes, partially offset by higher depreciation, depletion and amortization expense.
- **Midstream** – No significant changes.
- **Corporate and Other** – No significant changes.
- **Interest** – No significant changes.

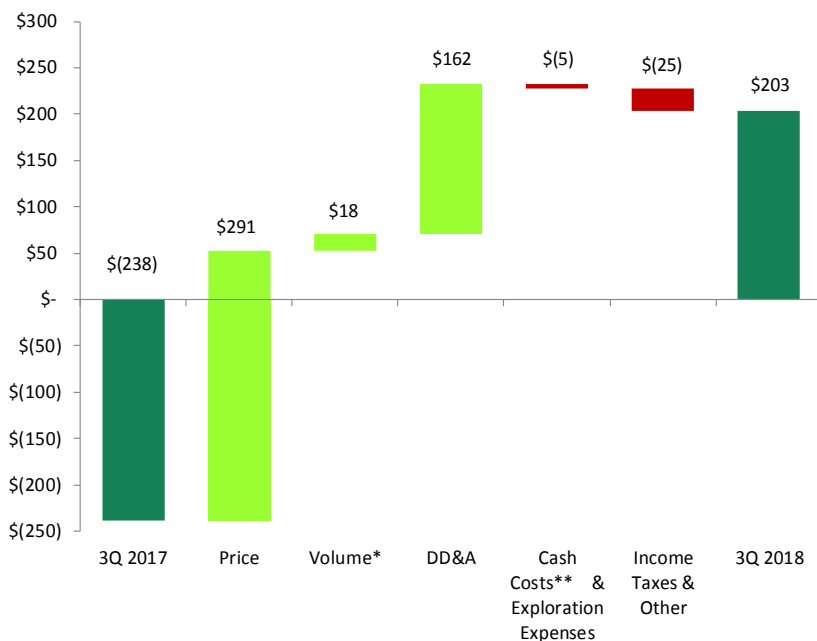


# Exploration and Production – Adjusted Net Income (Loss)

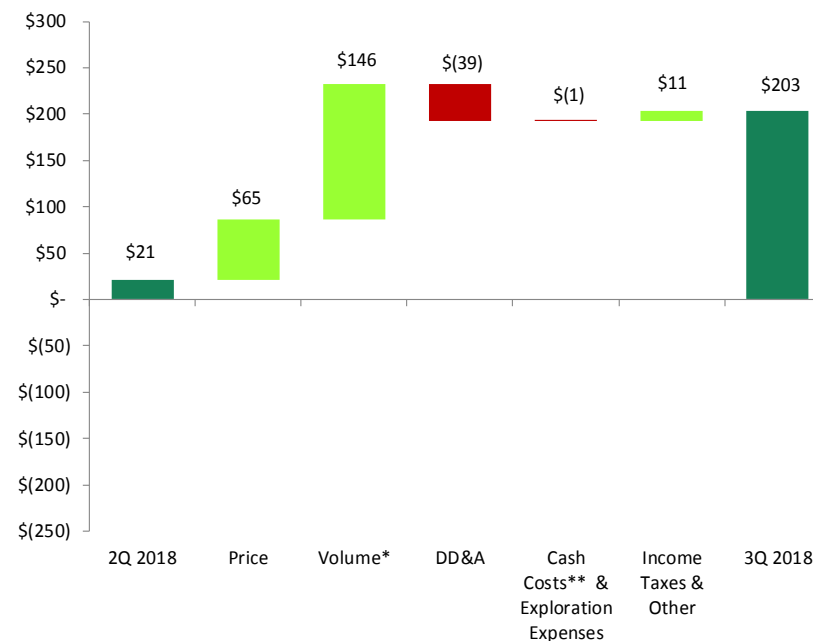


\$ In Millions

**3Q 2018 vs. 3Q 2017**



**3Q 2018 vs. 2Q 2018**



	3Q 2018	3Q 2017	Incr. / (Decr.)
United States	\$ 159	\$ (249)	\$ 408
International	44	11	33
Total	<u>\$ 203</u>	<u>\$ (238)</u>	<u>\$ 441</u>

	3Q 2018	2Q 2018	Incr. / (Decr.)
United States	\$ 159	\$ (19)	\$ 178
International	44	40	4
Total	<u>\$ 203</u>	<u>\$ 21</u>	<u>\$ 182</u>

\* Includes associated Marketing, including purchased oil and gas. For the 3Q 2018 vs 3Q 2017 comparison, the change in mix of sales volumes, primarily due to asset sales, resulted in an increase in after-tax results.

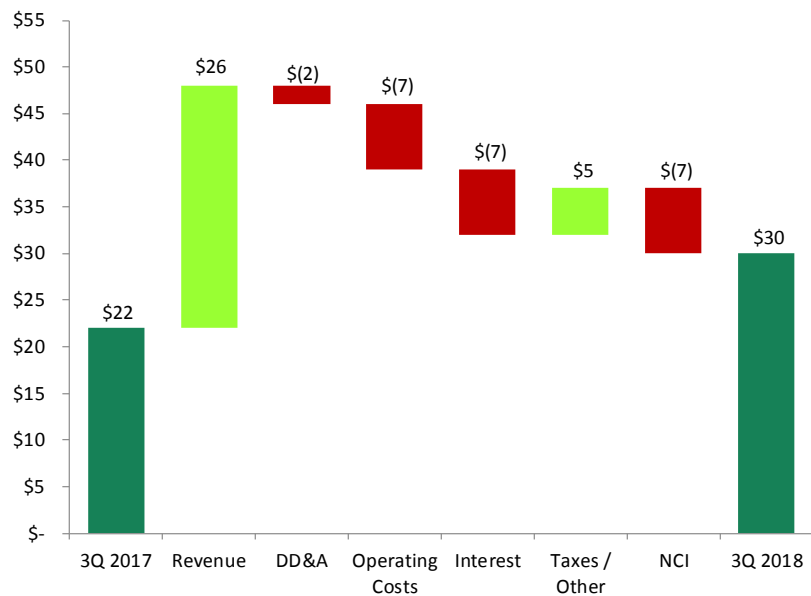
\*\* Cash costs include Operating costs and expenses, Production and severance taxes, E&P general and administrative expenses.

# Midstream – Adjusted Net Income

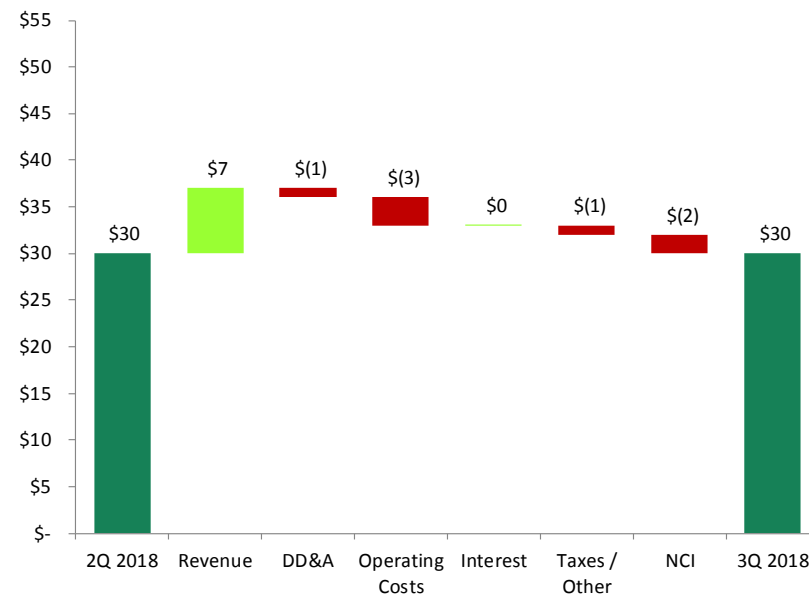


\$ In Millions

**3Q 2018 vs. 3Q 2017**



**3Q 2018 vs. 2Q 2018**

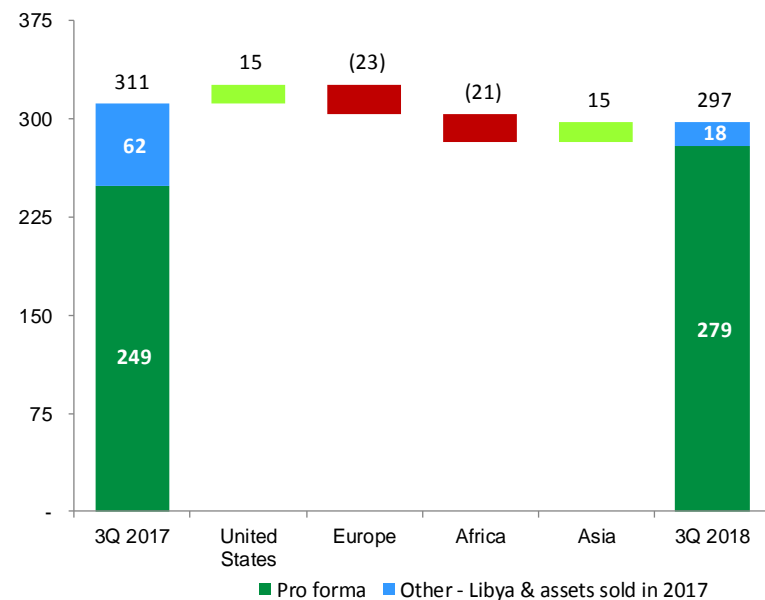


# Worldwide Oil & Gas Production

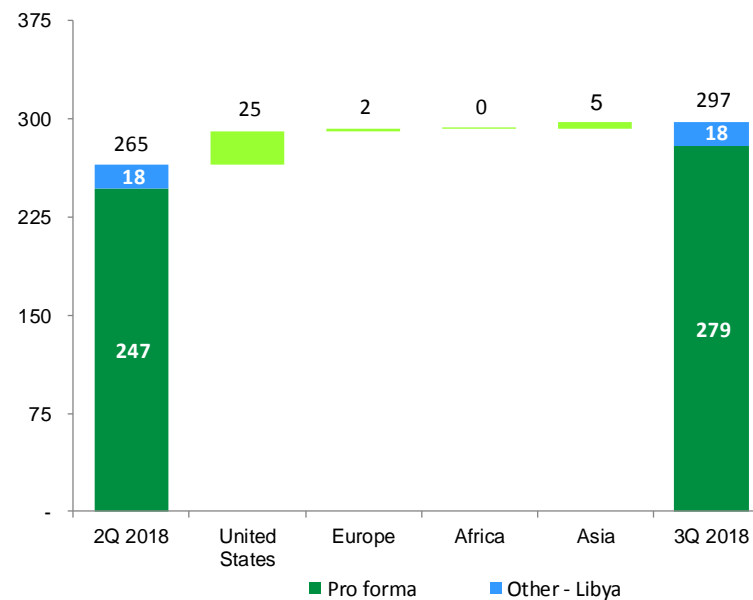


In MBOEPD

**3Q 2018 vs. 3Q 2017**



**3Q 2018 vs. 2Q 2018**



	3Q 2018	3Q 2017	Incr. / (Decr.)
<b>United States</b>			
Bakken	118	103	15
Other Onshore	14	26	(12)
Total Onshore	132	129	3
Offshore	71	59	12
<b>Total United States</b>	<u>203</u>	<u>188</u>	<u>15</u>
<b>Europe</b>	8	31	(23)
<b>Africa</b>	18	39	(21)
<b>Asia</b>	68	53	15
<b>Total</b>	<u>297</u>	<u>311</u>	<u>(14)</u>

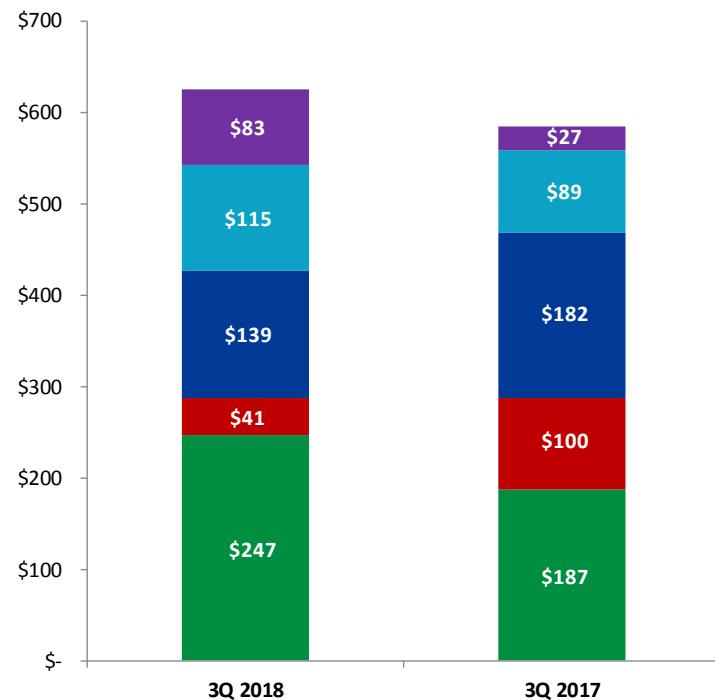
	3Q 2018	2Q 2018	Incr. / (Decr.)
<b>United States</b>			
Bakken	118	114	4
Other Onshore	14	17	(3)
Total Onshore	132	131	1
Offshore	71	47	24
<b>Total United States</b>	<u>203</u>	<u>178</u>	<u>25</u>
<b>Europe</b>	8	6	2
<b>Africa</b>	18	18	-
<b>Asia</b>	68	63	5
<b>Total</b>	<u>297</u>	<u>265</u>	<u>32</u>

# Capital and Exploratory Expenditures



\$ In Millions

## 3Q 2018 vs. 3Q 2017



■ Midstream   
 ■ Exploration   
 ■ Development  
■ Production   
 ■ Unconventionals

### E&P Capital and Exploratory Expenditures

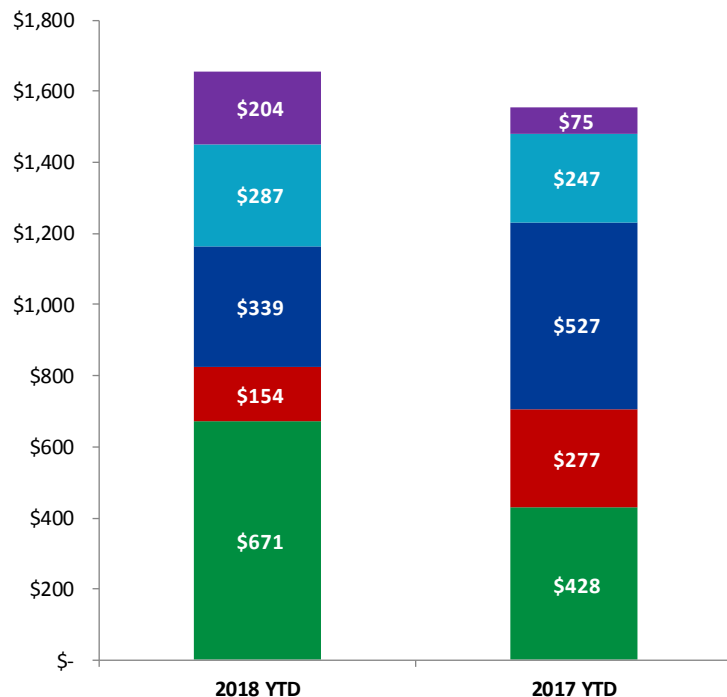
	Three Months Ended September 30,	
	2018	2017
United States		
Bakken	\$ 245	\$ 186
Other Onshore	6	8
Total Onshore	251	194
Offshore	88	191
Total United States	339	385
South America	136	55
Europe	1	34
Asia and Other	66	84
E&P Capital and Exploratory Expenditures	<u>\$ 542</u>	<u>\$ 558</u>
Total exploration expenses charged to income included above	<u>\$ 42</u>	<u>\$ 32</u>
Midstream Capital Expenditures	<u>\$ 83</u>	<u>\$ 27</u>

# Capital and Exploratory Expenditures (Cont'd)



\$ In Millions

## 3Q 2018 YTD vs. 3Q 2017 YTD



■ Midstream   
 ■ Exploration   
 ■ Development  
■ Production   
 ■ Unconventionals

### E&P Capital and Exploratory Expenditures

#### United States

Bakken  
 Other Onshore  
 Total Onshore  
 Offshore  
 Total United States

South America  
 Europe  
 Asia and Other

### E&P Capital and Exploratory Expenditures

Total exploration expenses charged to income included above

### Midstream Capital Expenditures

	Nine Months Ended September 30,	
	2018	2017
E&P Capital and Exploratory Expenditures		
United States		
Bakken	\$ 653	\$ 424
Other Onshore	41	25
Total Onshore	<u>694</u>	<u>449</u>
Offshore	263	540
Total United States	<u>957</u>	<u>989</u>
South America	284	161
Europe	6	91
Asia and Other	204	238
E&P Capital and Exploratory Expenditures	<u>\$ 1,451</u>	<u>\$ 1,479</u>
Total exploration expenses charged to income included above	<u>\$ 111</u>	<u>\$ 128</u>
Midstream Capital Expenditures	<u>\$ 204</u>	<u>\$ 75</u>



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# FINANCIAL INFORMATION

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# Consolidating Income Statement – 3Q 2018



\$ In Millions, Except Unit Costs Data

	Three Months Ended September 30, 2018				
	Exploration & Production	Midstream	Corporate, Interest & Other	Eliminations	Consolidated Total
	A	B	C	D	A + B + C + D
<b>Revenue and Non-Operating Income</b>					
Sales and other operating revenues	\$ 1,793	\$ 184	\$ -	\$ (184)	\$ 1,793
Gains (losses) on asset sales, net	-	-	-	-	-
Other, net	12	2	7	-	21
Total revenues and non-operating income	1,805	186	7	(184)	1,814
<b>Costs and Expenses</b>					
Marketing, including purchased oil and gas	506	-	-	(15)	491
Operating costs and expenses	215	51	-	-	266
Production and severance taxes	47	-	-	-	47
Midstream tariffs	169	-	-	(169)	-
Exploration expenses, including dry holes and lease impairment	75	-	-	-	75
General and administrative expenses	49	3	34	-	86
Interest expense	-	15	84	-	99
Depreciation, depletion and amortization	441	32	-	-	473
Total costs and expenses	1,502	101	118	(184)	1,537
Adjusted Income (Loss) Before Income Taxes	303	85	(111)	-	277
Provision (benefit) for income taxes	100	10	(1)	-	109
Adjusted Net Income (Loss)	203	75	(110)	-	168
Less: Net income (loss) attributable to noncontrolling interests	-	45	-	-	45
<b>Adjusted Net Income (Loss) Attributable to Hess Corporation<sup>(1)</sup></b>	<b>\$ 203</b>	<b>\$ 30</b>	<b>\$ (110)</b>	<b>\$ -</b>	<b>\$ 123</b>
<b>Items affecting comparability of earnings (after tax)<sup>(1)</sup></b>	<b>(59)</b>	<b>-</b>	<b>(12)</b>	<b>-</b>	<b>(71)</b>
<b>Net Income (Loss) Attributable to Hess Corporation<sup>(1)</sup></b>	<b>\$ 144</b>	<b>\$ 30</b>	<b>\$ (122)</b>	<b>\$ -</b>	<b>\$ 52</b>
<b>Exploration &amp; Production Unit Costs (\$/boe)<sup>(2)</sup></b>					
Cash Costs <sup>(3)</sup>	\$ 11.41				
DD&A Costs	16.14				
Production Costs	\$ 27.55				
Production Volumes (mmboe) <sup>(4)</sup>	27.3				
<b>Midstream</b>					
EBITDA <sup>(5)</sup>	\$ 130				

(1) - See footnote on page 3 regarding non-GAAP financial measures.

(2) - Unit costs exclude items affecting comparability of earnings.

(3) - Cash costs include Operating costs and expenses, Production and severance taxes, and General and administrative expenses.

(4) - mmboe represents millions of barrels of oil equivalent.

(5) - EBITDA is calculated as net income before income taxes plus interest expense and depreciation, depletion and amortization. Excludes items affecting comparability of earnings, and other, net.

# Consolidating Income Statement – 3Q 2017



\$ In Millions, Except Unit Costs Data

	Three Months Ended September 30, 2017				
	Exploration & Production	Midstream	Corporate, Interest & Other	Eliminations	Consolidated Total
	A	B	C	D	A + B + C + D
<b>Revenue and Non-Operating Income</b>					
Sales and other operating revenues	\$ 1,347	\$ 154	\$ -	\$ (153)	\$ 1,348
Gains (losses) on asset sales, net	-	-	1	-	1
Other, net	18	-	4	-	22
Total revenues and non-operating income	1,365	154	5	(153)	1,371
<b>Costs and Expenses</b>					
Marketing, including purchased oil and gas	351	-	-	(13)	338
Operating costs and expenses	311	42	-	-	353
Production and severance taxes	27	-	-	-	27
Midstream tariffs	140	-	-	(140)	-
Exploration expenses, including dry holes and lease impairment	41	-	-	-	41
General and administrative expenses	56	3	41	-	100
Interest expense	-	7	72	-	79
Depreciation, depletion and amortization	709	29	2	-	740
Total costs and expenses	1,635	81	115	(153)	1,678
Adjusted Income (Loss) Before Income Taxes	(270)	73	(110)	-	(307)
Provision (benefit) for income taxes	(32)	13	(2)	-	(21)
Adjusted Net Income (Loss)	(238)	60	(108)	-	(286)
Less: Net income (loss) attributable to noncontrolling interests	-	38	-	-	38
<b>Adjusted Net Income (Loss) Attributable to Hess Corporation<sup>(1)</sup></b>	<b>\$ (238)</b>	<b>\$ 22</b>	<b>\$ (108)</b>	<b>\$ -</b>	<b>\$ (324)</b>
<b>Items affecting comparability of earnings (after tax)<sup>(1)</sup></b>	<b>(236)</b>	<b>(34)</b>	<b>(30)</b>	<b>-</b>	<b>(300)</b>
<b>Net Income (Loss) Attributable to Hess Corporation<sup>(1)</sup></b>	<b>\$ (474)</b>	<b>\$ (12)</b>	<b>\$ (138)</b>	<b>\$ -</b>	<b>\$ (624)</b>
<b>Exploration &amp; Production Unit Costs (\$/boe)<sup>(2)</sup></b>					
Cash Costs <sup>(3)</sup>	\$ 13.77				
DD&A Costs	24.79				
Production Costs	<u>38.56</u>				
Production Volumes (mmboe) <sup>(4)</sup>	28.6				
<b>Midstream</b>					
EBITDA <sup>(5)</sup>	\$ 109				

(1) - See footnote on page 3 regarding non-GAAP financial measures.

(2) - Unit costs exclude items affecting comparability of earnings.

(3) - Cash costs include Operating costs and expenses, Production and severance taxes, and General and administrative expenses.

(4) - mmboe represents millions of barrels of oil equivalent.

(5) - EBITDA is calculated as net income before income taxes plus interest expense and depreciation, depletion and amortization. Excludes items affecting comparability of earnings.



# Consolidating Income Statement – 3Q 2018 YTD



\$ In Millions, Except Unit Costs Data

	Nine Months Ended September 30, 2018				
	Exploration & Production	Midstream	Corporate, Interest & Other	Eliminations	Consolidated Total
	A	B	C	D	A + B + C + D
<b>Revenue and Non-Operating Income</b>					
Sales and other operating revenues	\$ 4,673	\$ 527	\$ -	\$ (527)	\$ 4,673
Gains (losses) on asset sales, net	3	-	5	-	8
Other, net	36	5	38	-	79
Total revenues and non-operating income	4,712	532	43	(527)	4,760
<b>Costs and Expenses</b>					
Marketing, including purchased oil and gas	1,343	-	-	(44)	1,299
Operating costs and expenses	684	139	-	-	823
Production and severance taxes	128	-	-	-	128
Midstream tariffs	483	-	-	(483)	-
Exploration expenses, including dry holes and lease impairment	174	-	-	-	174
General and administrative expenses	131	9	112	-	252
Interest expense	-	45	255	-	300
Depreciation, depletion and amortization	1,233	94	7	-	1,334
Total costs and expenses	4,176	287	374	(527)	4,310
Adjusted Income (Loss) Before Income Taxes	536	245	(331)	-	450
Provision (benefit) for income taxes	300	28	(2)	-	326
Adjusted Net Income (Loss)	236	217	(329)	-	124
Less: Net income (loss) attributable to noncontrolling interests	-	129	-	-	129
<b>Adjusted Net Income (Loss) Attributable to Hess Corporation<sup>(1)</sup></b>	<b>\$ 236</b>	<b>\$ 88</b>	<b>\$ (329)</b>	<b>\$ -</b>	<b>\$ (5)</b>
<b>Items affecting comparability of earnings (after tax)<sup>(1)</sup></b>	<b>(86)</b>	<b>-</b>	<b>(93)</b>	<b>-</b>	<b>(179)</b>
<b>Net Income (Loss) Attributable to Hess Corporation<sup>(1)</sup></b>	<b>\$ 150</b>	<b>\$ 88</b>	<b>\$ (422)</b>	<b>\$ -</b>	<b>\$ (184)</b>
<b>Exploration &amp; Production Unit Costs (\$/boe)<sup>(2)</sup></b>					
Cash Costs <sup>(3)</sup>	\$ 12.68				
DD&A Costs	16.57				
Production Costs	\$ 29.25				
Production Volumes (mmboe) <sup>(4)</sup>	74.4				
<b>Midstream</b>					
EBITDA <sup>(5)</sup>	\$ 379				

(1) - See footnote on page 3 regarding non-GAAP financial measures.

(2) - Unit costs exclude items affecting comparability of earnings.

(3) - Cash costs include Operating costs and expenses, Production and severance taxes, and General and administrative expenses.

(4) - mmboe represents millions of barrels of oil equivalent.

(5) - EBITDA is calculated as net income before income taxes plus interest expense and depreciation, depletion and amortization. Excludes items affecting comparability of earnings, and other, net.

# Consolidating Income Statement – 3Q 2017 YTD



\$ In Millions, Except Unit Costs Data

	Nine Months Ended September 30, 2017				
	Exploration & Production	Midstream	Corporate, Interest & Other	Eliminations	Consolidated Total
	A	B	C	D	A + B + C + D
<b>Revenue and Non-Operating Income</b>					
Sales and other operating revenues	\$ 3,797	\$ 460	\$ -	\$ (454)	\$ 3,803
Gains (losses) on asset sales, net	-	-	3	-	3
Other, net	17	-	4	-	21
Total revenues and non-operating income	3,814	460	7	(454)	3,827
<b>Costs and Expenses</b>					
Marketing, including purchased oil and gas	846	-	-	(55)	791
Operating costs and expenses	935	150	-	-	1,085
Production and severance taxes	88	-	-	-	88
Midstream tariffs	399	-	-	(399)	-
Exploration expenses, including dry holes and lease impairment	151	-	-	-	151
General and administrative expenses	166	11	113	-	290
Interest expense	-	18	227	-	245
Depreciation, depletion and amortization	2,120	93	5	-	2,218
Total costs and expenses	4,705	272	345	(454)	4,868
Adjusted Income (Loss) Before Income Taxes	(891)	188	(338)	-	(1,041)
Provision (benefit) for income taxes	(66)	34	(10)	-	(42)
Adjusted Net Income (Loss)	(825)	154	(328)	-	(999)
Less: Net income (loss) attributable to noncontrolling interests	-	98	-	-	98
<b>Adjusted Net Income (Loss) Attributable to Hess Corporation<sup>(1)</sup></b>	<b>\$ (825)</b>	<b>\$ 56</b>	<b>\$ (328)</b>	<b>\$ -</b>	<b>\$ (1,097)</b>
<b>Items affecting comparability of earnings (after tax)<sup>(1)</sup></b>	<b>(236)</b>	<b>(34)</b>	<b>(30)</b>	<b>-</b>	<b>(300)</b>
<b>Net Income (Loss) Attributable to Hess Corporation<sup>(1)</sup></b>	<b>\$ (1,061)</b>	<b>\$ 22</b>	<b>\$ (358)</b>	<b>\$ -</b>	<b>\$ (1,397)</b>
<b>Exploration &amp; Production Unit Costs (\$/boe)<sup>(2)</sup></b>					
Cash Costs <sup>(3)</sup>	\$ 14.17				
DD&A Costs	25.26				
Production Costs	39.43				
Production Volumes (mmboe) <sup>(4)</sup>	83.9				
<b>Midstream</b>					
EBITDA <sup>(5)</sup>	\$ 299				

(1) - See footnote on page 3 regarding non-GAAP financial measures.

(2) - Unit costs exclude items affecting comparability of earnings.

(3) - Cash costs include Operating costs and expenses, Production and severance taxes, and General and administrative expenses.

(4) - mmboe represents millions of barrels of oil equivalent.

(5) - EBITDA is calculated as net income before income taxes plus interest expense and depreciation, depletion and amortization. Excludes items affecting comparability of earnings.



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## OTHER INFORMATION

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# 2018 Guidance to Investors



	GUIDANCE <sup>(1)</sup>		ACTUAL		
	Full Year	4Q	3Q	2Q	1Q
<b><u>Production - Thousand Barrels of Oil Equivalent Per Day (MBOEPD)</u></b>					
Total - excluding Libya	~255	~265	279	247	233
Bakken	115 - 120	~125	118	114	111
<b><u>Unit Cost - \$ Per Barrel of Oil Equivalent (\$/BOE)</u></b>					
Cash Costs	\$12.50 - \$13.50	\$12.50 - \$13.50	\$11.41	\$13.37	\$13.46
DD&A	\$17.00 - \$18.00	\$18.00 - \$19.00	\$16.14	\$16.85	\$16.77
Total Production Costs	\$29.50 - \$31.50	\$30.50 - \$32.50	\$27.55	\$30.22	\$30.23
<b>Exploration Expenses, Excluding Dry Hole Costs (\$ Millions)</b>	\$190 - \$200	\$55 - \$65	\$50	\$49	\$37
<b>Midstream Tariff (\$ Millions)</b>	~\$655	~\$170	\$169	\$163	\$151
<b>Exploration and Production Effective Tax Rate Benefit, excluding Libya<sup>(2)</sup></b>	7% - 11%	0% - 4%	5%	NM	NM
<b>Exploration and Production Capital and Exploratory Expenditures (\$ Millions)</b>	~\$2,100	~\$675	\$542	\$525	\$384
<b>Noncash Crude Oil Hedging Premium Amortization (\$ Millions)</b>	~\$175	~\$50	\$49	\$44	\$31
<b><u>Other (\$ Millions)</u></b>					
Corporate Expenses	\$100 - \$105	\$25 - \$30	\$26	\$24	\$24
Interest Expenses	~\$340	~\$85	\$84	\$83	\$88
<b>Midstream Net Income Attributable to Hess Corporation</b>	~\$115	~\$30	\$30	\$30	\$28

(1) All guidance excludes "items affecting comparability".

(2) The Corporation does not recognize deferred taxes in the United States, Denmark (hydrocarbon tax only), Malaysia & Guyana, which causes a lower effective tax rate. The income tax benefit is insignificant for the first and second quarters of 2018, thus it is not meaningful.

# Bakken: Unlocking Midstream Value



- **\$2.85 B cash proceeds from midstream JV formation and IPO**

- Value accretive JV and HESM IPO
- Achieved premium valuation of >16x EBITDA<sup>1</sup>

**\$2.85 B**

- Cash proceeds received to date for HESM IPO and HIP joint venture transactions

- **Significant retained Midstream value<sup>2</sup>**

- Visible market valuation at significant EBITDA multiple uplift
- Expect this value to continue to grow with our Midstream business

**~16-18x**

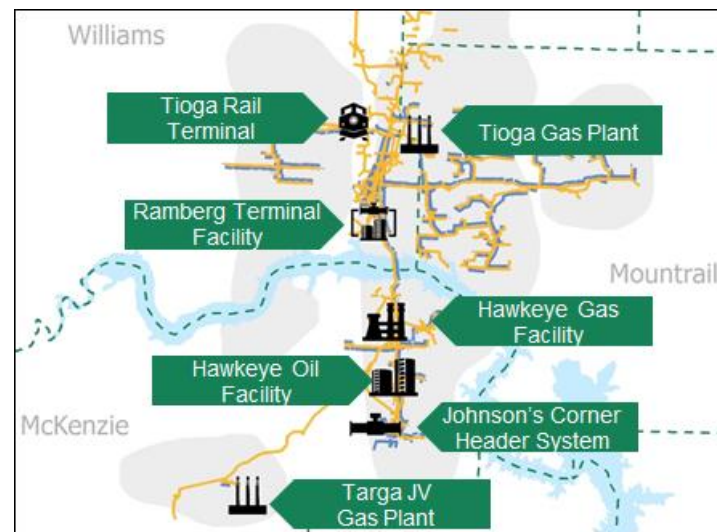
- Implied EBITDA multiple from cash proceeds received in HESM and HIP transactions<sup>1</sup>

**>\$2 B**

- Combined equity value of HESM LP units and retained EBITDA (excluding GP interest)<sup>2</sup>

- **Continued value creation**

- Accelerating cash flows through HIP independent capital structure
- Additional Hess assets available for potential sale to HIP / HESM



**Leading Bakken infrastructure JV and MLP creates low cost of capital funding vehicle for Hess**

1) Represents aggregate Enterprise Value implied at announcement of the Hess Infrastructure Partners joint venture as well as Enterprise Value implied at pricing of the HESM IPO, divided by estimated forward EBITDA at the time of each announcement, respectively. 2) Based on HESM market cap on 09/28/18 and reflects (i) market value of Hess ownership of HESM LP common units (~35%), and (ii) implied value of Hess ownership of HIP (50%), which retained 80% economic interest in joint interest assets post-IPO, net of HIP debt.

## 3Q 2018: Net Hess Cash Outflow



<u>Bakken Net Production</u>	<u>Q3 2018</u>		
Bakken Net Production (MBOEPD)	118		
Bakken Net Production (MMBOE)	10.9		
<u>Midstream Tariffs on Hess Net Production</u>	<u>\$ Millions</u>	<u>\$/BOE</u>	<u>Description:</u>
Midstream Segment Revenue <sup>(1)</sup>	184		(Source: HES Supplemental Earnings Information)
Less: MVCs	(11)		MVC shortfall fees not part of long term production costs as production expected to grow beyond MVC levels (Source: HESM Earnings Release)
Less: Revenue to Wholly-owned Hess Assets <sup>(2)</sup>	(14)		Midstream 100% consolidated revenues such as Bakken Water Mgmt. (Source: HES / HESM Earnings Release)
Less: Third Party Rail Transportation	(4)		Third party rail transportation costs included in realized price netback (Source: HESM 10Q)
Less: Revenue Recovery from Partners and 3rd parties	(59)		Tariffs recovered from 3 <sup>rd</sup> Party shippers and Royalty/Working Interest owners of Hess-operated acreage
Total Tariffs related to Hess Net Production	96	<b>8.84</b>	Share of tariff payments attributable to Hess net production
Less: Hess-owned share of Hess tariff payments	(45)		Revenue attributable to Hess ~47% ownership of HESM (~35%) and HIP (50%) that remains within Hess; does not affect Bakken well economics <sup>(3)</sup>
Net Hess cash outflow for tariffs	51	<b>4.70</b>	Net outflow of tariff payments attributable to Hess net production
Memo: HESM consolidated cash operating expense	42		HESM consolidated operating expenses funded by HIP and HESM cashflows and capital structure (Source: HESM Earnings Release)

- Tariff structure has generated \$2.85B cash proceeds<sup>4</sup> and facilitated cash distributions to Hess
- Net Hess cash outflow for tariffs of \$51mm or \$4.70/BOE in Q3 2018
  - Comparable to \$42mm cash operating expense as reported in HESM consolidated financial statements
  - Tariff structure transfers ongoing midstream capital expenditure to HESM/HIP

**▪ \$2.85 B cash proceeds with cash outflow comparable to midstream operating expense**

1) Reflects "Sales and other operating revenues" for the Midstream segment for the quarter ended 9/30/18. 2) Revenue at Hess Midstream Segment less HESM Consolidated Revenue. 3) Reflects Hess ownership of i) ~35% of HESM LP units and ii) 50% of HIP's retained 80% economic interest in joint interest assets post-IPO. 4) Cash proceeds received to date for HESM IPO and HIP joint venture transactions.



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# BAKKEN OPERATIONAL DATA

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# Bakken Production - 2018



## Net Production by Product

		2018				
		YTD Avg	4Q	3Q	2Q	1Q
Oil	MBBLPD	73		76	72	72
NGL	MBBLPD	29		30	31	28
Gas	MMCFPD	69		72	68	66
Total	MBOEPD <sup>(1)</sup>	114		118	114	111

## Net Production by Operatorship

		2018				
		YTD Avg	4Q	3Q	2Q	1Q
Operated	MBOEPD	102		105	102	100
Outside Operated	MBOEPD	12		13	12	11
Total	MBOEPD	114		118	114	111
% Outside Operated		11%		11%	11%	10%

<sup>(1)</sup> Includes natural gas production converted on the basis of relative energy content (six mcf equals one barrel of oil equivalent).



# Bakken Production - 2017



## Net Production by Product

		2017				
		YTD Avg	4Q	3Q	2Q	1Q
Oil	MBBLPD	67	69	63	68	67
NGL	MBBLPD	28	30	29	29	23
Gas	MMCFPD	62	66	63	66	53
Total	MBOEPD <sup>(1)</sup>	105	110	103	108	99

## Net Production by Operatorship

		2017				
		YTD Avg	4Q	3Q	2Q	1Q
Operated	MBOEPD	96	99	95	100	91
Outside Operated	MBOEPD	9	11	8	8	8
Total	MBOEPD	105	110	103	108	99
% Outside Operated		9%	10%	8%	7%	8%

<sup>(1)</sup> Includes natural gas production converted on the basis of relative energy content (six mcf equals one barrel of oil equivalent).

# Bakken Operational Well Statistics - 2018



## Hess Operated Wells

		2018				
		YTD Avg	4Q	3Q	2Q	1Q
<b>Rig Count</b>						
Drilling	No. Rigs	4		5	4	4
Drilling Days	Spud-to-Spud	15		15	14	15
		2018				
		YTD	4Q	3Q	2Q	1Q
<b>No. of Wells</b>						
Drilled	by Qtr	85		34	28	23
Completion	by Qtr	84		37	24	23
On Production	by Qtr	69		29	27	13
On Production - Other	by Qtr <sup>(1)</sup>	(5)		(5)	—	—
On Production	Cum. to date	1,379		1,379	1,355	1,328

## Outside Operated Wells

		2018				
		YTD	4Q	3Q	2Q	1Q
<b>No. of Wells</b>						
On Production	by Qtr	47		12	27	8
On Production - Other	Cum. to date adj. <sup>(1)</sup>	20		20	—	—
On Production	Cum. to date	1,237		1,237	1,205	1,178

<sup>(1)</sup> Reflects changes arising from the impact of swaps, acquisitions, divestitures and other adjustments.

# Bakken Operational Well Statistics - 2017



## Hess Operated Wells

		2017				
		YTD Avg	4Q	3Q	2Q	1Q
<b>Rig Count</b>						
Drilling	No. Rigs	4	4	4	4	2
Drilling Days	Spud-to-Spud	15	15	16	15	15

		2017				
		YTD	4Q	3Q	2Q	1Q
<b>No. of Wells</b>						
Drilled	by Qtr	85	27	24	23	11
Completion	by Qtr	68	24	20	14	10
On Production	by Qtr	68	34	13	13	8
On Production - Other	by Qtr <sup>(1)</sup>	(25)	(7)	—	(18)	—
On Production	Cum. to date	1,315	1,315	1,288	1,275	1,280

## Outside Operated Wells

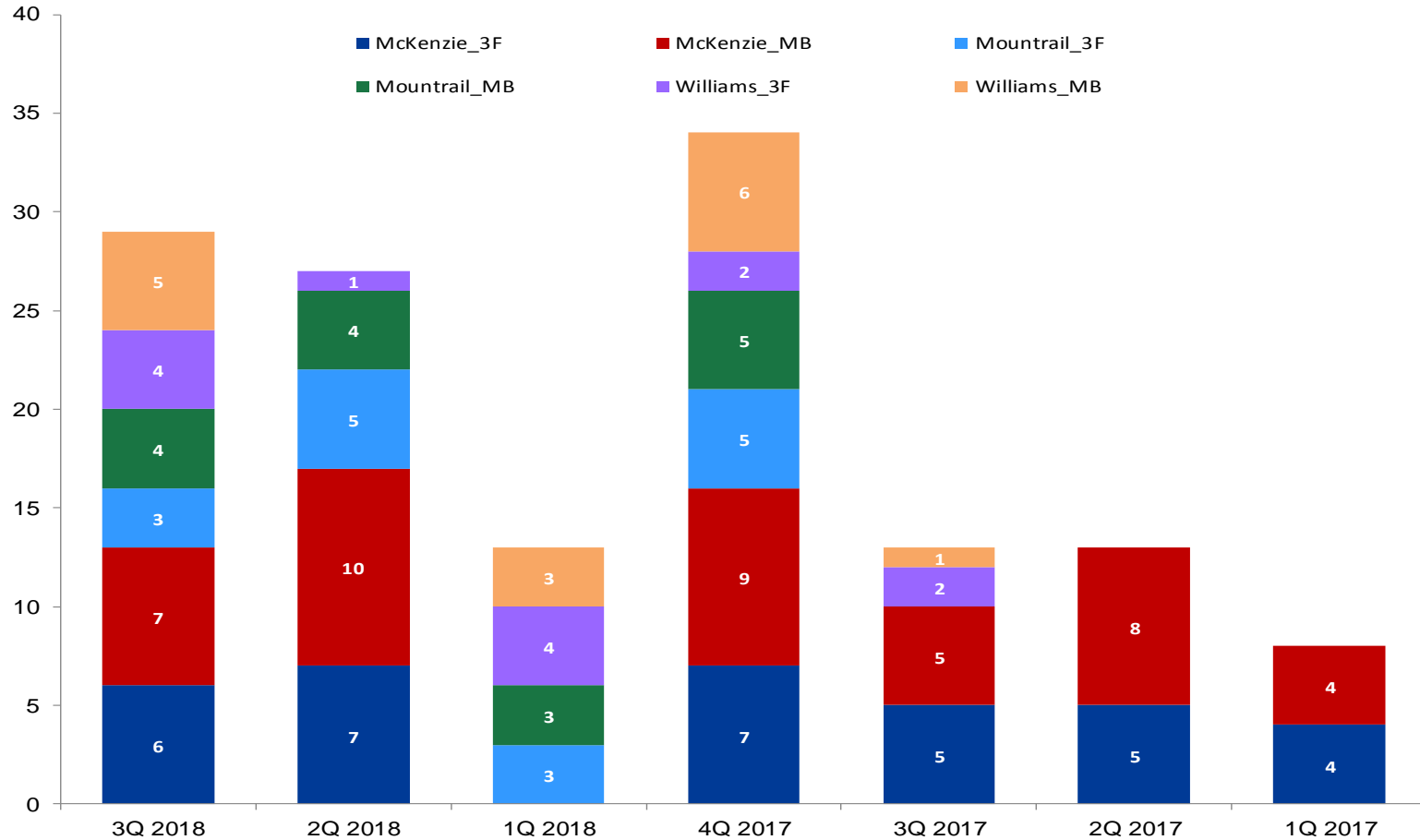
		2017				
		YTD	4Q	3Q	2Q	1Q
<b>No. of Wells</b>						
On Production	by Qtr	45	35	7	3	—
On Production - Other	Cum. to date adj. <sup>(1)</sup>	21	12	8	1	—
On Production	Cum. to date	1,170	1,170	1,123	1,108	1,104

<sup>(1)</sup> Reflects changes arising from the impact of swaps, acquisitions, divestitures and other adjustments.

# Hess Operated Bakken Wells Brought on Production by County and Formation



## Bakken Wells



<b>Middle Bakken</b>	16	14	6	20	6	8	4
<b>Three Forks</b>	13	13	7	14	7	5	4
<b>Total</b>	<b>29</b>	<b>27</b>	<b>13</b>	<b>34</b>	<b>13</b>	<b>13</b>	<b>8</b>

# Bakken Well Costs, Working Interest and Acreage - 2018



## Average Well Cost - Hess Operated

		2018				
		YTD Avg	4Q	3Q	2Q	1Q
Drilling	\$MM/Well	\$ 2.7		\$ 2.7	\$ 2.6	\$ 2.7
Completion	\$MM/Well	3.3		3.3	3.3	3.3
Total <sup>(1)</sup>	\$MM/Well	\$ 6.0		\$ 6.0	\$ 5.9	\$ 6.0

## Average Working Interest of New Wells Spud Each Quarter

		2018				
		YTD Avg	4Q	3Q	2Q	1Q
Hess Operated	%	84%		86%	79%	88%

## Net Acreage Position

		2018			
		4Q	3Q	2Q	1Q
Total Acreage	'000 acres		545	554	554

<sup>(1)</sup> Reflects average cost of high proppant completions and excludes cost of completion pilots.

# Bakken Well Costs, Working Interest and Acreage - 2017



## Average Well Cost - Hess Operated

		2017				
		YTD Avg	4Q	3Q	2Q	1Q
Drilling	\$MMWell	\$ 2.7	\$ 2.8	\$ 2.7	\$ 2.7	\$ 2.7
Completion	\$MMWell	2.9	3.2	3.1	1.8	1.8
Total <sup>(1)</sup>	\$MMWell	\$ 5.6	\$ 6.0	\$ 5.8	\$ 4.5	\$ 4.5

## Average Working Interest of New Wells Spud Each Quarter

		2017				
		YTD Avg	4Q	3Q	2Q	1Q
Hess Operated	%	79%	81%	74%	77%	83%

## Net Acreage Position

		2017			
		4Q	3Q	2Q	1Q
Total Acreage	'000 acres	554	554	556	556

<sup>(1)</sup> Q1-Q2 reflect average cost for standard design (50 stages/70k lbs of proppant per stage) and exclude cost of completion pilots. Q3 reflects average cost of standard design and completion pilots. Average cost of high proppant completions only is \$6.0MM/well. Q4 reflects average cost of high proppant completions and excludes cost of completion pilots.