



PESA *Supply Chain Seminar*



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Hess Corporation
25 February 2016

Who We Are



Hess Corporation (NYSE: HES) is a leading global independent energy company engaged in the exploration and production of crude oil and natural gas.



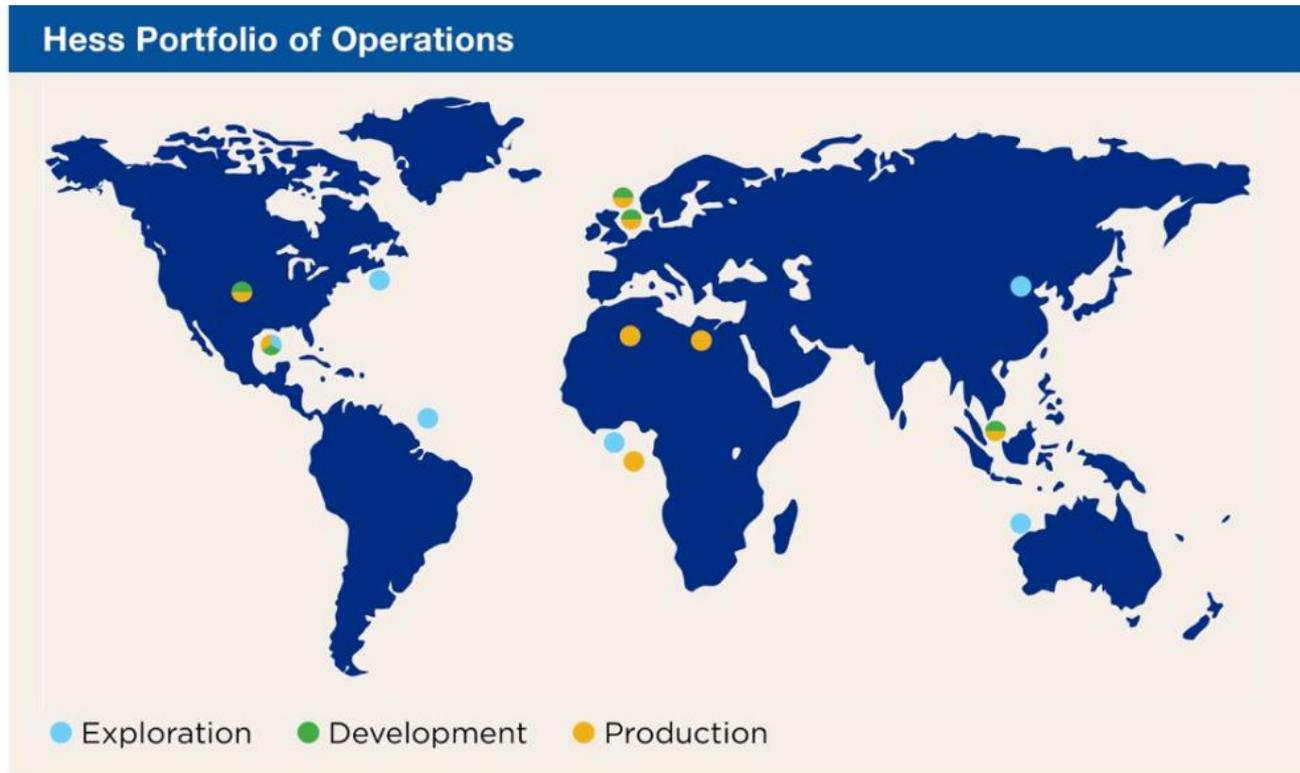
1933
founded



330,000-
350,000
boe/d 2016 Net
Production
Forecast

\$2.4 billion
capital and exploratory
budget
(2016 projected)

Where We Operate



Exploration

Ghana, Nova Scotia, Guyana, Australia and Gulf of Mexico.



Production

Bakken (North Dakota), Okume and Ceiba in Equatorial Guinea, South Arne in Denmark, Valhall in Norway and the Malaysia/Thailand Joint Development Area.



Developments

Stampede (Gulf of Mexico), North Malay Basin (Gulf of Thailand); South Arne (Denmark) and Valhall (Norway).

What We're Known For



Award Winner



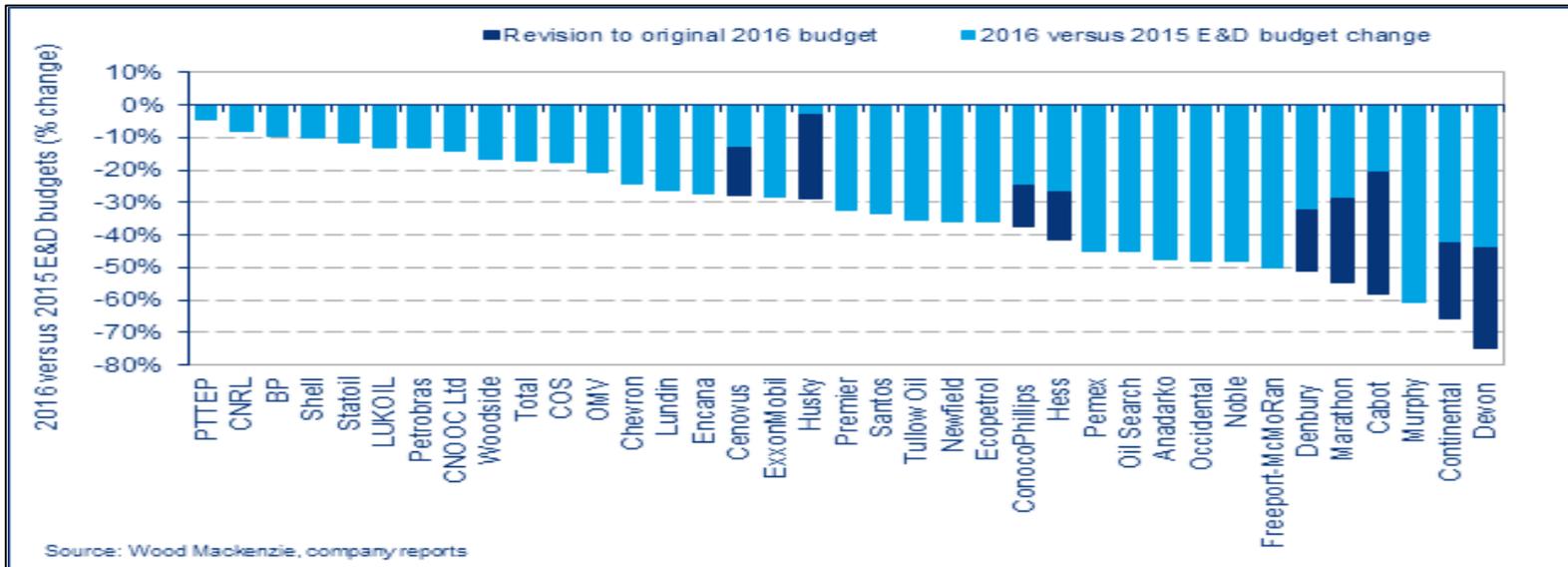
MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



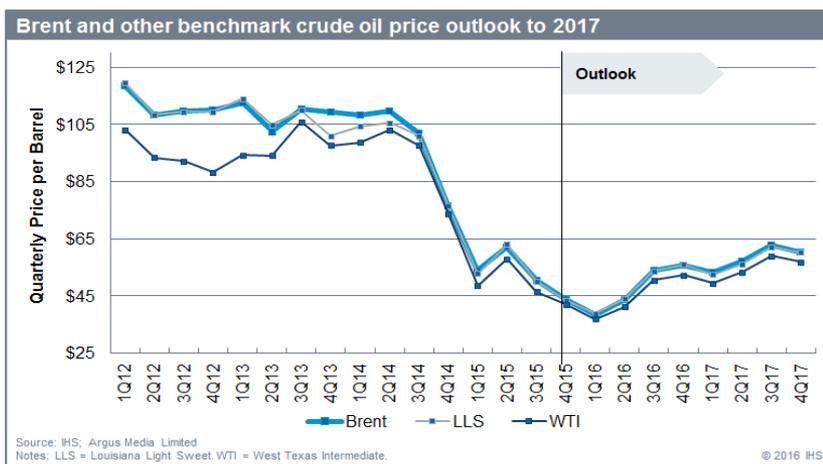
Today's Operating Environment



\$72Bn has been cut from 2016 upstream budgets



Continued bearish news; balance not until 2017



300,000+ job losses in past 20 months*



Implications: “Beyond Within”



- Impact of cost cuts is unknown in terms of future value creation
- Cost transparency and cost discipline
- Change from P&L focus to Problem / Delivery focus
- The courage to collaborate
- It's less about traditional supply chain and emerging into transformational change agents



If now this is not the time for ‘the art of the possible,’ when is it?

Our Approach



- Preserve capability, cash and growth options
- Focus on Lean and Category Management
- Integrated Supplier Workshops
- “Operations of the Future”

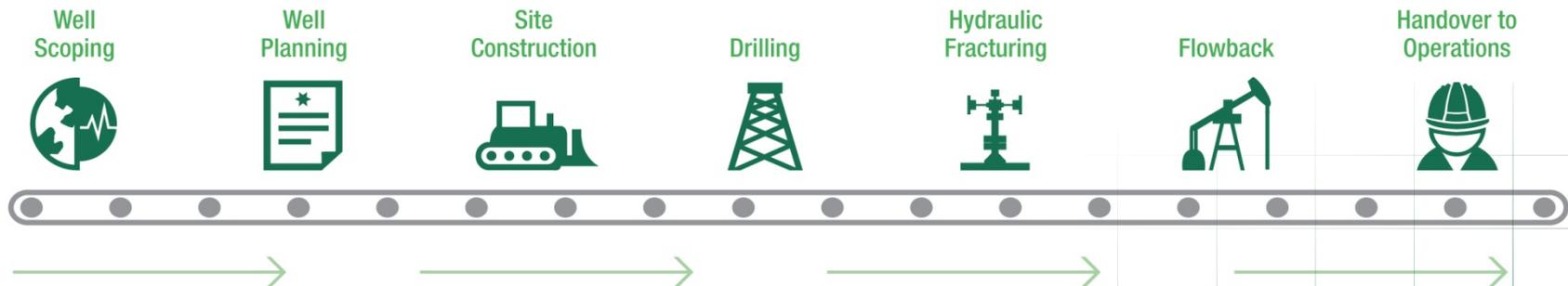


The Hess Way: Lean Thinking



- Derived from automotive manufacturing
- Scientific approach to problem solving – “Army of Problem Solvers”
- Focuses on ensuring quality and reducing wasteful activity
- Improves value and helps the business meet or exceed performance goals
- “Well factory” assembly line for improved efficiency
- Lean principles are now being applied across the company

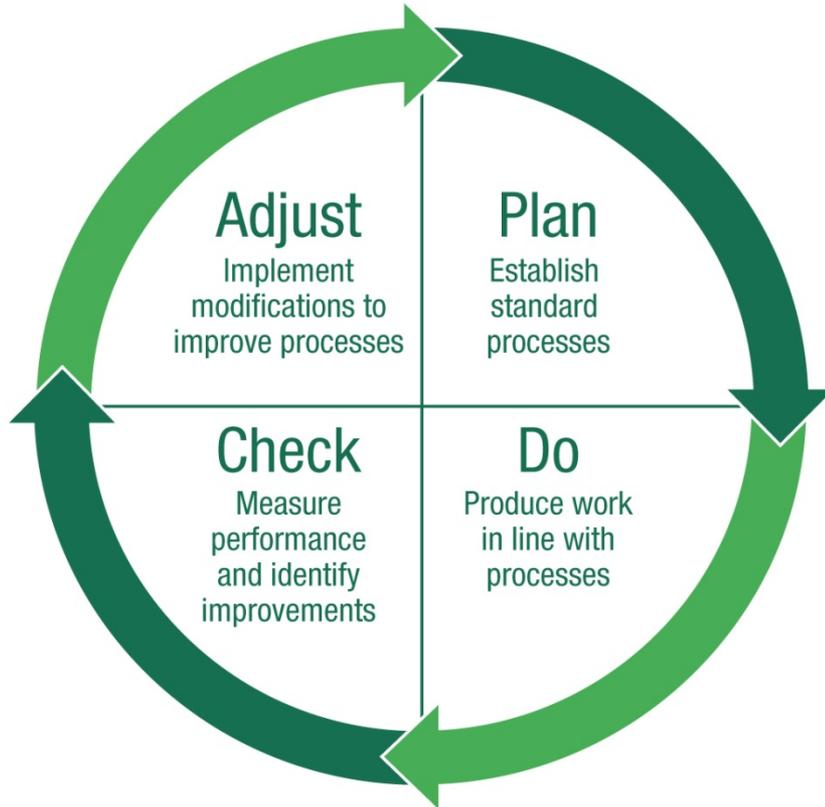
Well Factory Assembly Line



Continuous Improvement Mindset



The PDCA Continuous Improvement Cycle



- Based on the concept of using learning to continually improve business operations
- People at all levels empowered and equipped with the right tools to upgrade business practices
- Addresses issues in never-ending cycle of improvement
- Improves safety, quality, delivery and cost

We Fish Together



Performance Results



Supply Base

Purpose

- Critical suppliers who provide services which significantly influence Hess' cost structure
- Work with Category Management Team and Lean Advisor to drive efficiencies in Hess specs, operating model, and processes

Category Management Team

Purpose

- Cross-functional team representing critical functions with supplier interfaces
 - GSC
 - Engineering
 - Operations
 - Excellence
 - QAQC
 - EHS
 - Finance
- Work collaboratively to reach Safety, Quality, Delivery and Cost targets

Lean Advisor

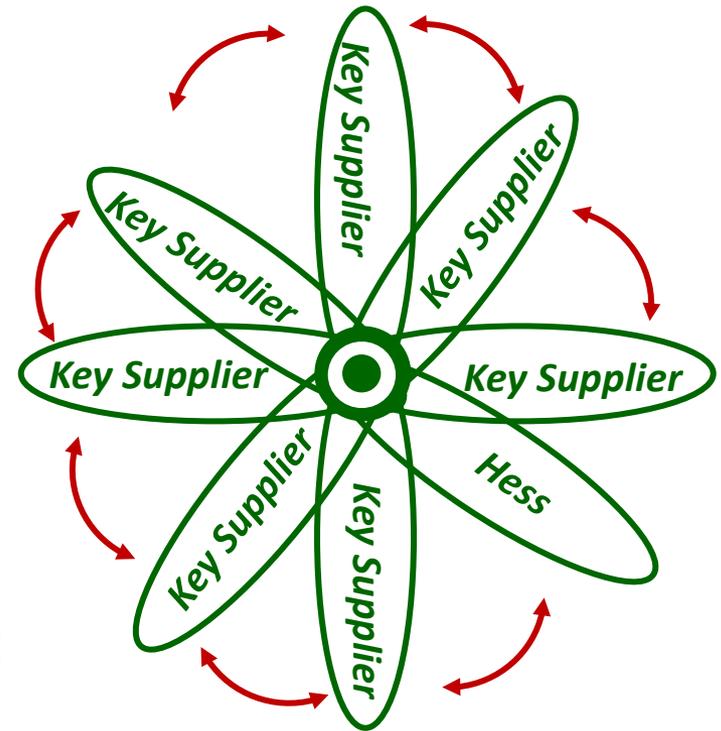
Purpose

- Expert focused on teaching/embedment
- Ensure waste removed from system

Guiding Principles of Contractor Integration



- Trusted Partnership
- *Win – Win* relationships
- Collaborative versus Adversarial
- Process not People Dependent
- Lean Continuous Improvement Focus
- More Responsibility to Contractors; Work Together to Drive Improvements
- Focus on the Well, not “Hub and Spoke”
- Metrics Driven (SQDC)



Work and Material Flow Optimizes Response to Repetitive Repairs



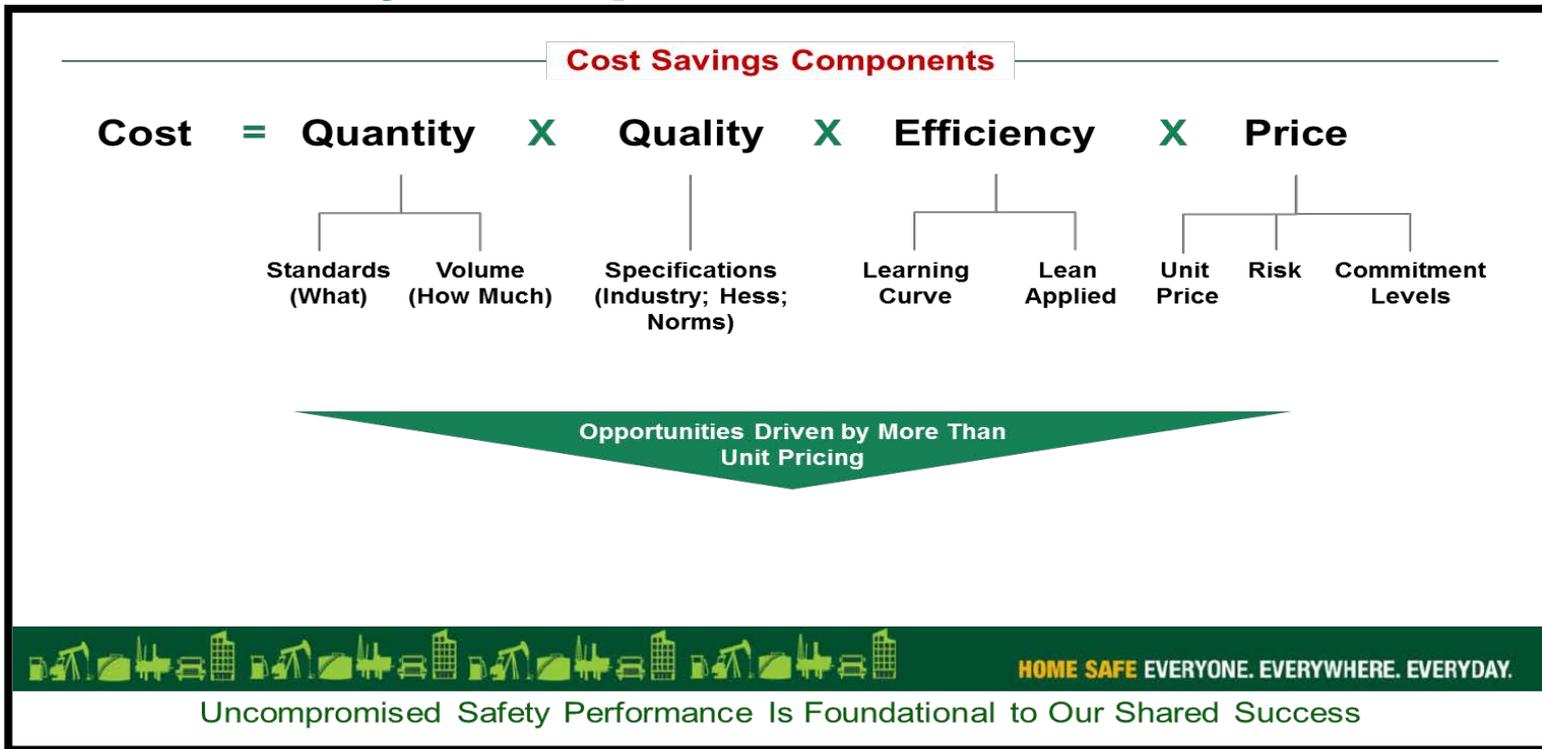
From	To
<ul style="list-style-type: none">• ~1-2 jobs per day usually break-in work on repetitive corrective maintenance jobs	<ul style="list-style-type: none">• ~ 3-5+ jobs per day resulting in lower costs and quicker cycle time to repair
<ul style="list-style-type: none">• Multiple warehouse trips	<ul style="list-style-type: none">• No warehouse trips – routine replenishment
<ul style="list-style-type: none">• Different craft or contractor worker assigned to each job by planner scheduler	<ul style="list-style-type: none">• Dispatcher sequences jobs to ‘experienced technicians’ who know exactly what to do
<ul style="list-style-type: none">• Multiple contractors and equipment for each job	<ul style="list-style-type: none">• Fit for purpose equipment designed to perform the job in most efficient way
<ul style="list-style-type: none">• Spotty or poor data quality	<ul style="list-style-type: none">• Robust job details and data quality – used to continuously improve reliability and execution

Case for Contractor Integration



- Traditional relationship has not produced the desired results
- Large number of contractors makes it difficult to effectively manage performance and drive continuous improvement
- Contractors are an extension of the Hess workforce – alignment critical
 - 80%- 85% of work done by contractors
- Skillset augmentation – quantity and technical
- Do more with Less – decrease overtime

How to Stay Competitive



- Continue to make Safety your #1 Priority
- Preserve focus on Quality and Reliability
- Examine your own supply chains
- Demonstrate value to your customers through more transparency
- What does data tell all of us?
- Communicate to collaborate – Learn from others (internally & externally)

Takeaways



- Cultivate your ideas – walk in the customer’s shoes to play out the barriers and demonstrate what the transition could look like
- Recognize that the DNA of relationship building is changing
- This great industry will recover – Ready or not?
- Truly successful companies will establish discipline to carry into the recovery



More...