Lean in Action –
A Key to Success in the Unconventionals

Joaquin Martinez, Chief Production Engineer, Hess Corporation
(with Kandy Lukats, President and CEO, 3GiG)
June 7th, 2016
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. You can also obtain this form from the SEC on the EDGAR system.
Agenda

1. Leading Position in the Bakken
2. Ahead of Pack on Lean Journey
3. Focus on Highest Returns
4. Lean in Action
Bakken Business Overview

Excellent operational performance in challenging price environment…

- **Leading Position in the Bakken**
  - Inventory of economic locations, even at current prices
  - Performance meeting or beating expectations
  - Strategic midstream infrastructure

- **Hess ahead of pack on Lean journey**
  - Capital efficiency will enable continued development
  - Scalable standard processes across our business

- **Focus on highest returns**
  - Enhanced subsurface characterization
  - Completion design optimization
  - Tighter well spacing

- **Building Sustainable Operations**
One of the Best Portfolios in the Bakken
Material position in the heart of the core of the Bakken

30+ Stage Wells Since 2012

More DSUs in Core of Middle Bakken Than Any Other Operator

~3,200 Future Operated Drilling Locations
% of Total Inventory\(^1\) & Implied Rig Years* vs WTI Price
(15% AT IRR Threshold)

Industry MB Wells: 90
Day Cumulative Oil

- > 45 MBO
- 25 - 45 MBO
- < 25 MBO

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

WTI\(^2\) $/bbl

1Inventory based Jan 2016 well locations, DCF cost escalated with WTI price 22 wells/rig-year
2WTI prices above assume no escalation beyond Jan 2016
1. Leading Position in the Bakken
2. Ahead of Pack on Lean Journey
3. Focus on Highest Returns
4. Lean in Action
Lean Manufacturing Principles:
A Hess Competitive Advantage

Quality
Business Plans

Clear
Dashboards

Effective
Operating Rhythm

Structured
Problem Solving

Standard Processes

Value Stream Management

Well Scoping
Well Planning
Site Construction
Drilling
Hydraulic Fracturing
Flowback
Handover to Operations
Production Maintenance, Reliability & Integrity

Leadership Behaviors and People Development

Repeatable
Scalable
Standardized
Lean Delivering Results
Improving safety, cost, delivery and quality

**ONSHORE SAFETY**

Safety Observations and TRIR

- Leadership site visits are a primary focus
- Standard Work
  - Since 2013
  - >100% increase in safety observations
  - ~50% decrease in recordable injury rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Safety Observations</th>
<th>TRIR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>11,328</td>
<td>0.6</td>
</tr>
<tr>
<td>2014</td>
<td>18,918</td>
<td>0.44</td>
</tr>
<tr>
<td>2015</td>
<td>22,464</td>
<td>0.33</td>
</tr>
</tbody>
</table>

Lean Leadership behaviors leading to fewer injuries

**BAKKEN PAD-TO-PAD RIG MOBILIZATION**

- Contractors engaged in Lean problem solving
  - Nabors B05 Rig Move
    - 2014: 7 Days
    - Target: 5 Days
    - Current: 4.5 Days
    - 36% Reduction

**LEADING BAKKEN OPERATING PERFORMANCE**

- Hess Wells vs Peer Wells
- Low cost + high productivity + high margins = high returns

**UTICA DRILLING AND COMPLETIONS COST**

- 42% Reduction in Drilling & 43% Reduction in Completions Cost
1. Leading Position in the Bakken
2. Ahead of Pack on Lean Journey
3. Focus on Highest Returns
4. Lean in Action
Optimizing Bakken Completions
Increased Stage Count

Optimizing Completions Design
- Define Basis of Design
- Evaluate Optimum Stage Count
- Continue to drive innovation
- Evaluate additional opportunities

Stage Count Pilot Evolution
- 2008-2009: 50 stages
- 2010-2011: 50 stages
- 2012-2013: 50+ stages

Lean allowing Hess to deliver higher stage counts and higher IP rates without cost increase

- Meaningful statistical trial sets
- Pilot results in line or exceeding expectations
- 15-20% uplift in initial production

Moving forward with 50-stage completions as standard design

Delivering well performance while managing capital investment
Utica’s Lean Journey
1. Leading Position in the Bakken
2. Ahead of Pack on Lean Journey
3. Focus on Highest Returns
4. Lean in Action
Opportunity Management
Standards, Dashboards, Operating Rhythm and SPS

STANDARD TOOL: OPPORTUNITY REGISTER

• Over 7000 Opportunities collected since 2010
• In 2015 application used over 14,000 times
• Standard process for all
• > 160 columns of data, 23,000 rows or data over 6 years

VISUALIZATION & DASHBOARDS

For all Opportunities – Open to all Employees
Standard tools track and manage Opportunity Inventory

TRACKING PERFORMANCE

Opportunities created and completed measured

STRUCTURED PROBLEM SOLVING

Lean methods/approach tracked across inventory
• Technology and innovation is vital for surviving price volatility

• Key challenge is to preserve capability for when price recovers

• Lean Methods are key to leading unconventional performance
END