

HESS CORP
Form 10-Q
August 05, 2016

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 June 30, 2016

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

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(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, 2016, there were 316,674,357 shares of Common Stock outstanding.

HESS CORPORATION

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (UNAUDITED)

| | June 30, 2016 | December 31, 2015 |
|---|---|-------------------------|
| | (In millions, except share amounts) | |
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$3,095 | \$ 2,716 |
| Accounts receivable | | |
| Trade | 843 | 847 |
| Other | 205 | 312 |
| Inventories | 377 | 399 |
| Other current assets | 111 | 130 |
| Total current assets | 4,631 | 4,404 |
| Property, plant and equipment: | | |
| Total — at cost | 47,908 | 46,826 |
| Less: Reserves for depreciation, depletion, amortization and lease impairment | 22,139 | 20,474 |
| Property, plant and equipment — net | 25,769 | 26,352 |
| Goodwill | 375 | 375 |
| Deferred income taxes | 3,043 | 2,653 |
| Other assets | 416 | 373 |
| Total Assets | \$34,234 | \$ 34,157 |
| Liabilities | | |
| Current Liabilities: | | |
| Accounts payable | \$525 | \$ 457 |
| Accrued liabilities | 1,421 | 1,997 |
| Taxes payable | 91 | 88 |
| Current maturities of long-term debt | 102 | 86 |
| Total current liabilities | 2,139 | 2,628 |
| Long-term debt | 6,450 | 6,506 |
| Deferred income taxes | 1,227 | 1,334 |
| Asset retirement obligations | 2,238 | 2,158 |
| Other liabilities and deferred credits | 1,006 | 1,130 |
| Total liabilities | 13,060 | 13,756 |
| Equity | | |
| Hess Corporation stockholders' equity | | |
| Preferred stock, par value \$1.00; Authorized — 20,000,000 shares | | |

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| | | |
|---|----------|-----------|
| Series A 8% Cumulative Mandatory Convertible; \$1,000 per share liquidation preference; Issued — 575,000 shares (2015: 0) | 1 | — |
| Common stock, par value \$1.00; Authorized — 600,000,000 shares Issued — 316,674,357 shares (2015: 286,045,586) | 317 | 286 |
| Capital in excess of par value | 5,741 | 4,127 |
| Retained earnings | 15,559 | 16,637 |
| Accumulated other comprehensive income (loss) | (1,499) | (1,664) |
| Total Hess Corporation stockholders' equity | 20,119 | 19,386 |
| Noncontrolling interests | 1,055 | 1,015 |
| Total equity | 21,174 | 20,401 |
| Total Liabilities and Equity | \$34,234 | \$ 34,157 |

See accompanying Notes to Consolidated Financial Statements.

PART I - FINANCIAL INFORMATION (CONT'D.)

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME (UNAUDITED)

Three Months Ended June 30, 2016 Six Months Ended June 30, 2015
(In millions, except per share amounts)

| | Three Months Ended June 30, 2016 | Three Months Ended June 30, 2015 | Six Months Ended June 30, 2016 | Six Months Ended June 30, 2015 |
|---|----------------------------------|----------------------------------|--------------------------------|--------------------------------|
| Revenues and Non-Operating Income | | | | |
| Sales and other operating revenues | \$1,224 | \$1,953 | \$2,197 | \$3,491 |
| Other, net | 45 | (18) | 65 | (6) |
| Total revenues and non-operating income | 1,269 | 1,935 | 2,262 | 3,485 |
| Costs and Expenses | | | | |
| Cost of products sold (excluding items shown separately below) | 277 | 356 | 466 | 634 |
| Operating costs and expenses | 455 | 503 | 891 | 1,009 |
| Production and severance taxes | 28 | 45 | 47 | 81 |
| Exploration expenses, including dry holes and lease impairment | 199 | 90 | 331 | 359 |
| General and administrative expenses | 106 | 151 | 204 | 298 |
| Interest expense | 85 | 86 | 170 | 171 |
| Depreciation, depletion and amortization | 797 | 1,028 | 1,665 | 1,984 |
| Impairment | — | 385 | — | 385 |
| Total costs and expenses | 1,947 | 2,644 | 3,774 | 4,921 |
| Income (Loss) from Continuing Operations Before Income Taxes | (678) | (709) | (1,512) | (1,436) |
| Provision (benefit) for income taxes | (305) | (156) | (651) | (507) |
| Income (Loss) from Continuing Operations | (373) | (553) | (861) | (929) |
| Income (Loss) from Discontinued Operations, Net of Income Taxes | — | (14) | — | (27) |
| Net Income (Loss) | (373) | (567) | (861) | (956) |
| Less: Net income (loss) attributable to noncontrolling interests | 19 | — | 40 | — |
| Net Income (Loss) Attributable to Hess Corporation | (392) | (567) | (901) | (956) |
| Less: Preferred stock dividends | 12 | — | 18 | — |
| Net Income (Loss) Applicable to Hess Corporation Common Stockholders | \$(404) | \$(567) | \$(919) | \$(956) |