

HESS CORP  
Form 10-Q  
August 07, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**Form 10-Q**

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

*For the quarter ended June 30, 2014*

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**

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(I.R.S. Employer Identification Number)

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

(Address of Principal Executive Offices)

**10036**

(Zip Code)

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

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

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

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

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company   
(Do not check if a smaller reporting company)

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

At June 30, 2014, there were 307,724,553 shares of Common Stock outstanding.

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES****CONSOLIDATED BALANCE SHEET (UNAUDITED)**

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
	(In millions,	
	except share amounts)	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,205	\$ 1,814
Accounts receivable		
Trade	2,348	3,093
Other	350	432
Inventories	842	954
Assets held for sale	2,151	1,097
Other current assets	871	1,209
Total current assets	8,767	8,599
<b>INVESTMENTS IN AFFILIATES</b>	213	687
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Total at cost	45,157	45,950
Less: Reserves for depreciation, depletion, amortization and lease impairment	17,921	17,179
Property, plant and equipment net	27,236	28,771
<b>GOODWILL</b>	1,858	1,869
<b>DEFERRED INCOME TAXES</b>	2,499	2,319
<b>OTHER ASSETS</b>	498	509
<b>TOTAL ASSETS</b>	<b>\$ 41,071</b>	<b>\$ 42,754</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,529	\$ 2,109
Accrued liabilities	3,063	3,265
Taxes payable	278	520
Liabilities associated with assets held for sale	263	286
Short-term debt and current maturities of long-term debt	124	378
Total current liabilities	5,257	6,558
<b>LONG-TERM DEBT</b>	5,953	5,420

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<b>DEFERRED INCOME TAXES</b>	2,416	2,292
<b>ASSET RETIREMENT OBLIGATIONS</b>	2,117	2,249
<b>OTHER LIABILITIES AND DEFERRED CREDITS</b>	974	1,451
Total liabilities	16,717	17,970
<b>EQUITY</b>		
Hess Corporation stockholders' equity		
Common stock, par value \$1.00		
Authorized 600,000,000 shares		
Issued 307,724,553 shares at June 30, 2014;		
325,314,177 shares at December 31, 2013	308	325
Capital in excess of par value	3,454	3,498
Retained earnings	20,879	21,235
Accumulated other comprehensive income (loss)	(384)	(338)
Total Hess Corporation stockholders' equity	24,257	24,720
Noncontrolling interests	97	64
Total equity	24,354	24,784
<b>TOTAL LIABILITIES AND EQUITY</b>	\$ 41,071	\$ 42,754

See accompanying notes to consolidated financial statements.

**Table of Contents****PART I FINANCIAL INFORMATION (CONT. D.)****HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES****STATEMENT OF CONSOLIDATED INCOME (UNAUDITED)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
(In millions, except per share amounts)				
<b>REVENUES AND NON-OPERATING INCOME</b>				
Sales and other operating revenues	\$ 2,846	\$ 3,069	\$ 5,618	\$ 6,537
Gains on asset sales, net	779	1,111	789	1,799
Other, net	(25)	(18)	(115)	(55)
<b>Total revenues and non-operating income</b>	<b>3,600</b>	<b>4,162</b>	<b>6,292</b>	<b>8,281</b>
<b>COSTS AND EXPENSES</b>				
Cost of products sold (excluding items shown separately below)	444	421	837	1,017
Operating costs and expenses	522	510	988	1,095
Production and severance taxes	78	97	140	227
Marketing expenses	25	28	65	60
Exploration expenses, including dry holes and lease impairment	460	200	579	419
General and administrative expenses	143	168	285	317
Interest expense	85	117	166	223
Depreciation, depletion and amortization	787	614	1,512	1,293
<b>Total costs and expenses</b>	<b>2,544</b>	<b>2,155</b>	<b>4,572</b>	<b>4,651</b>
<b>INCOME FROM CONTINUING OPERATIONS</b>				
<b>BEFORE INCOME TAXES</b>	<b>1,056</b>	<b>2,007</b>	<b>1,720</b>	<b>3,630</b>
Provision for income taxes	89	407	338	868
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>967</b>	<b>1,600</b>	<b>1,382</b>	<b>2,762</b>
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES</b>	<b>(37)</b>	<b>16</b>	<b>(31)</b>	<b>127</b>
<b>NET INCOME</b>	<b>930</b>	<b>1,616</b>	<b>1,351</b>	<b>2,889</b>
Less: Net income (loss) attributable to noncontrolling interests	(1)	185	34	182
<b>NET INCOME ATTRIBUTABLE TO HESS CORPORATION</b>	<b>\$ 931</b>	<b>\$ 1,431</b>	<b>\$ 1,317</b>	<b>\$ 2,707</b>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO HESS CORPORATION PER SHARE</b>				
<b>BASIC:</b>				
Continuing operations	\$ 3.13	\$ 4.16	\$ 4.29	\$ 7.60
Discontinued operations	(0.12)	0.05	(0.10)	0.37
<b>NET INCOME PER SHARE</b>	<b>\$ 3.01</b>	<b>\$ 4.21</b>	<b>\$ 4.19</b>	<b>\$ 7.97</b>

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Continuing operations	\$	3.08	\$	4.11	\$	4.23	\$	7.51
Discontinued operations		(0.12)		0.05		(0.10)		0.37

<b>NET INCOME PER SHARE</b>	\$	2.96	\$	4.16	\$	4.13	\$	7.88
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**WEIGHTED AVERAGE NUMBER OF COMMON SHARES**

<b>OUTSTANDING (DILUTED)</b>		314.1		344.0		318.7		343.4
<b>COMMON STOCK DIVIDENDS PER SHARE</b>	\$	0.25	\$	0.10	\$	0.50	\$	0.20

See accompanying notes to consolidated financial statements.

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

**HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES**

**STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME (UNAUDITED)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>(In millions)</b>			
<b>NET INCOME</b>	\$ 930	\$ 1,616	\$ 1,351	\$ 2,889