

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, 2019*

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 every Interactive Data File required to be submitted 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 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"/>	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, 2019, there were 304,280,819 shares of Common Stock outstanding.

Securities registered or to be registered in pursuant to Section 12(b) of the Act:

<i>Title of each class</i>	<i>Trading Symbol</i>	<i>Name of exchange on which registered</i>
Common Stock	HES	New York Stock Exchange

**HESS CORPORATION**  
**Form 10-Q**  
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*Unless the context indicates otherwise, references to "Hess", the "Corporation", "Registrant", "we", "us", "our" and "its" refer to the consolidated business operations of Hess Corporation and its subsidiaries.*

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

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

	March 31, 2019	December 31, 2018
	(In millions, except share amounts)	
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,300	\$ 2,694
Accounts receivable:		
From contracts with customers	868	771
Joint venture and other	248	230
Inventories	274	245
Other current assets	144	519
<b>Total current assets</b>	<b>3,834</b>	<b>4,459</b>
Property, plant and equipment:		
Total — at cost	33,446	33,222
Less: Reserves for depreciation, depletion, amortization and lease impairment	17,548	17,139
<b>Property, plant and equipment — net</b>	<b>15,898</b>	<b>16,083</b>
Operating lease right-of-use assets — net	713	—
Finance lease right-of-use assets — net	332	—
Goodwill	360	360
Deferred income taxes	22	21
Other assets	557	510
<b>Total Assets</b>	<b>\$ 21,716</b>	<b>\$ 21,433</b>
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	\$ 399	\$ 495
Accrued liabilities	1,369	1,560
Taxes payable	89	81
Current maturities of long-term debt	12	67
Current portion of operating and finance lease obligations	402	—
<b>Total current liabilities</b>	<b>2,271</b>	<b>2,203</b>
Long-term debt	6,550	6,605
Long-term operating lease obligations	436	—
Long-term finance lease obligations	250	—
Deferred income taxes	420	421
Asset retirement obligations	745	741
Other liabilities and deferred credits	491	575
<b>Total Liabilities</b>	<b>11,163</b>	<b>10,545</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 — 0 shares</i>		
<i>(2018: 574,997)</i>	—	1
Common stock, par value \$1.00; Authorized — 600,000,000 shares		
<i>Issued — 304,280,819 shares (2018: 291,434,534)</i>	304	291
Capital in excess of par value	5,481	5,386
Retained earnings	4,207	4,257
Accumulated other comprehensive income (loss)	(650)	(306)
<b>Total Hess Corporation stockholders' equity</b>	<b>9,342</b>	<b>9,629</b>
Noncontrolling interests	1,211	1,259
<b>Total equity</b>	<b>10,553</b>	<b>10,888</b>
<b>Total Liabilities and Equity</b>	<b>\$ 21,716</b>	<b>\$ 21,433</b>

See accompanying Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2019	2018
(In millions, except per share amounts)		
<b>Revenues and Non-Operating Income</b>		
Sales and other operating revenues	\$ 1,572	\$ 1,346
Gains on asset sales, net	—	7
Other, net	27	37
Total revenues and non-operating income	<u>1,599</u>	<u>1,390</u>
<b>Costs and Expenses</b>		
Marketing, including purchased oil and gas	408	358
Operating costs and expenses	266	288
Production and severance taxes	39	39
Exploration expenses, including dry holes and lease impairment	34	40
General and administrative expenses	87	110
Interest expense	98	103
Loss on debt extinguishment	—	27
Depreciation, depletion and amortization	498	417
Total costs and expenses	<u>1,430</u>	<u>1,382</u>
<b>Income (Loss) Before Income Taxes</b>	169	8
Provision (benefit) for income taxes	94	73
<b>Net Income (Loss)</b>	75	(65)
Less: Net income (loss) attributable to noncontrolling interests	43	41
<b>Net Income (Loss) Attributable to Hess Corporation</b>	32	(106)
Less: Preferred stock dividends	4	11
<b>Net Income (Loss) Attributable to Hess Corporation Common Stockholders</b>	<u>\$ 28</u>	<u>\$ (117)</u>
<b>Net Income (Loss) Attributable to Hess Corporation Per Common Share:</b>		
Basic	\$ 0.09	\$ (0.38)
Diluted	\$ 0.09	\$ (0.38)
<b>Weighted Average Number of Common Shares Outstanding:</b>		
Basic	297.4	309.5
Diluted	299.7	309.5
<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,	
	2019	2018
	(In millions)	
<b>Net Income (Loss)</b>	\$ 75	\$ (65)
<b>Other Comprehensive Income (Loss):</b>		
<b>Derivatives designated as cash flow hedges</b>		
Effect of hedge (gains) losses reclassified to income	(15)	31
Income taxes on effect of hedge (gains) losses reclassified to income	—	—
Net effect of hedge (gains) losses reclassified to income	(15)	31
Change in fair value of cash flow hedges	(346)	(22)
Income taxes on change in fair value of cash flow hedges	—	—
Net change in fair value of cash flow hedges	(346)	(22)
<b>Change in derivatives designated as cash flow hedges, after taxes</b>	<b>(361)</b>	<b>9</b>
<b>Pension and other postretirement plans</b>		
(Increase) reduction in unrecognized actuarial losses	6	125
Income taxes on actuarial changes in plan liabilities	—	(30)
(Increase) reduction in unrecognized actuarial losses, net	6	95
Amortization of net actuarial losses	11	12
Income taxes on amortization of net actuarial losses	—	—
Net effect of amortization of net actuarial losses	11	12
<b>Change in pension and other postretirement plans, after taxes</b>	<b>17</b>	<b>107</b>
<b>Other Comprehensive Income (Loss)</b>	<b>(344)</b>	<b>116</b>
<b>Comprehensive Income (Loss)</b>	<b>(269)</b>	<b>51</b>
Less: Comprehensive income (loss) attributable to noncontrolling interests	43	41
<b>Comprehensive Income (Loss) Attributable to Hess Corporation</b>	<b>\$ (312)</b>	<b>\$ 10</b>

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,	
	2019	2018
	(In millions)	
<b>Cash Flows From Operating Activities</b>		
Net income (loss)	\$ 75	\$ (65)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Gains on asset sales, net	—	(7)
Depreciation, depletion and amortization	498	417
Exploration lease and other impairment	7	10
Stock compensation expense	27	13
Noncash (gains) losses on commodity derivatives, net	29	38
Provision (benefit) for deferred income taxes and other tax accruals	(1)	(36)
Loss on debt extinguishment	—	27
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(117)	(11)
(Increase) decrease in inventories	(29)	(7)
Increase (decrease) in accounts payable and accrued liabilities	(204)	(135)
Increase (decrease) in taxes payable	8	(1)
Changes in other operating assets and liabilities	(55)	(33)
Net cash provided by (used in) operating activities	<u>238</u>	<u>210</u>
<b>Cash Flows From Investing Activities</b>		
Additions to property, plant and equipment - E&P	(521)	(363)
Additions to property, plant and equipment - Midstream	(150)	(37)
Payments for Midstream equity investments	(7)	(24)
Proceeds from asset sales, net of cash sold	—	6
Other, net	(2)	(4)
Net cash provided by (used in) investing activities	<u>(680)</u>	<u>(422)</u>
<b>Cash Flows From Financing Activities</b>		
Net borrowings (repayments) of debt with maturities of 90 days or less	199	—
Debt with maturities of greater than 90 days:		
Repayments	(3)	(434)
Payments on finance lease obligations	(23)	—
Common stock acquired and retired	(25)	(371)
Cash dividends paid	(88)	(89)
Noncontrolling interests, net	(13)	(12)
Other, net	1	(3)
Net cash provided by (used in) financing activities	<u>48</u>	<u>(909)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(394)	(1,121)
<b>Cash and Cash Equivalents at Beginning of Year</b>	2,694	4,847
<b>Cash and Cash Equivalents at End of Period</b>	<u>\$ 2,300</u>	<u>\$ 3,726</u>

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, 2019</b>	\$ 1	\$ 291	\$ 5,386	\$ 4,257	\$ (306)	\$ 9,629	\$ 1,259	\$ 10,888
Net income (loss)	—	—	—	32	—	32	43	75
Other comprehensive income (loss)	—	—	—	—	(344)	(344)	—	(344)
Preferred stock conversion	(1)	12	(11)	—	—	—	—	—
Share-based compensation activity	—	1	28	—	—	29	—	29
Dividends on preferred stock	—	—	—	(4)	—	(4)	—	(4)
Dividends on common stock	—	—	—	(78)	—	(78)	—	(78)
Sale of water business to Hess Infrastructure Partners	—	—	78	—	—	78	(78)	—
Noncontrolling interests, net	—	—	—	—	—	—	(13)	(13)
<b>Balance at March 31, 2019</b>	<u>\$ —</u>	<u>\$ 304</u>	<u>\$ 5,481</u>	<u>\$ 4,207</u>	<u>\$ (650)</u>	<u>\$ 9,342</u>	<u>\$ 1,211</u>	<u>\$ 10,553</u>
<b>Balance at January 1, 2018</b>	\$ 1	\$ 315	\$ 5,824	\$ 5,597	\$ (686)	\$ 11,051	\$ 1,303	\$ 12,354
Cumulative effect of adoption of new accounting standards	—	—	—	1	(1)	—	—	—
Net income (loss)	—	—	—	(106)	—	(106)	41	(65)
Other comprehensive income (loss)	—	—	—	—	116	116	—	116
Share-based compensation activity	—	1	12	—	—	13	—	13
Dividends on preferred stock	—	—	—	(11)	—	(11)	—	(11)
Dividends on common stock	—	—	—	(78)	—	(78)	—	(78)
Common stock acquired and retired	—	(8)	(135)	(237)	—	(380)	—	(380)
Noncontrolling interests, net	—	—	—	—	—	—	(12)	(12)
<b>Balance at March 31, 2018</b>	<u>\$ 1</u>	<u>\$ 308</u>	<u>\$ 5,701</u>	<u>\$ 5,166</u>	<u>\$ (571)</u>	<u>\$ 10,605</u>	<u>\$ 1,332</u>	<u>\$ 11,937</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, 2019 and December 31, 2018, the consolidated results of operations for the three months ended March 31, 2019 and 2018, and consolidated cash flows for the three months ended March 31, 2019 and 2018. 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, 2018.

On January 1, 2019, we adopted Accounting Standards Codification (ASC) Topic 842, *Leases*. ASC 842 supersedes ASC 840 and requires the recognition of right-of-use assets and lease obligations for all leases with lease terms greater than one year, including leases previously treated as operating leases under ASC 840. We adopted ASC 842 using the modified retrospective method which allows the standard to be applied prospectively. No cumulative effect adjustment was recorded to Retained Earnings at January 1, 2019, and comparative financial statements for periods prior to adoption of ASC 842 were not affected. We elected to apply a number of practical expedients permitted by the standard, including not needing to reassess: (i) whether existing contracts are (or contain) leases, (ii) whether the lease classification for existing leases would differ under ASC 842, (iii) whether initial direct costs incurred for existing leases are capitalizable under ASC 842, and (iv) land easements that were not previously accounted for as leases under ASC 840. We also elected to not recognize a lease liability or right-of-use asset for short-term leases as defined in ASC 842. This standard does not apply to leases acquired for oil and gas producing activities that are accounted for under ASC 932, *Extractive Activities – Oil and Gas*.

The adoption of ASC 842 did not have an impact on our *Statement of Consolidated Income* or *Statement of Consolidated Cash Flows*. The impact of adoption on our *Consolidated Balance Sheet* on January 1, 2019, was as follows:

	December 31, 2018	Adjustment for Finance Leases	Adjustment for Operating Leases	January 1, 2019
	(In Millions)			
<b>Assets</b>				
Property, plant and equipment — net	\$ 16,083	\$ (346)	\$ —	\$ 15,737
Operating lease right-of-use assets — net	—	—	804	804
Finance lease right-of-use assets — net	—	346	—	346
<b>Liabilities</b>				
Accrued liabilities	1,560	—	(2)	1,558
Current maturities of long-term debt	67	(55)	—	12
Current portion of operating and finance lease obligations	—	55	382	437
Long-term debt	6,605	(254)	—	6,351
Long-term operating lease obligations	—	—	516	516
Long-term finance lease obligations	—	254	—	254
Other liabilities and deferred credits	575	—	(92)	483

**New Accounting Pronouncements:** In June 2016, the FASB issued Accounting Standards Update (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. We expect to adopt this ASU in the first quarter of 2020 when the standard becomes effective. We continue to evaluate this ASU but do not believe it will have a material impact on our Consolidated Financial Statements.



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

**2. Leases**

We determine if an arrangement is an operating lease or a finance lease at inception by evaluating whether the contract conveys the right to control an identified asset during the period of use. Right-of use (ROU) assets represent our right to use an identified asset for the lease term and lease obligations represent our obligation to make payments as set forth in the lease arrangement. ROU assets and liabilities are recognized in the *Consolidated Balance Sheet* at the commencement date based on the present value of the minimum lease payments over the lease term. Where the implicit discount rate in a lease is not readily determinable, we use our incremental borrowing rate based on information available at the commencement date for determining the present value of the minimum lease payments. The lease term used in measurement of our lease obligations includes options to extend or terminate the lease when, in our judgment, it is reasonably certain that we will exercise that option. Variable lease payments that depend on an index or a rate are included in the measurement of lease obligations using the index or rate at the commencement date. Variable lease payments that vary because of changes in facts or circumstances after the commencement date of the lease are not included in the minimum lease payments used to measure lease obligations. We have agreements that include financial obligations for lease and nonlease components. For purposes of measuring lease obligations, we have elected not to separate nonlease components from lease components for the following classes of assets: drilling rigs, office space, offshore vessels, and aircraft. We apply a portfolio approach to account for operating lease ROU assets and liabilities for certain vehicles, railcars, field equipment and office equipment leases.

Finance lease cost is recognized as amortization of the ROU asset and interest expense on the lease liability. Operating lease cost is generally recognized on a straight-line basis. Operating lease costs for drilling rigs used to drill development wells and successful exploration wells are capitalized. Operating lease cost for other ROU assets used in oil and gas producing activities are either capitalized or expensed on a straight-line basis based on the nature of operation for which the ROU asset is utilized.

Leases with an initial term of 12 months or less are not recorded on the balance sheet as permitted under ASC 842. We recognize lease cost for short-term leases on a straight-line basis over the term of the lease. Some of our leases include one or more options to renew. The renewal option is at our sole discretion and is not included in the lease term for measurement of the lease obligation unless we are reasonably certain, at the commencement date of the lease, to renew the lease.

Operating and finance leases presented on the *Consolidated Balance Sheet* at March 31, 2019 were as follows:

	Operating Leases	Finance Leases
	(In millions)	
Right-of-use assets — net (a)	\$ 713	\$ 332
Lease obligations:		
Current	\$ 366	\$ 36
Long-term	436	250
Total lease obligations	\$ 802	\$ 286

(a) Finance lease Right-of-use assets have a cost of \$384 million and accumulated amortization of \$52 million.

Lease obligations represent 100% of the present value of future minimum lease payments in the lease arrangement. Where we have contracted directly with a lessor in our role as operator of an unincorporated oil and gas venture, we bill our partners their proportionate share for reimbursements as payments under lease agreements become due pursuant to the terms of our joint operating and other agreements.

The nature of our leasing arrangements at March 31, 2019 was as follows:

*Operating leases:* In the normal course of business, we primarily lease drilling rigs, office space, logistical assets (offshore vessels, aircraft, and shorebases), and equipment.

*Finance leases:* In 2018, we entered into a sale and lease-back arrangement for a floating storage and offloading vessel (FSO) to handle produced condensate at North Malay Basin, offshore Peninsular Malaysia (Hess operated – 50%). No gain or loss was recognized from the sale transaction. The remaining lease term utilized in the lease obligation is 14.5 years. At March 31, 2019, the carrying value of the Finance lease asset is \$256 million and the carrying value of the Finance lease obligation is \$266 million. We have another finance lease obligation of \$20 million at March 31, 2019 that will be settled in the second quarter of 2019.

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

Maturities of lease obligations at March 31, 2019 were as follows:

	Operating Leases	Finance Leases
	(In millions)	
2019	\$ 308	\$ 48
2020	183	36
2021	71	36
2022	64	36
2023	64	36
Remaining years	197	248
Total lease payments	887	440
Less: Imputed interest	(85)	(154)
Total lease obligations	<u>\$ 802</u>	<u>\$ 286</u>

The following information relates to the Operating and Finance leases recorded at March 31, 2019:

	Operating Leases	Finance Leases
Weighted average remaining lease term	4.7 years	13.5 years
Range of remaining lease terms	0.1 - 9.3 years	0.2 - 14.5 years
Weighted average discount rate	4.3%	7.8%

The components of lease costs in the first quarter of 2019 were as follows (in millions):

Operating lease cost	\$	103
Finance lease cost:		
Amortization of leased assets		13
Interest on lease obligations		6
Short-term lease cost (a)		32
Variable lease cost (b)		19
Sublease income (c)		(3)
Total lease cost	<u>\$</u>	<u>170</u>

- (a) Short-term lease cost is primarily attributable to equipment used in global exploration, development, and production activities. Future short-term lease costs will vary based on activity levels of our operated assets.
- (b) Variable lease costs for the drilling rig leases result from differences in the minimum rate and the actual usage of the ROU asset during the lease period. Variable lease costs for logistical assets result from differences in stated monthly rates and total charges reflecting the actual usage of the ROU asset during the lease period. Variable lease costs for our office leases represent common area maintenance charges which have not been separated from lease components.
- (c) We sublease certain of our office space to third parties under our head lease.

The above lease costs represent 100% of the lease payments due for the period, including where we as operator have contracted directly with suppliers. As the payments under lease agreements where we are operator become due, we bill our partners their proportionate share for reimbursement pursuant to the terms of our joint operating agreements. Reimbursements are not reflected in the table above. Certain lease costs above associated with exploration and development activities are included in capital expenditures.

Supplemental cash flow information related to leases for the first quarter of 2019 was as follows:

	Operating Leases	Finance Leases
	(In millions)	
Cash paid for amounts included in the measurement of lease obligations:		
Operating cash flows	\$ 106	\$ 6
Financing cash flows	—	23
Noncash transactions:		
Leased assets recognized for new lease obligations incurred	3	—

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

**3. Preferred Stock Conversion**

On January 31, 2019, the Corporation's 8.00% Series A Mandatory Convertible Preferred Stock (Preferred Stock) automatically converted into shares of common stock at a rate of 21.822 shares of common stock per share of Preferred Stock. In total, the Preferred Stock was converted into approximately 12.5 million shares of common stock. In connection with the Preferred Stock offering in 2016, the Company entered into capped call transactions to reduce the potential dilution to the Company's common stock upon conversion of the Preferred Stock, subject to a cap. The Company received approximately 0.9 million shares of common stock upon settlement of the capped call transactions. As a result, the net number of common shares issued by the Company upon conversion of the Preferred Stock was approximately 11.6 million shares.

**4. Revenue**

Revenue from contracts with customers on a disaggregated basis was as follows (in \$ millions):

	Exploration and Production					Midstream	Eliminations	Total
	United States	Denmark	Libya	Malaysia & JDA	E&P Total			
<b>Three Months Ended March 31, 2019</b>								
Sales of our net production volumes:								
Crude oil revenue	\$ 682	\$ 16	\$ 91	\$ 21	\$ 810	\$ —	\$ —	\$ 810
Natural gas liquids revenue	68	—	—	—	68	—	—	68
Natural gas revenue	42	3	6	180	231	—	—	231
Sales of purchased oil and gas	426	—	22	—	448	—	—	448
Intercompany revenue	—	—	—	—	—	190	(190)	—
Total revenues from contracts with customers	1,218	19	119	201	1,557	190	(190)	1,557
Other operating revenues (a)	15	—	—	—	15	—	—	15
Total sales and other operating revenues	<u>\$ 1,233</u>	<u>\$ 19</u>	<u>\$ 119</u>	<u>\$ 201</u>	<u>\$ 1,572</u>	<u>\$ 190</u>	<u>\$ (190)</u>	<u>\$ 1,572</u>

**Three Months Ended March 31, 2018**

Sales of our net production volumes:								
Crude oil revenue	\$ 593	\$ 33	\$ 99	\$ 43	\$ 768	\$ —	\$ —	\$ 768
Natural gas liquids revenue	71	—	—	—	71	—	—	71
Natural gas revenue	39	3	8	128	178	—	—	178
Sales of purchased oil and gas	325	—	24	14	363	—	—	363
Intercompany revenue	—	—	—	—	—	167	(167)	—
Total revenues from contracts with customers	1,028	36	131	185	1,380	167	(167)	1,380
Other operating revenues (a)	(34)	—	—	—	(34)	—	—	(34)
Total sales and other operating revenues	<u>\$ 994</u>	<u>\$ 36</u>	<u>\$ 131</u>	<u>\$ 185</u>	<u>\$ 1,346</u>	<u>\$ 167</u>	<u>\$ (167)</u>	<u>\$ 1,346</u>

(a) Includes gains (losses) on commodity derivatives.

There have been no significant changes to contracts with customers or composition thereof during the first quarter of 2019. Generally, we receive payments from customers on a monthly basis, shortly after the physical delivery of the crude oil, NGLs, or natural gas. We did not recognize any credit losses on receivables with customers in the first quarter of 2019 or 2018.

**5. Inventories**

Inventories consisted of the following:

	March 31, 2019	December 31, 2018
	(In millions)	
Crude oil and natural gas liquids	\$ 96	\$ 74
Materials and supplies	178	171
Total Inventories	<u>\$ 274</u>	<u>\$ 245</u>

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

**6. 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, 2019 (in millions):

Balance at January 1, 2019	\$	418
Additions to capitalized exploratory well costs pending the determination of proved reserves		48
Balance at March 31, 2019	\$	466

Capitalized exploratory well costs capitalized for greater than one year following completion of drilling were \$309 million at March 31, 2019 and primarily related to:

*Guyana:* Approximately 45% of the capitalized well costs in excess of one year relates to the Liza-4, Pacora-1, Payara-1, Payara-2, Ranger-1 and Snoek-1 wells on the Stabroek Block, offshore Guyana (Hess 30%), where hydrocarbons were encountered. The operator plans to integrate the Liza-4 discovery into the second phase of development, which is expected to commence production by mid-2022. The operator plans to integrate the Pacora-1, Payara-1 and Payara-2 discoveries into the third phase of development, which is expected to commence production as early as 2023. The Snoek discovery is expected to produce into the Liza Phase 1 floating, production storage and offloading (FPSO) vessel under a subsequent phase of development, and the operator is planning further drilling at the Ranger discovery.

*Gulf of Mexico:* Approximately 40% of the capitalized well costs in excess of one year relates to the appraisal of the northern portion of the Shenzi Field (Hess 28%) in the Gulf of Mexico, where hydrocarbons were encountered in the fourth quarter of 2015. Following exploration and appraisal drilling activities completed by the operator in prior years on adjacent blocks to the north of our Shenzi blocks, the operator is planning to acquire 3D seismic in 2019 for use in development planning of the northern portion of the Shenzi Field.

*JDA:* Approximately 10% 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 has submitted a development plan concept to the regulator to facilitate commercial negotiations for an extension of the existing gas sales contract to include development of the western part of the Block.

*Malaysia:* Approximately 5% of the capitalized well costs in excess of one year relates to the North Malay Basin, offshore Peninsular Malaysia (Hess 50%), where hydrocarbons were encountered in one successful exploration well drilled in the fourth quarter of 2015. In 2018, we completed four exploration wells and are conducting subsurface evaluations for consideration in future phases of field development.

**7. 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.

As of March 31, 2019, the Midstream segment is comprised of HIP, which owns the general partner of Hess Midstream Partners LP (HESM). HESM owns an approximate 20% controlling interest in the operating companies that comprise our midstream joint venture while HIP owns the remaining 80%, other than the water services business that is wholly owned by HIP as described below. At March 31, 2019, HIP liabilities totaling \$1,273 million (December 31, 2018: \$1,105 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 \$6 million (December 31, 2018: \$109 million) and property, plant and equipment with a carrying value of \$2,829 million (December 31, 2018: \$2,664 million).

On March 1, 2019, HIP completed the acquisition of Hess' water services business for \$225 million in cash. As a result of this transaction between entities under common control, we recorded an after-tax gain of \$78 million in additional paid-in-capital with an offsetting reduction to noncontrolling interest to reflect the adjustment to GIP's noncontrolling interest in HIP.

On March 22, 2019, HIP and HESM acquired crude oil and gas gathering assets, and HIP acquired water gathering assets of Summit Midstream Partners LP's Tioga Gathering System for aggregate cash consideration of approximately \$90 million, with the potential for an additional \$10 million of contingent payments in future periods subject to certain future performance metrics.

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

**8. Retirement Plans**

Components of net periodic pension cost consisted of the following:

	Three Months Ended	
	March 31,	
	2019	2018
	(In millions)	
Service cost	\$ 10	\$ 14
Interest cost (a)	24	23
Expected return on plan assets (a)	(45)	(49)
Amortization of unrecognized net actuarial losses (a)	11	12
Curtailement gains (a)	—	(2)
Pension (income) expense (a)	<u>\$ —</u>	<u>\$ (2)</u>

(a) Net non-service pension cost included in Other, net in the Statement of Consolidated Income in the first quarter of 2019 was income of \$10 million (2018: \$16 million of income).

In 2019, we expect to contribute \$40 million to our funded pension plans. Through March 31, 2019, we have contributed \$10 million.

**9. Debt**

In the first quarter of 2019, HIP and HESM borrowed a total of \$199 million from their revolving credit facilities. In the first quarter of 2018, we paid \$415 million to redeem \$350 million principal amount of 8.125% notes due 2019 with a carrying value of \$349 million at December 31, 2017, and to purchase other notes with a carrying value of \$38 million at December 31, 2017. Concurrent with the redemption of the 2019 notes, we terminated interest rate swaps with a notional amount of \$350 million. First quarter 2018 results included a pre-tax charge of \$27 million for the loss on extinguishment of the redeemed and purchased notes.

**10. 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,	
	2019	2018
	(In millions)	
<b>Net income (loss) attributable to Hess Corporation Common Stockholders:</b>		
Net income (loss)	\$ 75	\$ (65)
Less: Net income (loss) attributable to noncontrolling interests	43	41
Less: Preferred stock dividends	4	11
Net income (loss) attributable to Hess Corporation Common Stockholders	<u>\$ 28</u>	<u>\$ (117)</u>

**Weighted average number of common shares outstanding:**

Basic	297.4	309.5
Effect of dilutive securities		
Restricted common stock	1.2	—
Stock options	0.2	—
Performance share units	0.9	—
Diluted	<u>299.7</u>	<u>309.5</u>

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

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

	Three Months Ended	
	March 31,	
	2019	2018
Restricted common stock	57,252	2,922,316
Stock options	3,394,418	5,807,579
Performance share units	65,661	623,088
Common shares from conversion of preferred stocks	3,930,663	12,584,974

During the first quarter of 2019, we granted 941,082 shares of restricted stock (2018: 1,081,923), 234,866 performance share units (2018: 278,003) and 526,968 stock options (2018: 683,167).

### 11. 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 was a defective product and that these producers and refiners 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. There are three remaining active cases, filed by Pennsylvania, Rhode Island, and Maryland. In June 2014, the Commonwealth of Pennsylvania filed a lawsuit alleging that we and all major oil companies with operations in Pennsylvania, have damaged the groundwater by introducing thereto gasoline with MTBE. The Pennsylvania suit has been forwarded to the existing MTBE multidistrict litigation pending in the Southern District of New York. In September 2016, the State of Rhode Island also filed a lawsuit alleging that we and other major oil companies damaged the groundwater in Rhode Island by introducing thereto gasoline with MTBE. The suit filed in Rhode Island is proceeding in Federal court. In December 2017, the State of Maryland filed a lawsuit alleging that we and other major oil companies damaged the groundwater in Maryland by introducing thereto gasoline with MTBE. The suit filed in Maryland state court, was served on us in January 2018 and has been removed to Federal court by the defendants.

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. 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 or the Newark Bay, 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 or the Newark Bay, 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 our former terminal did not store or use contaminants which

**HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES  
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are of concern in the river sediments and could not have contributed contamination along the river's length. Further, there are numerous other parties who we expect will bear the cost of remediation and damages.

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's original estimate was that this remedy would 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 and connected ship-building and repair facility adjacent to the Canal. We agreed to comply with the EPA Administrative Order and are currently contributing funding for the Remedial Design based on an allocation of costs among the parties determined by a third-party expert.

On September 28, 2017, we received a general notice letter and offer to settle from the U.S. Environmental Protection Agency relating to Superfund claims for the Ector Drum, Inc. Superfund Site in Odessa, Texas. The EPA and Texas Commission on Environmental Quality (TCEQ) took clean-up and response action at the site commencing in 2014 and concluded in December 2015. The site was determined to have improperly stored industrial waste, including drums with oily liquids. The total clean-up cost incurred by the EPA was approximately \$3.5 million. We were invited to negotiate a voluntary settlement for our purported share of the clean-up costs. Our share, if any, is undetermined.

We periodically receive notices from the EPA that we are a "potential responsible party" under the Superfund legislation with respect to various waste disposal sites. Under this legislation, all potentially responsible parties may be jointly and severally liable. For any site for which we have received such a notice, the EPA's claims or assertions of liability against us relating to these sites have not been fully developed, or the EPA's claims have been settled or a settlement is under consideration, in all cases for amounts that are not material. The ultimate impact of these proceedings, and of any related proceedings by private parties, on our business or accounts cannot be predicted at this time due to the large number of other potentially responsible parties and the speculative nature of clean-up cost estimates, but is not expected to be material.

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 the aforementioned proceedings is not expected to have a material adverse effect on our financial condition, results of operations or cash flows.

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

**12. 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:

	Exploration and Production	Midstream	Corporate, Interest and Other	Eliminations	Total
	(In millions)				
<b>For the Three Months Ended March 31, 2019</b>					
Sales and Other Operating Revenues - Third-parties	\$ 1,572	\$ —	\$ —	\$ —	\$ 1,572
Intersegment Revenues	—	190	—	(190)	—
Sales and Other Operating Revenues	<u>\$ 1,572</u>	<u>\$ 190</u>	<u>\$ —</u>	<u>\$ (190)</u>	<u>\$ 1,572</u>
Net Income (Loss) attributable to Hess Corporation	\$ 109	\$ 37	\$ (114)	\$ —	\$ 32
Depreciation, Depletion and Amortization	464	34	—	—	498
Provision (Benefit) for Income Taxes (a)	95	—	(1)	—	94
Capital Expenditures	515	127	—	—	642
<b>For the Three Months Ended March 31, 2018</b>					
Sales and Other Operating Revenues - Third-parties	\$ 1,346	\$ —	\$ —	\$ —	\$ 1,346
Intersegment Revenues	—	167	—	(167)	—
Sales and Other Operating Revenues	<u>\$ 1,346</u>	<u>\$ 167</u>	<u>\$ —</u>	<u>\$ (167)</u>	<u>\$ 1,346</u>
Net Income (Loss) attributable to Hess Corporation	\$ (25)	\$ 28	\$ (109)	\$ —	\$ (106)
Depreciation, Depletion and Amortization	385	31	1	—	417
Provision (Benefit) for Income Taxes (a)	95	9	(31)	—	73
Capital Expenditures	354	37	—	—	391

(a) Commencing January 1, 2019, management changed its measurement of segment earnings to reflect income taxes on a post U.S. tax consolidation and valuation allowance assessment basis. In 2018, the provision for income taxes in the Midstream segment was 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 was presented in the E&P segment. If 2018 segment results were prepared on a basis consistent with 2019, Midstream segment net income attributable to Hess Corporation would have been \$37 million and E&P segment net losses would have been \$34 million in the first quarter of 2018.

Identifiable assets by operating segment were as follows:

	March 31, 2019	December 31, 2018
	(In millions)	
Exploration and Production	\$ 16,978	\$ 16,109
Midstream	3,280	3,285
Corporate, Interest and Other	1,458	2,039
Total	<u>\$ 21,716</u>	<u>\$ 21,433</u>

**13. 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 business with the intent of reducing exposure to foreign currency fluctuations. At March 31, 2019, these forward contracts relate to the British Pound. Interest rate swaps may be used to convert interest payments on certain long-term debt from fixed to floating rates.



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

**HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES  
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We present gross notional amounts of both long and short positions 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.

The gross notional amounts of outstanding financial risk management derivative contracts related to West Texas Intermediate (WTI) instruments as of the dates shown below were as follows:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Calendar year program	2019	2019
Instrument type	Puts	Puts
Effective date	Apr. 1, 2019	Jan. 1, 2019
End date	Dec. 31, 2019	Dec. 31, 2019
Crude oil volumes (millions of barrels)	26.1	34.7
Floor price	\$ 60	\$ 60

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
	<b>(In millions)</b>	
Foreign exchange	\$ 43	\$ 16
Interest rate swaps	\$ 100	\$ 100

The table below reflects the gross and net fair values of risk management derivative instruments and their respective financial statement caption in the *Consolidated Balance Sheet*:

	<b>Assets</b>	<b>Liabilities</b>
	<b>(In millions)</b>	
<b>March 31, 2019</b>		
Derivative Contracts Designated as Hedging Instruments:		
Commodity - Other current assets	\$ 96	\$ —
Interest rate - Other liabilities and deferred credits (noncurrent)	—	(1)
Total derivative contracts designated as hedging instruments	96	(1)
Gross fair value of derivative contracts	96	(1)
Master netting arrangements	—	—
Net Fair Value of Derivative Contracts	<u>\$ 96</u>	<u>\$ (1)</u>
<b>December 31, 2018</b>		
Derivative Contracts Designated as Hedging Instruments:		
Commodity - Other current assets	\$ 484	\$ —
Interest rate - Other liabilities and deferred credits (noncurrent)	—	(2)
Total derivative contracts designated as hedging instruments	484	(2)
Gross fair value of derivative contracts	484	(2)
Master netting arrangements	—	—
Net Fair Value of Derivative Contracts	<u>\$ 484</u>	<u>\$ (2)</u>

All fair values in the table above are based on Level 2 inputs.

**Derivative contracts designated as hedging instruments:**

*Crude oil derivatives:* Crude oil price hedging contracts increased Sales and other operating revenues by \$15 million in the first quarter of 2019 and decreased Sales and other operating revenue by \$30 million in the first quarter of 2018. At March 31, 2019, pre-tax deferred gains in *Accumulated other comprehensive income (loss)* related to outstanding crude oil price hedging contracts were \$3 million, all of which will be reclassified into earnings during the remainder of 2019 as the originally hedged crude oil sales are recognized in earnings.

*Interest rate swaps designated as fair value hedges:* At March 31, 2019 and December 31, 2018, we had interest rate swaps with gross notional amounts totaling \$100 million, which were designated as fair value hedges and relate to debt where we have converted interest payments on certain long-term debt from fixed to floating rates. Changes in the fair value of interest rate swaps and the hedged fixed-rate debt are recorded in *Interest expense* in the *Statement of Consolidated Income*. In the first quarter of 2019, the change in fair value of interest rate swaps was a decrease in the liability of \$1 million (Q1 2018: increase

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

in liability of \$3 million) with a corresponding adjustment in the carrying value of the hedged fixed-rate debt. In the first quarter of 2018, we paid \$3 million, to terminate interest rate swaps with a gross notional amount of \$350 million.

Derivative contracts not designated as hedging instruments:

*Foreign exchange:* Foreign exchange gains which are reported in *Other, net* in Revenues and non-operating income in the *Statement of Consolidated Income* were \$5 million in the first quarter of 2019 (2018 Q1: \$4 million). A component of foreign exchange gain is the result of foreign exchange derivative contracts that are not designated as hedges which amounted to a loss of less than \$1 million in the first quarter of 2019 (2018 Q1: gain of \$2 million).

*Crude oil derivatives:* In the first quarter of 2018, noncash adjustments to de-designated crude oil price hedging contracts decreased Sales and other operating revenues by \$8 million.

**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, 2019. At March 31, 2019, total long-term debt, which was substantially comprised of fixed-rate debt instruments, had a carrying value of \$6,562 million and a fair value of \$6,987 million based on Level 2 inputs.

**14. Subsequent Event**

On April 18, 2019 the Corporation terminated its existing revolving credit facility maturing in January 2021 and entered into a new fully undrawn \$3.5 billion revolving credit facility with a maturity date of May 15, 2023. This facility can be used for borrowings and letters of credit. Borrowings on the new facility will generally bear interest at 1.30% above the London Interbank Offered Rate (LIBOR), though the interest rate is subject to adjustment if the Corporation's credit rating changes. The facility is subject to customary representations, warranties and covenants, including a financial covenant limiting the ratio of Total Consolidated Debt to Total Capitalization (as such terms are defined in the credit agreement for the facility) of the Corporation and its consolidated subsidiaries to 0.650 to 1.000, and customary events of default.

**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, the Malaysia/Thailand Joint Development Area (JDA) and Malaysia. We conduct exploration activities primarily offshore Guyana, Suriname, Canada and in the U.S. Gulf of Mexico. At the Stabroek Block (Hess 30%), offshore Guyana, we have participated in thirteen significant discoveries. The Liza Phase 1 development was sanctioned in 2017 and is expected to startup by the first quarter of 2020 with production reaching up to 120,000 gross barrels of oil per day (bopd). The discovered resources to date on the Stabroek Block are expected to underpin the potential for at least five floating production, storage and offloading (FPSO) vessels producing more than 750,000 gross bopd by 2025.

Our Midstream operating segment provides fee-based services, including gathering, compressing and processing natural gas and fractionating natural gas liquids (NGLs); gathering, terminaling, loading and transporting crude oil and NGLs; storing and terminaling propane, and water handling services primarily in the Bakken and Three Forks Shale plays in the Williston Basin area of North Dakota.

**First Quarter Highlights and Outlook**

We project our E&P capital and exploratory expenditures will be approximately \$2.9 billion in 2019. Capital investment for our Midstream operations is expected to be \$430 million including assets acquired from Summit Midstream Partners LP. Oil and gas production in 2019 is forecast to be in the range of 270,000 to 280,000 barrels of oil equivalent per day (boepd) excluding Libya.

Net cash provided by operating activities was \$238 million in the first quarter of 2019, compared to \$210 million in the first quarter of 2018. Net cash provided by operating activities before working capital changes was \$635 million in the first quarter of 2019 and \$397 million in the first quarter of 2018. Capital expenditures were \$642 million in the first quarter of 2019 and \$391 million in the prior-year quarter. Excluding our Midstream segment, we ended the first quarter of 2019 with approximately \$2.3 billion in cash and cash equivalents. Based on current forward strip crude oil prices for 2019, we expect cash flow from operating activities and cash and cash equivalents existing at March 31, 2019 will be sufficient to fund our capital investment program and dividends through the end of 2019.

On January 31, 2019, the 8.00% Series A Mandatory Convertible Preferred Stock automatically converted into shares of common stock. See *Note 3, Preferred Stock Conversion* in the *Notes to Consolidated Financial Statements*.

**First Quarter Results**

In the first quarter of 2019, we had net income of \$32 million, compared to a net loss of \$106 million in the first quarter of 2018. Excluding items affecting comparability of earnings between periods on pages 26 to 27, the adjusted net loss for the first quarter of 2018 was \$72 million. The improved first quarter 2019 results, compared to the adjusted results in the prior year quarter, primarily reflect higher production volumes, partially offset by lower realized crude oil selling prices and higher depreciation, depletion and amortization expense.

**Exploration and Production Results**

In the first quarter of 2019, E&P had net income of \$109 million, compared with a net loss of \$25 million in the first quarter of 2018. Excluding items affecting comparability of earnings between periods, the adjusted net income for the first quarter of 2018 was \$12 million. Total net production, excluding Libya, averaged 278,000 boepd in the first quarter of 2019, compared to 233,000 boepd in the first quarter of 2018 which included 13,000 boepd from a divested asset. The average realized crude oil selling price, including hedging, was \$55.91 per barrel, down from \$59.32 in the first quarter of 2018. The average realized natural gas liquids selling price in the first quarter of 2019 was \$18.46 per barrel, down from \$21.11 in the prior year quarter, while the average realized natural gas selling price was \$4.43 per thousand cubic feet (mcf), up from \$3.86 in the first quarter of 2018.

**Overview (continued)**

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

*Producing E&P assets:*

- In North Dakota, net production from the Bakken oil shale play averaged 130,000 boepd for the first quarter of 2019 (2018 Q1: 111,000 boepd), due to increased drilling activity and improved well performance. In the first quarter of 2019, we operated an average of six rigs, drilled 38 wells, and brought 25 new wells on production. During 2019 we expect to drill 170 wells and bring 160 wells on production. We forecast net production for full year 2019 to be in the range of 135,000 boepd and 145,000 boepd.
- In the Gulf of Mexico, net production for the first quarter of 2019 averaged 70,000 boepd (2018 Q1: 41,000 boepd), primarily reflecting higher production from the Conger, Penn State and Llano fields that were impacted by the shutdown of the third-party operated Enchilada platform in the year-ago quarter.
- In the Gulf of Thailand, net production from Block A 18 of the JDA averaged 37,000 boepd for first quarter of 2019 (2018 Q1: 34,000 boepd), including contribution from unitized acreage in Malaysia, while net production from North Malay Basin, offshore Peninsular Malaysia, averaged 31,000 boepd for first quarter of 2019 (2018 Q1: 22,000 boepd) reflecting higher buyer nominations in 2019 and downtime from planned maintenance of condensate export equipment in the first quarter of 2018.

*Other E&P assets:*

- At the Stabroek Block, offshore Guyana (Hess – 30%), the operator, Esso Exploration and Production Guyana Limited, announced positive results from the Tilapia-1 and Haimara-1 exploration wells offshore Guyana during the quarter and from the Yellowtail-1 exploration well on April 18, 2019, bringing the total number of discoveries on the Stabroek Block to thirteen. These discoveries further underpin the potential for at least five FPSOs producing more than 750,000 gross bopd by 2025.

The Tilapia, Haimara and Yellowtail discoveries can be summarized as follows:

- *Tilapia:* The Tilapia-1 well encountered approximately 305 feet of high-quality, oil-bearing sandstone reservoir and is located approximately 3.4 miles west of the Longtail-1 well. In addition to Tilapia-1, the prior discoveries in the Turbot area include the Turbot, Longtail and Pluma discoveries.
- *Haimara:* The Haimara-1 well encountered approximately 207 feet of high-quality, gas condensate bearing sandstone reservoir. It is located approximately 19 miles east of the Pluma-1 well.
- *Yellowtail:* The Yellowtail-1 well encountered approximately 292 feet of high-quality oil-bearing sandstone reservoir and is located approximately 6 miles northwest of the Tilapia discovery. As the fifth discovery in the greater Turbot area, it underpins another major development hub.

The Noble Tom Madden and Stena Carron drillships will next drill the Hammerhead-2 and Hammerhead-3 wells. Drilling plans for 2019 also include a second well at Ranger and three additional exploration wells, the locations of which are being finalized.

Development activities on the block are progressing as follows:

*Liza Phase 1:* Phase 1 of the Liza development is expected to begin producing up to 120,000 gross bopd by the first quarter of 2020. Drilling of Phase 1 development wells by the Noble Bob Douglas drillship is proceeding and installation of subsea infrastructure is well advanced, with installation of subsea umbilicals, risers, and flowlines planned for the second quarter. Installation of topside modules on the Liza Destiny FPSO is now complete, and commissioning activities are underway. The vessel is expected to arrive offshore Guyana in the third quarter of 2019.

*Liza Phase 2:* Phase 2 of the Liza development, which will use a second FPSO, the Liza Unity, will have the capacity to produce up to 220,000 gross bopd, and is expected to be producing by mid-2022. Six drill centers are planned with a total of 30 wells, including 15 production wells, 9 water injection wells and 6 gas injection wells. A final investment decision is expected soon.

*Payara:* The operator expects a third development, Payara, to be sanctioned late in 2019 with first production expected in 2023. The Payara development is expected to have the capacity to produce between 180,000 and 220,000 bopd from a third FPSO.

**Overview (continued)**

The following is an update of our ongoing Midstream activities:

- On March 1, 2019, HIP acquired Hess' existing water services business for \$225 million in cash. See Note 7, *Hess Infrastructure Partners LP* in the *Notes to Consolidated Financial Statements*.
- On March 22, 2019, HIP and HESM acquired crude oil and gas gathering assets, and HIP acquired water gathering assets of Summit Midstream Partners LP's Tioga Gathering System for aggregate cash consideration of approximately \$90 million, with the potential for an additional \$10 million of contingent payments in future periods subject to certain future performance metrics.

**Consolidated Results of Operations**

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

	Three Months Ended	
	March 31,	
	2019	2018
	(In millions, except per share amounts)	
<b>Net Income (Loss) Attributable to Hess Corporation:</b>		
Exploration and Production	\$ 109	\$ (25)
Midstream	37	28
Corporate, Interest and Other	(114)	(109)
<b>Total</b>	<u>\$ 32</u>	<u>\$ (106)</u>
<b>Net Income (Loss) Attributable to Hess Corporation Per Common Share:</b>		
Basic (a)	\$ 0.09	\$ (0.38)
Diluted (b)	\$ 0.09	\$ (0.38)

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

(b) Calculated as 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**

The following table summarizes, on an after-tax basis, items of income (expense) that are included in net income (loss) and affect comparability of earnings between periods:

	Three Months Ended	
	March 31,	
	2019	2018
	(In millions)	
<b>Items Affecting Comparability of Earnings Between Periods, After-Tax:</b>		
Exploration and Production	\$ —	\$ (37)
Midstream	—	—
Corporate, Interest and Other	—	3
<b>Total</b>	<u>\$ —</u>	<u>\$ (34)</u>

The items in the table above are explained on pages 26 to 27.

**Reconciliations of GAAP and non-GAAP measures**

The following table reconciles reported net income (loss) attributable to Hess Corporation and adjusted net income (loss) attributable to Hess Corporation:

	Three Months Ended	
	March 31,	
	2019	2018
	(In millions)	
<b>Adjusted Net Income (Loss) Attributable to Hess Corporation:</b>		
Net income (loss) attributable to Hess Corporation	\$ 32	\$ (106)
Less: Total items affecting comparability of earnings between periods, after-tax	—	(34)
<b>Adjusted Net Income (Loss) Attributable to Hess Corporation</b>	<u>\$ 32</u>	<u>\$ (72)</u>

**Consolidated Results of Operations (continued)**

The following table reconciles reported cash provided by (used in) operating activities and cash provided by (used in) operating activities before working capital changes:

	Three Months Ended	
	March 31,	
	2019	2018
	(In millions)	
<b>Cash provided by (used in) operating activities before working capital changes:</b>		
Net cash provided by (used in) operating activities	\$ 238	\$ 210
Changes in operating assets and liabilities	(397)	(187)
Cash provided by (used in) operating activities before working capital changes	<u>\$ 635</u>	<u>\$ 397</u>

Adjusted net income (loss) attributable to Hess Corporation is a non-GAAP financial measure, which we define 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.

Cash provided by (used in) operating activities before working capital changes presented in this report is a non-GAAP liquidity measure, which we define as reported net cash provided by (used in) operating activities excluding changes in operating assets and liabilities. Management uses cash provided by (used in) operating activities before working capital changes to evaluate the Company's underlying cash-generation performance and believes that investors' understanding of our cash-generation ability is enhanced by disclosing this measure, which excludes working capital movements that distort assessment of business liquidity performance over time.

These measures are not, and should not be viewed as, substitutes for U.S. GAAP net income (loss) and net cash provided by (used in) operating activities.

In the following discussion and elsewhere in this report, the financial effects of certain transactions are disclosed on an after-tax basis. Management reviews segment earnings on an after-tax basis and uses after-tax amounts in its review of variances in segment earnings. Management believes that after-tax amounts are a preferable method of explaining variances in earnings, since they show the entire effect of a transaction rather than only the pre-tax amount. After-tax amounts are determined by applying the income tax rate in each tax jurisdiction to pre-tax amounts.

**Consolidated Results of Operations (continued)****Comparison of Results****Exploration and Production**

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

	Three Months Ended March 31,	
	2019	2018
(In millions)		
<b>Revenues and Non-Operating Income</b>		
Sales and other operating revenues	\$ 1,572	\$ 1,346
Gains on asset sales, net	—	2
Other, net	20	15
Total revenues and non-operating income	<u>1,592</u>	<u>1,363</u>
<b>Costs and Expenses</b>		
Marketing, including purchased oil and gas	434	374
Operating costs and expenses	213	247
Production and severance taxes	39	39
Midstream tariffs	162	151
Exploration expenses, including dry holes and lease impairment	34	40
General and administrative expenses	42	57
Depreciation, depletion and amortization	464	385
Total costs and expenses	<u>1,388</u>	<u>1,293</u>
<b>Results of Operations Before Income Taxes</b>	204	70
Provision (benefit) for income taxes (a)	95	95
<b>Net Income (Loss) Attributable to Hess Corporation</b>	<u>\$ 109</u>	<u>\$ (25)</u>

(a) Commencing January 1, 2019, management changed its measurement of segment earnings to reflect income taxes on a post U.S. tax consolidation and valuation allowance assessment basis. See footnote (a) in the table on page 15 for further details.

Excluding the E&P Items affecting comparability of earnings between periods detailed on page 26, the changes in E&P earnings are primarily attributable to changes in selling prices, production and sales volumes, marketing expenses, cash operating costs, Midstream tariffs, depreciation, depletion and amortization, exploration expenses and income taxes, as discussed below.

**Consolidated Results of Operations (continued)**

**Selling Prices:** Lower realized selling prices in the first quarter of 2019, decreased after-tax results by approximately \$10 million, compared to the same period in 2018. Average selling prices were as follows:

	Three Months Ended	
	March 31,	
	2019	2018
<b>Average Selling Prices (a)</b>		
<b>Crude Oil - Per Barrel (Including Hedging)</b>		
United States		
Onshore	\$ 52.16	\$ 56.40
Offshore	59.30	59.14
Total United States	54.76	57.23
Denmark	67.26	67.37
Libya	62.71	66.27
Malaysia and JDA	59.38	67.69
Worldwide	55.91	59.32
<b>Crude Oil - Per Barrel (Excluding Hedging)</b>		
United States		
Onshore	\$ 50.91	\$ 59.61
Offshore	58.05	62.31
Total United States	53.51	60.43
Denmark	67.26	67.37
Libya	62.71	66.27
Malaysia and JDA	59.38	67.69
Worldwide	54.84	61.82
<b>Natural Gas Liquids - Per Barrel</b>		
United States		
Onshore	\$ 18.69	\$ 20.78
Offshore	17.21	24.28
Worldwide	18.46	21.11
<b>Natural Gas - Per Mcf</b>		
United States		
Onshore	\$ 2.46	\$ 2.47
Offshore	2.54	2.08
Total United States	2.50	2.38
Denmark	4.02	3.44
Libya	5.14	6.93
Malaysia and JDA	5.28	4.54
Worldwide	4.43	3.86

(a) Selling prices in the United States are adjusted for certain processing and distribution fees included in Marketing expenses. Excluding these fees Worldwide selling prices for the first quarter of 2019 would be \$59.18 (Q1 2018: \$62.46) per barrel for crude oil (including hedging), \$58.11 (Q1 2018: \$64.96) per barrel for crude oil (excluding hedging), \$18.62 (Q1 2018: \$21.33) per barrel for natural gas liquids and \$4.49 (Q1 2018: \$3.93) per mcf for natural gas.

Crude oil price hedge contracts increased Sales and other operating revenues by \$15 million in the first quarter of 2019, compared to a decrease of \$38 million in the first quarter of 2018. As of March 31, 2019, we have crude oil put options for calendar year 2019 that establish a WTI monthly floor price of \$60 per barrel on 95,000 bopd.



**Consolidated Results of Operations (continued)**

**Production Volumes:** Our daily worldwide net production was as follows:

	Three Months Ended	
	March 31,	
	2019	2018
	(In thousands)	
<b>Crude Oil - Barrels</b>		
United States		
North Dakota (a)	86	73
Offshore	49	31
Total United States	<u>135</u>	<u>104</u>
Denmark	6	6
Libya	19	20
Malaysia and JDA	4	4
Total	<u>164</u>	<u>134</u>
<b>Natural Gas Liquids - Barrels</b>		
United States		
North Dakota (a)	34	30
Offshore	6	4
Other (b)	—	3
Total United States	<u>40</u>	<u>37</u>
<b>Natural Gas - Mcf</b>		
United States		
North Dakota (a)	79	73
Offshore	92	37
Other (b)	—	58
Total United States	<u>171</u>	<u>168</u>
Denmark	7	10
Libya	13	13
Malaysia and JDA	381	313
Total	<u>572</u>	<u>504</u>
<b>Barrels of Oil Equivalent (c)</b>	<u>299</u>	<u>255</u>
Crude oil and natural gas liquids as a share of total production	68%	67%

(a) Includes production from the Bakken and legacy conventional wells.

(b) In August 2018, the Corporation sold its joint venture interests in the Utica shale play in eastern Ohio. Production was 13,000 boepd in the first quarter of 2018.

(c) 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 23.

We forecast net production for the second quarter and full year of 2019 to average between 270,000 boepd and 280,000 boepd excluding Libya.

**United States:** North Dakota production was higher in the first quarter of 2019, compared to the first quarter of 2018, primarily due to ongoing drilling activity and improved well performance at the Bakken. Offshore production was higher in the first quarter of 2019, compared to the corresponding period in 2018, primarily due to higher production from the Conger, Penn State and Llano fields that were impacted by the shutdown of the third-party operated Enchilada platform in the year-ago quarter.

**International:** Net production was higher from the North Malay Basin in the first quarter of 2019 compared to the year-ago quarter, reflecting higher buyer nominations in 2019 and downtime from planned maintenance of condensate export equipment in the first quarter of 2018.

**Consolidated Results of Operations (continued)**

**Sales Volumes:** The impact of higher sales volumes improved after-tax results by approximately \$190 million in the first quarter of 2019, compared to the first quarter of 2018. Worldwide sales volumes from Hess net production, which excludes sales volumes of crude oil, natural gas liquids and natural gas purchased from third-parties, were as follows:

	Three Months Ended March 31,	
	2019	2018
	(In thousands)	
Crude oil - barrels	13,940	11,811
Natural gas liquids - barrels	3,631	3,308
Natural gas - mcf	51,435	45,392
<b>Barrels of Oil Equivalent (a)</b>	<b>26,144</b>	<b>22,684</b>
Crude oil - barrels per day	155	131
Natural gas liquids - barrels per day	40	37
Natural gas - mcf per day	572	504
<b>Barrels of Oil Equivalent Per Day (a)</b>	<b>290</b>	<b>252</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 23.

**Marketing, including purchased oil and gas:** Marketing expense is mainly comprised of costs to purchase crude oil, natural gas liquids and natural gas from our partners in Hess operated wells or other third-parties, primarily in the U.S., and transportation and other distribution costs for U.S. marketing activities. The increase in the first quarter of 2019, compared to the same period in 2018, primarily reflects the purchase of higher volumes, partially offset by the impact of lower benchmark crude oil prices on the cost of purchased volumes.

**Cash Operating Costs:** Excluding items affecting comparability of earnings, cash operating costs, consisting of operating costs and expenses, production and severance taxes and E&P general and administrative expenses, were lower in the first quarter of 2019, primarily due to lower workover expenses. Cash operating costs on a per-unit basis were also lower, reflecting the impact of increased low-cost production from the Gulf of Mexico and the North Malay Basin.

**Depreciation, Depletion and Amortization:** Depreciation, depletion and amortization (DD&A) expenses were higher in the first quarter of 2019 on an absolute and per-unit basis, compared to the same period in 2018, primarily due to higher production volumes in the Gulf of Mexico, the Bakken and North Malay Basin.

**Unit Costs:** Unit cost per barrel of oil equivalent (boe) information is based on total E&P production volumes and excludes items affecting comparability of earnings as disclosed below. Actual and forecast unit costs per boe are as follows:

	Actual		Forecast range (a)	
	Three Months Ended March 31,		Three Months Ended June 30,	Twelve Months Ended December 31,
	2019	2018	2019	2019
Cash operating costs (b)	\$ 11.00	\$ 13.46	\$13.00 — \$14.00	\$13.00 — \$14.00
DD&A (c)	17.25	16.77	18.00 — 19.00	18.00 — 19.00
<b>Total Production Unit Costs</b>	<b>\$ 28.25</b>	<b>\$ 30.23</b>	<b>\$31.00 — \$33.00</b>	<b>\$31.00 — \$33.00</b>

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

(b) Excluding items affecting comparability of earnings and Libya, cash operating costs per boe was \$11.54 in the first quarter of 2019, compared to \$14.39 in the first quarter of 2018.

(c) Excluding items affecting comparability of earnings and Libya, DD&A per boe was \$18.37 in the first quarter of 2019, compared to \$18.14 in the first quarter of 2018.

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

	Three Months Ended March 31,	
	2019	2018
	(In millions)	
Exploration lease and other impairment	\$ 7	\$ 10
Geological and geophysical expense and exploration overhead	27	30
<b>Total Exploration Expense</b>	<b>\$ 34</b>	<b>\$ 40</b>

Exploration expenses, excluding dry hole expense, are estimated to be in the range of \$45 million to \$55 million in the second quarter of 2019 and \$200 million to \$220 million for the full year of 2019.

**Consolidated Results of Operations (continued)**

**Income Taxes:** Income tax expense is comprised primarily of taxes in Libya in the first quarter of 2019 and 2018. Excluding items affecting comparability of earnings between periods and Libyan operations, the effective income tax rate for E&P operations in the first quarter of 2019 was an expense of 2%, compared to a small benefit in the first quarter of 2018. Excluding items affecting comparability of earnings between periods and Libyan operations, the E&P effective income tax rate is expected to be an expense in the range of 5% to 9% in the second quarter of 2019, and an expense of 0% to 4% for the full year of 2019.

**Items Affecting Comparability of Earnings Between Periods:** In the first quarter of 2018, we recorded a net after-tax severance charge of \$37 million related to a cost reduction program. The pre-tax amounts are reported in *Operating costs and expenses* (\$19 million), *Exploration expenses, including dry holes and lease impairment* (\$3 million) and *General and administrative expenses* (\$15 million), in the Statement of Consolidated Income.

**Midstream**

Following is a summarized income statement of our Midstream operations:

	Three Months Ended March 31,	
	2019	2018
(In millions)		
<b>Revenues and Non-Operating Income</b>		
Sales and other operating revenues	\$ 190	\$ 167
Other, net	—	1
Total revenues and non-operating income	<u>190</u>	<u>168</u>
<b>Costs and Expenses</b>		
Operating costs and expenses	55	41
General and administrative expenses	6	3
Depreciation, depletion and amortization	34	31
Interest expense	15	15
Total costs and expenses	<u>110</u>	<u>90</u>
<b>Results of Operations Before Income Taxes</b>	80	78
Provision (benefit) for income taxes (a)	—	9
<b>Net Income (Loss)</b>	80	69
Less: Net income (loss) attributable to noncontrolling interests (b)	43	41
<b>Net Income (Loss) Attributable to Hess Corporation</b>	<u>\$ 37</u>	<u>\$ 28</u>

(a) Commencing January 1, 2019, management changed its measurement of segment earnings to reflect income taxes on a post U.S. tax consolidation and valuation allowance assessment basis. See footnote (a) in the table on page 15 for further details.

(b) The noncontrolling interests' share of income is not subject to tax.

Total revenues and non-operating income for the first quarter of 2019 increased, compared to the first quarter of 2018, primarily due to higher throughput volumes and tariff rates, and increased rail transportation and water trucking revenues associated with third party charges. Operating costs and expenses for the first quarter of 2019 increased, compared to the first quarter of 2018, due to higher maintenance activity, and increased third party rail transportation and water trucking charges.

Net income attributable to Hess Corporation from the Midstream segment is estimated to be approximately \$35 million in the second quarter of 2019 and in the range of \$170 million to \$180 million for the full year of 2019.

**Consolidated Results of Operations (continued)****Corporate, Interest and Other**

The following table summarizes Corporate, Interest and Other expenses:

	Three Months Ended	
	March 31,	
	2019	2018
	(In millions)	
Corporate and other expenses (excluding items affecting comparability)	\$ 32	\$ 25
Interest expense	90	92
Less: Capitalized interest	(7)	(4)
Interest expense, net	83	88
Corporate, Interest and Other expenses before income taxes	115	113
Provision (benefit) for income taxes	(1)	(1)
Net Corporate, Interest and Other expenses after income taxes	114	112
Items affecting comparability of earnings between periods, after-tax	—	(3)
<b>Total Corporate, Interest and Other Expenses After Income Taxes</b>	<b>\$ 114</b>	<b>\$ 109</b>

Corporate and other expenses, excluding items affecting comparability, were higher in the first quarter of 2019, compared to the first quarter of 2018, primarily due to lower interest income. Interest expense, net was lower in the first quarter of 2019, compared to the first quarter of 2018, primarily due to lower average borrowings and higher capitalized interest.

Second quarter 2019 corporate expenses are expected to be in the range of \$25 million to \$30 million, and interest expense is expected to be in the range of \$80 million to \$85 million. We estimate corporate expenses for full year 2019 to be in the range of \$105 million to \$115 million, and interest expense to be in the range of \$315 to \$325 million.

**Items Affecting Comparability of Earnings Between Periods:** In the first quarter of 2018, we incurred pre-tax charges of \$27 million (\$27 million after income taxes) relating to the premium paid for the early retirement of debt. In addition, as required under accounting standards' intraperiod allocation rules, we recognized a noncash income tax benefit of \$30 million to offset a noncash income tax expense recognized in other comprehensive income, resulting from a reduction in our pension liabilities.

**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, 2018.

**Liquidity and Capital Resources**

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

	March 31, 2019	December 31, 2018
	(In millions, except ratio)	
Cash and cash equivalents (a)	\$ 2,300	\$ 2,694
Current maturities of long-term debt	12	67
Total debt (b)	6,562	6,672
Total equity	10,553	10,888
Debt to capitalization ratio (c)	39.4%	38.0%

(a) Includes \$6 million of cash attributable to our Midstream segment, at March 31, 2019 (December 31, 2018: \$109 million).

(b) Includes \$1,178 million of debt outstanding at March 31, 2019 from our Midstream segment that is non-recourse to Hess Corporation (December 31, 2018: \$981 million).

(c) Total debt (including finance lease obligations) as a percentage of the sum of total debt (including finance lease obligations) plus equity. Prior to the adoption of ASC 842, Leases, finance lease obligations were included in debt.

**Cash Flows**

The following table summarizes our cash flows:

	Three Months Ended, March 31,	
	2019	2018
	(In millions)	
<b>Net cash provided by (used in):</b>		
Operating activities	\$ 238	\$ 210
Investing activities	(680)	(422)
Financing activities	48	(909)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>\$ (394)</u>	<u>\$ (1,121)</u>

**Operating activities:** Net cash provided by operating activities was \$238 million in the first quarter of 2019, compared to \$210 million in the first quarter of 2018. The increase in 2019 operating cash flows primarily reflects higher production volumes. Changes in working capital was a use of cash of \$397 million in the first quarter of 2019, and a use of cash of \$187 million in the first quarter of 2018. Changes in working capital during 2019 included a one-time repayment of approximately \$130 million to our joint venture partner for its share of sale/leaseback proceeds related to our sale of the North Malay Basin floating storage and offloading vessel completed in the third quarter of 2018. The remaining working capital items included semi-annual interest payments on debt, an increase in accounts receivable, and a reduction in accounts payable.

**Investing activities:** Additions to property, plant and equipment were up \$271 million, compared to the same period in 2018, primarily reflecting increased drilling activity in the Bakken, increased activity at the Liza Phase 1 development and the Midstream operating segment's acquisition of assets from Summit Midstream Partners LP, partially offset by lower development expenditures in the Gulf of Mexico. The Midstream segment invested \$7 million in its 50/50 joint venture with Targa Resources in the first quarter of 2019, compared to \$24 million in the first quarter of 2018.

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

	Three Months Ended, March 31,	
	2019	2018
	(In millions)	
<b>Additions to property, plant and equipment - E&amp;P:</b>		
Capital expenditures incurred - E&P	\$ (515)	\$ (354)
Increase (decrease) in related liabilities	(6)	(9)
<b>Additions to property, plant and equipment - E&amp;P</b>	<u>\$ (521)</u>	<u>\$ (363)</u>
<b>Additions to property, plant and equipment - Midstream:</b>		
Capital expenditures incurred - Midstream	\$ (127)	\$ (37)
Increase (decrease) in related liabilities	(23)	—
<b>Additions to property, plant and equipment - Midstream</b>	<u>\$ (150)</u>	<u>\$ (37)</u>

**Liquidity and Capital Resources (continued)**

**Financing activities:** Debt repayments with maturities of greater than 90 days were \$3 million in the first quarter of 2019 and \$434 million in the first quarter of 2018, that included the redemption of our 8.125% notes due in 2019. HIP and HESM borrowed a total of \$199 million from their revolving credit facilities in the first quarter of 2019. Payments on finance lease obligations, which were reported in debt repayments prior to January 1, 2019, were \$23 million in the first quarter of 2019. In addition, we paid common and preferred stock dividends totaling \$88 million in the first quarter of 2019, compared to \$89 million in the first quarter of 2018. In the first quarter of 2018, we cash settled the repurchase of \$371 million of common stock.

**Future Capital Requirements and Resources**

Excluding our Midstream segment, we ended the first quarter of 2019 with approximately \$2.3 billion in cash and cash equivalents, total liquidity including available committed credit facilities of approximately \$6.7 billion and no significant near-term debt maturities.

Net cash provided by operating activities was \$238 million in the first quarter of 2019, compared to \$210 million in the first quarter of 2018. Net cash provided by operating activities before working capital changes was \$635 million in the first quarter of 2019 and \$397 million in the first quarter of 2018. Capital expenditures were \$642 million in the first quarter of 2019 and \$391 million in the first quarter of 2018. Based on current forward strip crude oil prices for 2019, we expect cash flow from operating activities and cash and cash equivalents existing at March 31, 2019 will be sufficient to fund our capital investment program and dividends through the end of 2019.

The table below summarizes the capacity, usage, and available capacity for borrowings and letters of credit under committed and uncommitted credit facilities at March 31, 2019:

	Expiration Date	Capacity	Borrowings	Letters of Credit Issued	Total Used	Available Capacity
(In millions)						
<b>Hess Corporation</b>						
Revolving credit facility - Hess Corporation	January 2021	\$ 4,000	\$ —	\$ —	\$ —	\$ 4,000
Committed lines	Various (a)	445	—	54	54	391
Uncommitted lines	Various (a)	240	—	240	240	—
<b>Total - Hess Corporation</b>		<u>\$ 4,685</u>	<u>\$ —</u>	<u>\$ 294</u>	<u>\$ 294</u>	<u>\$ 4,391</u>
<b>Midstream</b>						
Revolving credit facility - HIP (b)	November 2022	\$ 600	\$ 192	\$ —	\$ 192	\$ 408
Revolving credit facility - Hess Midstream Partners LP (c)	March 2021	300	7	—	7	293
<b>Total - Midstream</b>		<u>\$ 900</u>	<u>\$ 199</u>	<u>\$ —</u>	<u>\$ 199</u>	<u>\$ 701</u>

(a) Committed and uncommitted lines have expiration dates through 2020 and 2019, respectively.

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

(c) This credit facility may only be utilized by Hess Midstream Partners LP and is non-recourse to Hess Corporation.

At March 31, 2019, Hess Corporation had no outstanding borrowings or letters of credit under its then existing facility and was in compliance with its financial covenants.

On April 18, 2019 the Corporation terminated its existing revolving credit facility maturing in January 2021 and entered into a new fully undrawn \$3.5 billion revolving credit facility with a maturity date of May 15, 2023. This facility can be used for borrowings and letters of credit. Borrowings on the new facility will generally bear interest at 1.30% above the London Interbank Offered Rate (LIBOR), though the interest rate is subject to adjustment if the Corporation's credit rating changes. The facility is subject to customary representations, warranties and covenants, including a financial covenant limiting the ratio of Total Consolidated Debt to Total Capitalization (as such terms are defined in the credit agreement for the facility) of the Corporation and its consolidated subsidiaries to 0.650 to 1.000, and customary events of default.

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

**Liquidity and Capital Resources (continued)**

At March 31, 2019, HIP had \$800 million of senior secured syndicated credit facilities maturing November 2022, consisting of a \$600 million 5-year revolving credit facility and a drawn \$200 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. Borrowings under the 5-year Term Loan A facility will generally bear interest at LIBOR plus an applicable margin ranging from 1.55% to 2.50%, while the applicable margin for the 5-year syndicated revolving credit facility ranges from 1.275% to 2.000%. 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 an investment grade credit rating, as defined in the amended credit agreement, 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 cash interest expense, of no less than 2.25 to 1.0 for the prior four fiscal quarters. The amended credit agreement includes a secured leverage ratio test not to exceed 3.75 to 1.00 for so long as the facilities remain secured. HIP is in compliance with these financial covenants at March 31, 2019. Outstanding borrowings under this credit facility are non-recourse to Hess Corporation. At March 31, 2019, borrowings of \$192 million were drawn under HIP's revolving credit facility, and borrowings of \$195 million, excluding deferred issuance costs, were drawn under HIP's Term Loan A facility. The credit facilities are secured by first-priority perfected liens on substantially all of HIP's and certain of its wholly-owned subsidiaries' directly owned assets, including its equity interests in certain subsidiaries, subject to customary exclusions.

Hess Midstream Partners LP has a \$300 million 4-year senior secured syndicated revolving credit facility that became available for utilization at completion of its initial public offering in April 2017. The credit facility can be used for borrowings and letters of credit to fund operating activities and capital expenditures of HESM and expires March 2021. 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 HESM's leverage ratio, which is calculated as total debt to EBITDA. If HESM obtains credit ratings, pricing levels will be based on the credit ratings in effect from time to time. HESM 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. HESM is in compliance with these financial covenants at March 31, 2019. The credit facility is secured by first priority perfected liens on substantially all directly owned assets of HESM 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. At March 31, 2019, borrowings of \$7 million were drawn under this facility.

**Market Risk Disclosures**

We are 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 13, 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 \$43 million at March 31, 2019 that are used to reduce our exposure to fluctuating foreign exchange rates for various currencies. The change in fair value of foreign exchange contracts from a 10% weakening in the U.S. Dollar exchange rate is estimated to be a loss of approximately \$5 million at March 31, 2019.

At March 31, 2019, our total long-term debt, which was substantially comprised of fixed-rate instruments, had a carrying value of \$6,562 million and a fair value of \$6,987 million. A 15% increase or decrease in interest rates would decrease or increase the fair value of debt by approximately \$460 million or \$520 million, respectively. Any changes in interest rates do not impact our cash outflows associated with fixed-rate interest payments or settlement of debt principal, unless a debt instrument is repurchased prior to maturity.

At March 31, 2019, we have outstanding West Texas Intermediate (WTI) crude oil put contracts. See *Note 13, Financial Risk Management Activities* in the *Notes to Consolidated Financial Statements*. As of March 31, 2019, an assumed 10% increase in the forward WTI crude oil prices used in determining the fair value of our crude put contracts would reduce the fair value of these derivatives instruments by approximately \$40 million, while an assumed 10% decrease in the same WTI crude oil prices would increase the fair value of these derivative instruments by approximately \$90 million.

**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, 2019, 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, 2019.

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, 2019 that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting. We implemented internal controls to ensure we adequately evaluated our contracts against the accounting and disclosure requirements of ASC 842, *Leases* to facilitate adoption of the standard on January 1, 2019. There were no significant changes to our internal control over financial reporting due to adoption of the new standard.

**Item 1. Legal Proceedings.**

Information regarding legal proceedings is contained in *Note 11, 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, 2019, were as follows:

<b>Period</b>	<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>
January	—	\$ —	—	\$ 650
February	—	—	—	650
March	32,260	56.62	—	650
<b>Total</b>	<u>32,260</u>	<u>\$ 56.62</u>	<u>—</u>	

(a) Represents common shares repurchased at a price of \$56.60 per common share on the open market, of which substantially all were 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, we announced that our Board of Directors approved a stock repurchase program that authorized the purchase of common stock up to a value of \$4.0 billion. In May 2014, the share repurchase program was increased to \$6.5 billion and in March 2018, it was increased further to \$7.5 billion

**Item 6. Exhibits.**

Exhibits

- [10\(1\)\\*](#) [Form of Restricted Stock Award Agreement under the 2017 Long-Term Incentive Plan.](#)
- [10\(2\)\\*](#) [Form of Stock Option Award Agreement under the 2017 Long-Term Incentive Plan.](#)
- [10\(3\)\\*](#) [Form of Performance Award Agreement for three-year period ending December 31, 2021 under the 2017 Long-Term Incentive Plan.](#)
- [10\(4\)](#) [Credit Agreement, dated as of April 18, 2019, among Hess Corporation, the subsidiary party thereto, the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent incorporated by reference to Exhibit 10\(1\) of Form 8-K of the registrant, filed on April 23, 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.

\* These exhibits relate to executive compensation plans and arrangements.

**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 1, 2019

**RESTRICTED STOCK AWARD AGREEMENT**  
**Pursuant to the**  
**HESS CORPORATION**  
**2017 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>	#OF RESTRICTED SHARES

\* \* \* \* \*

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 2017 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.

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

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:

- 18.1 Administering and maintaining your records;
- 18.2 Providing information to any registrars, brokers or third party administrators of the Plan; and
- 18.3 Providing information to future purchasers of the Corporation or the business in which you work.

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.

Very truly yours,

HESS CORPORATION

By: /s/ John B. Hess  
Chief Executive Officer

Acknowledged and Agreed to:  
  
\_\_\_\_\_

**STOCK OPTION AGREEMENT**

**pursuant to the**

**HESS CORPORATION  
2017 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 2017 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:

\_\_\_\_\_  
Acceptance Date

**HESS CORPORATION 2017 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 2017 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, 2019, and shall end on December 31, 2021.

(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 negative discretion 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:

\_\_\_\_\_  
Your Signature  
\_\_\_\_\_

**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 1, 2019

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 1, 2019

**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, 2019 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 1, 2019

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, 2019 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 1, 2019

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.