

HESS CORP
Form 10-Q
August 08, 2013

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, 2013

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)

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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, 2013, there were 343,401,303 shares of Common Stock outstanding.

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

	June 30, 2013	December 31, 2012
	(In millions,	
	except share amounts)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 725	\$ 642
Accounts receivable		
Trade	1,640	4,057
Other	314	281
Inventories	683	1,259
Assets held for sale	5,880	1,092
Other current assets	750	1,056
Total current assets	9,992	8,387
INVESTMENTS IN AFFILIATES	380	443
PROPERTY, PLANT AND EQUIPMENT		
Total at cost	41,195	45,553
Less: Reserves for depreciation, depletion, amortization and lease impairment	15,025	16,746
Property, plant and equipment net	26,170	28,807
GOODWILL	1,869	2,208
DEFERRED INCOME TAXES	2,753	3,126
OTHER ASSETS	264	470
TOTAL ASSETS	\$ 41,428	\$ 43,441
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 565	\$ 2,809
Accrued liabilities	2,792	3,287
Taxes payable	358	960
Liabilities associated with assets held for sale	2,664	539
Short-term debt and current maturities of long-term debt	354	787
Total current liabilities	6,733	8,382
LONG-TERM DEBT	5,446	7,324
DEFERRED INCOME TAXES	2,106	2,662
ASSET RETIREMENT OBLIGATIONS	1,971	2,212

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OTHER LIABILITIES AND DEFERRED CREDITS	1,199	1,658
Total liabilities	17,455	22,238
EQUITY		
Hess Corporation Stockholders' Equity		
Common stock, par value \$1.00		
Authorized 600,000,000 shares		
Issued 343,401,303 shares at June 30, 2013;		
341,527,617 shares at December 31, 2012		
	343	342
Capital in excess of par value	3,604	3,524
Retained earnings	20,369	17,717
Accumulated other comprehensive income (loss)	(419)	(493)
Total Hess Corporation stockholders' equity	23,897	21,090
Noncontrolling interests	76	113
Total equity	23,973	21,203
TOTAL LIABILITIES AND EQUITY	\$ 41,428	\$ 43,441

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,		Six Months Ended June 30,	
	2013	2012	2013	2012
(In millions, except per share amounts)				
REVENUES AND NON-OPERATING INCOME				
Sales and other operating revenues	\$ 3,011	\$ 3,324	\$ 6,477	\$ 6,220
Gains on asset sales	1,111		1,799	36
Other, net	(17)	(3)	(54)	26
Total revenues and non-operating income	4,105	3,321	8,222	6,282
COSTS AND EXPENSES				
Cost of products sold (excluding items shown separately below)	421	332	1,017	602
Operating costs and expenses	510	550	1,095	1,085
Production and severance taxes	97	127	227	265
Exploration expenses, including dry holes and lease impairment	200	196	419	449
General and administrative expenses	167	144	316	276
Interest expense	99	105	205	209
Depreciation, depletion and amortization	613	746	1,292	1,408
Asset impairments		59		59
Total costs and expenses	2,107	2,259	4,571	4,353
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES				
Provision for income taxes	1,998	1,062	3,651	1,929
	409	522	879	850
INCOME FROM CONTINUING OPERATIONS	1,589	540	2,772	1,079
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES				
	27	(5)	117	16
NET INCOME	1,616	535	2,889	1,095
Less: Net income (loss) attributable to noncontrolling interests	185	(14)	182	1
NET INCOME ATTRIBUTABLE TO HESS CORPORATION	\$ 1,431	\$ 549	\$ 2,707	\$ 1,094
NET INCOME ATTRIBUTABLE TO HESS CORPORATION PER SHARE				
BASIC:				
Continuing operations	\$ 4.18	\$ 1.58	\$ 7.64	\$ 3.17
Discontinued operations	0.03	0.04	0.33	0.07
NET INCOME PER SHARE	\$ 4.21	\$ 1.62	\$ 7.97	\$ 3.24

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Continuing operations	\$	4.13	\$	1.58	\$	7.56	\$	3.14
Discontinued operations		0.03		0.03		0.32		0.07
NET INCOME PER SHARE	\$	4.16	\$	1.61	\$	7.88	\$	3.21
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (DILUTED)		344.0		340.4		343.4		340.4
COMMON STOCK DIVIDENDS PER SHARE	\$.10	\$.10	\$.20	\$.20

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		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
	(In millions)			
NET INCOME	\$ 1,616	\$ 535	\$ 2,889	\$ 1,095
OTHER COMPREHENSIVE INCOME:				
Derivatives designated as cash flow hedges				
Effect of hedge (gains) losses reclassified to income	(45)	312	(41)	466
Income taxes on effect of hedge (gains) losses reclassified to income	17	(119)	15	(176)
Net effect of hedge (gains) losses reclassified to income	(28)	193	(26)	290