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# **Radical Improvement in Project Delivery: A Call to Action**

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November 30<sup>th</sup>, 2016

## Forward-looking statements & other information...

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This presentation contains projections and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These projections and statements reflect the company's current views with respect to future events and financial performance.

No assurances can be given, however, that these events will occur or that these projections will be achieved, and actual results could differ materially from those projected as a result of certain risk factors. A discussion of these risk factors is included in the company's periodic reports filed with the Securities and Exchange Commission.

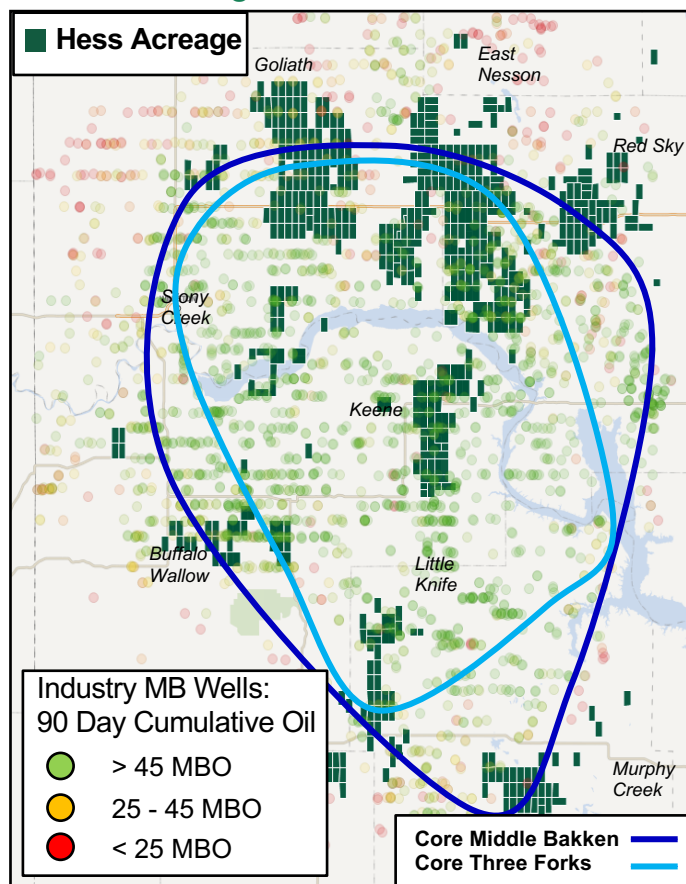
We use certain terms in this presentation relating to reserves other than proved, such as unproved resources. Investors are urged to consider closely the disclosure relating to proved reserves in Hess' Form 10-K, File No. 1-1204, available from Hess Corporation, 1185 Avenue of the Americas, New York, New York 10036 c/o Corporate Secretary and on our website at [www.hess.com](http://www.hess.com). You can also obtain this form from the SEC on the EDGAR system.

# One of the Best Portfolios in the Bakken

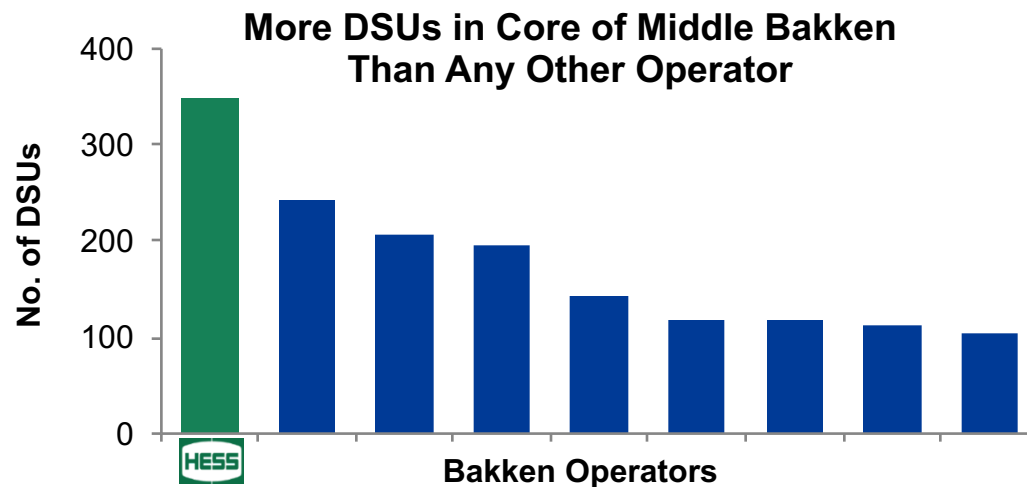
Material position in the core of the Bakken



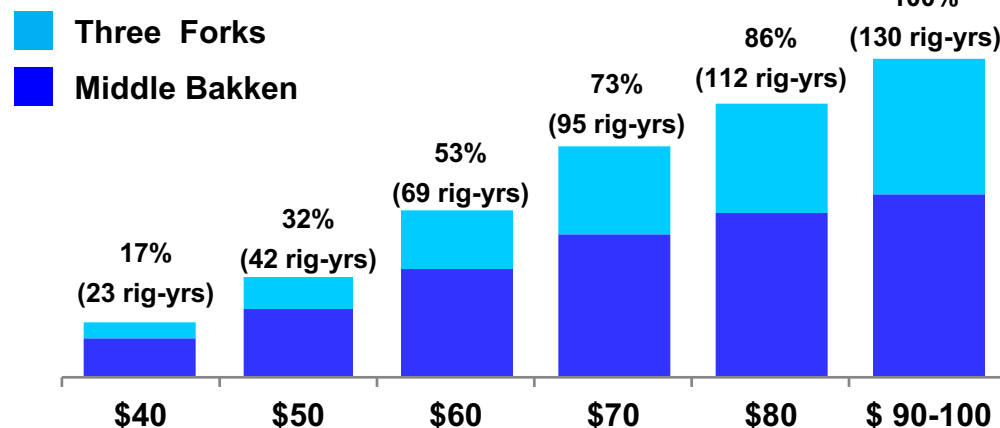
30+ Stage Wells Since 2012



DSU: 1,280 acre Drilling Spacing Unit  
Source: NDIC and Hess analysis



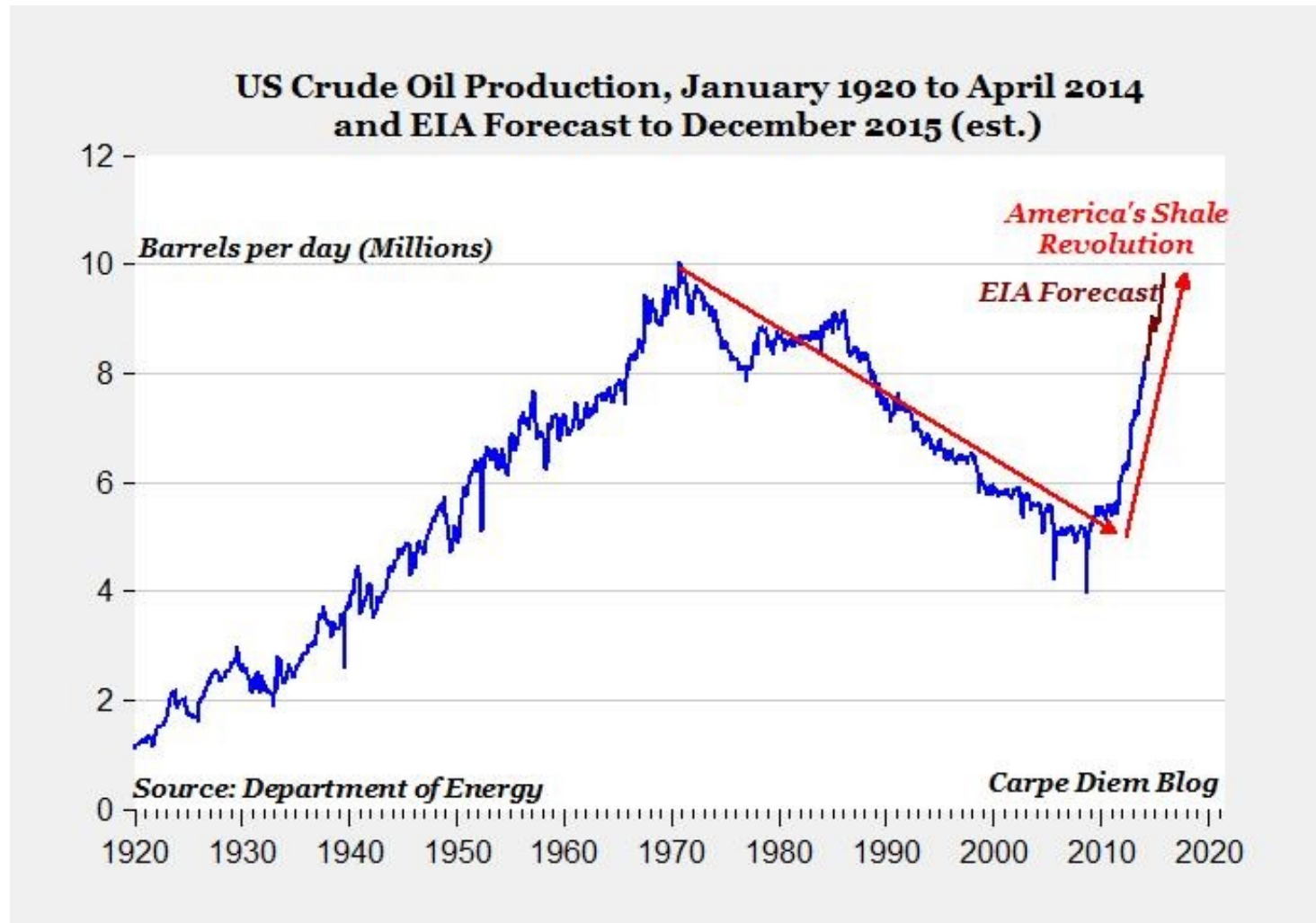
~2,900 Future<sup>1</sup> Operated Drilling Locations  
% of Total Inventory\* & Implied Rig-Years vs WTI Price  
(15% AT IRR Threshold)



<sup>1</sup>PF July 2016, assumes 22 wells/rig-year

**Better well planning & higher returns = Large inventory of economic wells at current prices**

# The “American Shale Revolution”...



# ...resulting in collapsing prices...



“After garnering total earnings of \$116 billion in 2014, the energy companies on this year’s list had combined losses of \$44 billion, after a stunning \$660 billion drop in sales, or 33%, year over year.”

*(From “Here Are The Big Trengs Shaping The 2016 FORTUNE 500”, Fortune Magazine. June 16, 2016, Tully and Rapp)*

# Industry spends more for every barrel...

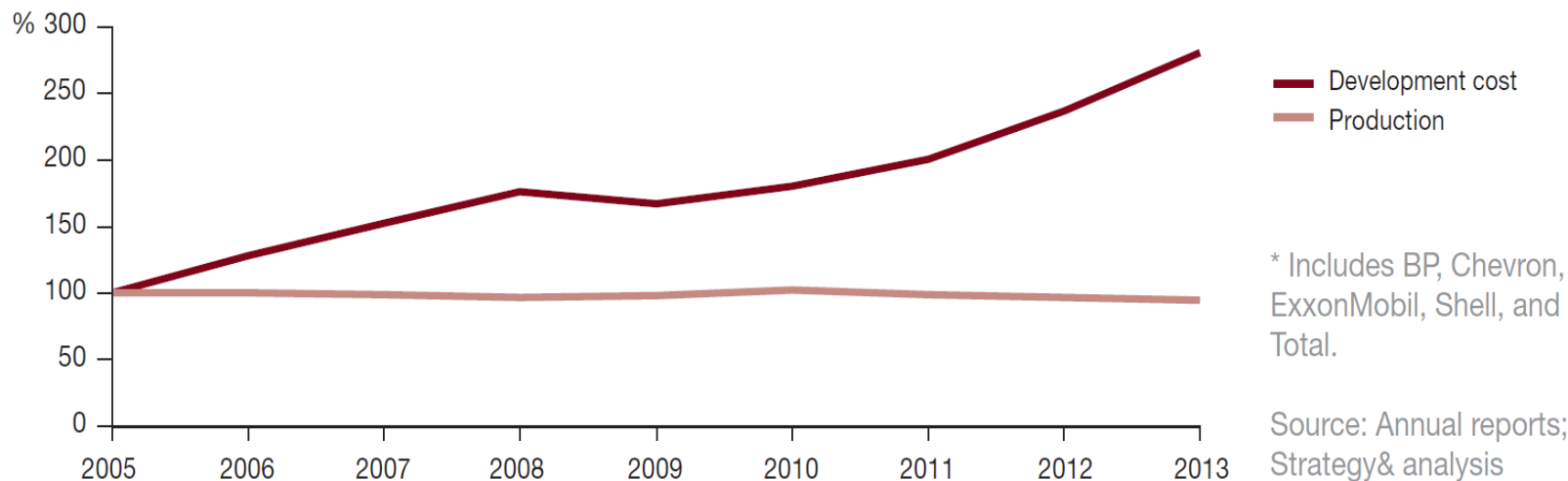


## Project Performance Compromises Business Performance & Shareholder Value

### Capex and production for five supermajors\*

(indexed to 2005)

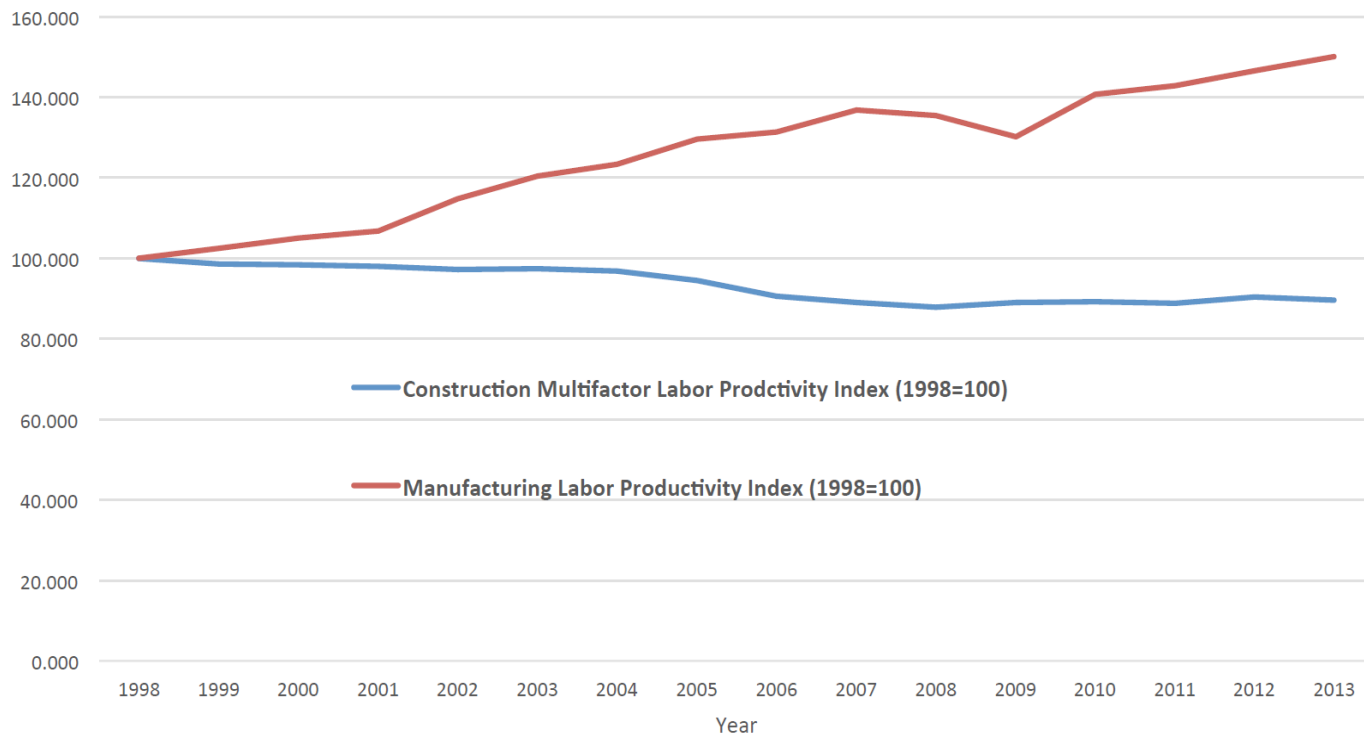
Percentage increase



# But the manufacturing sector provides lessons



Integrated Labor Productivity Index (2009=100)  
Construction and Manufacturing Industries  
1998-2013  
Source: BEA

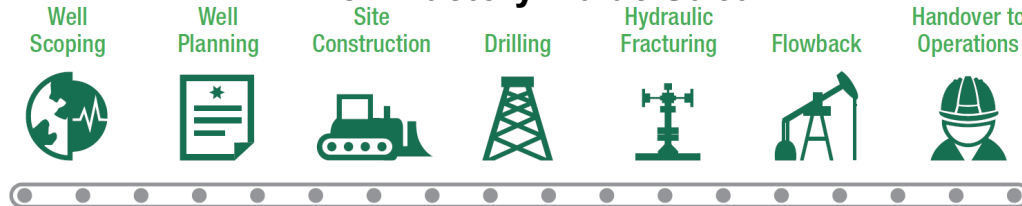


# The “Hess Well Factory”

## Taking a different approach to Shale

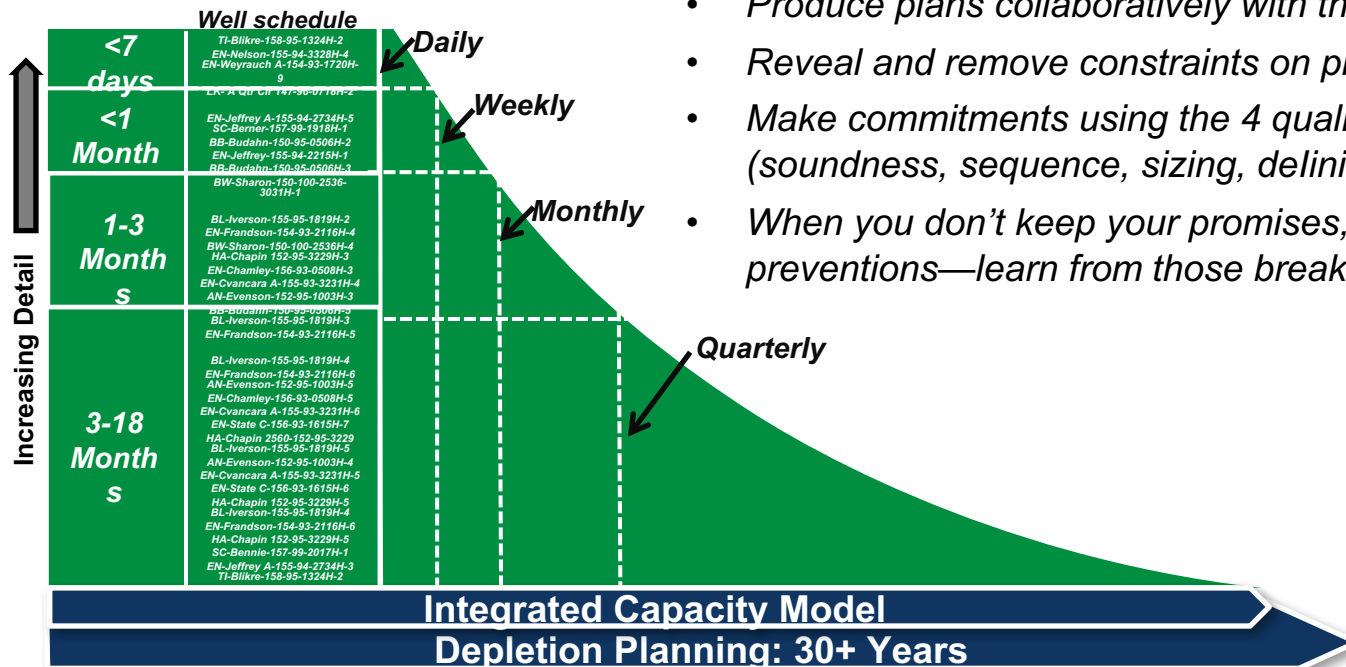


### Well ‘Factory’ Value Stream



### Principles of Last Planner System of Production Control

- Plan in greater detail as you get closer to doing the work
- Produce plans collaboratively with those who will do the work
- Reveal and remove constraints on planned tasks as a team
- Make commitments using the 4 quality assignment criteria (soundness, sequence, sizing, delinition)
- When you don't keep your promises, find root-causes and preventions—learn from those breakdowns



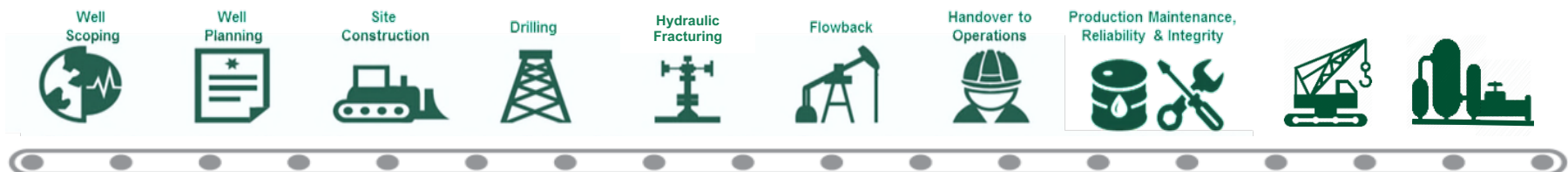
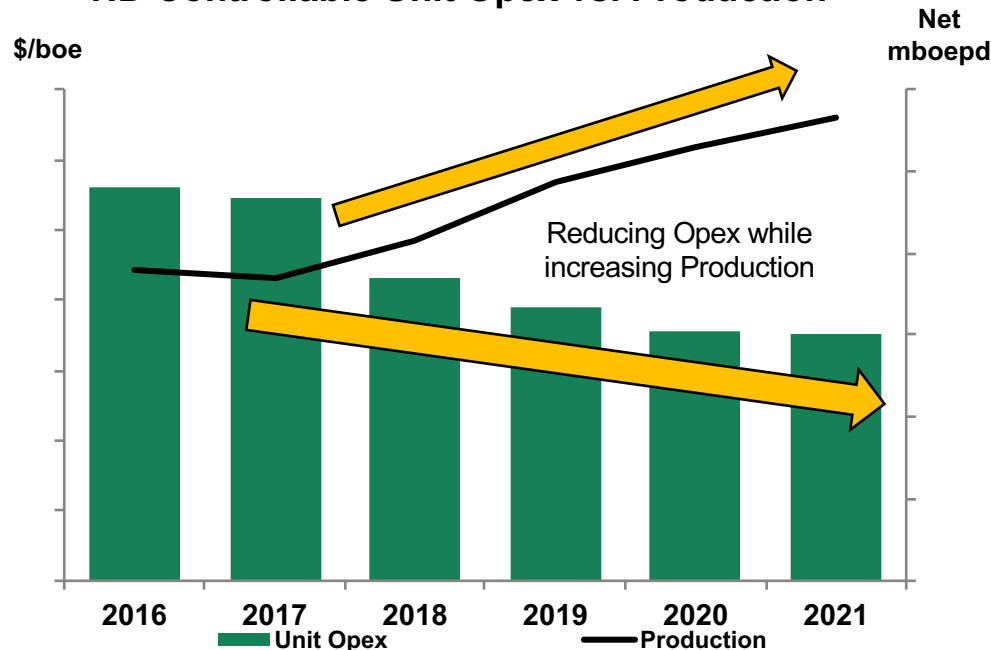


# Bottom Line: Extending to all parts of the Value Stream



- Application of Production Control and has been the major factor resulting in 58% improvement in Drilling and Construction from 2011 to 2016 YTD
- Over the next 3-5 years, we must make similar gains across the entire Value Stream, even into our Maintenance and Producing Operations.

**ND Controllable Unit Opex vs. Production**



## The Challenge:

- Do your people know what they should be doing today? (and how do you know that they know?)
- Can they do it and do it correctly?
- Are they engaged and committed to do it?
- Did they do it, and if not, why not and how do we prevent that from happening again?



